

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

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 29, 2008
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 001-33376

GSC Investment Corp.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

20-8700615
(I.R.S. Employer
Identification Number)

888 Seventh Ave
New York, New York 10019
(Address of principal executive offices)

(212) 884-6200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Shares, par value \$0.0001 per share

Name of Each Exchange on Which Registered
The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of August 31, 2007 was approximately \$87.5 million based upon a closing price of \$12.40 reported for such date by the New York Stock Exchange. Common shares held by each executive officer and director and by each person who owns 5% or more of the outstanding common shares have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding common shares of the registrant as of May 23, 2008 was 8,291,384.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to held on July 8, 2008, are incorporated by reference into Part III of this Report

NOTE ABOUT REFERENCES TO GSC INVESTMENT CORP.

In this Annual Report on Form 10-K (the “Annual Report”), the “Company,” “we,” “us” and “our” refer to GSC Investment Corp., its subsidiaries and related companies, unless the context otherwise requires.

NOTE ABOUT TRADEMARKS

We have entered into a license agreement with GSC Group, pursuant to which GSC Group grants us a non-exclusive, royalty-free license to use the “GSC” name and logo.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements under Part I, Item 1A “Risk Factors” and Part I, Item 1 “Business” and elsewhere in this annual report constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will” and “would” or the negative of these terms or other comparable terminology. Any forward-looking statements contained in this annual report do not have the benefit of the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

The forward-looking statements contained in this annual report involve risks and uncertainties, including the risks listed under Part I, Item 1A “Risk Factors” herein as well as the statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this Annual Report, please see the discussion under Part I, Item 1A “Risk Factors”. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this Annual Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this Annual Report.

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PART I**Item 1. Business****General**

GSC Investment Corp. is a Maryland corporation that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). The Company is the successor by merger to GSC Investment, LLC (the “LLC”), a Maryland limited liability company that had elected to be regulated as a BDC, which was merged into the Company concurrently with the Company’s incorporation on March 21, 2007. As a result of the merger, each outstanding common share of the LLC was converted into an equivalent number of shares of the Company’s common stock. As of February 28, 2007, the Company (including its predecessors) had not commenced operations or investment activities.

Our investment objectives are to generate both current income and capital appreciation through debt and equity investments by primarily investing in private middle market companies and select high yield bonds. We intend to file an election to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code commencing with our first taxable year as a corporation. We commenced operations on March 23, 2007 and completed our initial public offering (“IPO”) on March 28, 2007. We are externally managed and advised by our investment adviser, GSCP (NJ), L.P. (together with certain of its affiliates, “GSC Group”).

We used the net proceeds of our IPO to purchase approximately \$100.7 million in aggregate principal amount of debt investments from GSC Partners CDO Fund III, Limited (“CDO Fund III”), a collateralized debt obligation (“CDO”) fund managed by our investment adviser. We used borrowings under our Facilities (as defined below) to purchase approximately \$115.1 million in aggregate principal amount of debt investments in April and May 2007 from CDO Fund III and GSC Partners CDO Fund Limited (“CDO Fund I”), another CDO managed by our investment adviser. As of February 29, 2008, our portfolio consisted of \$172.8 million of investments in 38 portfolio companies.

Our portfolio is comprised primarily of investments in first and second lien term loans issued by private middle market companies and high yield bonds. We are seeking to create a diversified portfolio by investing up to 5% of our total assets in each investment, although the investment sizes may be more or less than the targeted range. These investments are sourced in both the primary and secondary markets through a network of relationships with commercial finance companies, commercial and investment banks, and financial sponsors. The loans and bonds that we purchase are generally used to fund buyouts, acquisitions, growth, recapitalizations and other types of financings. First and second lien loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. These loans also have the benefit of security interests in the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. High yield bonds are typically subordinated to leveraged loans and generally unsecured, though a substantial amount of the high yield bonds that we currently own are secured. Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by Moody’s Investors Service and/or Standard & Poor’s or, if not rated, would be rated below investment grade if rated. High yield bonds rated below investment grade are commonly referred to as “junk bonds.” We also anticipate purchasing mezzanine debt and making equity investments in private middle market companies. Mezzanine debt is typically unsecured and subordinate to senior debt of the portfolio company. For purposes of this annual report, we generally use the term “middle market” to refer to companies with annual EBITDA of between \$5 million and \$50 million. EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization.

While our primary focus is to generate both current income and capital appreciation through investments in debt and equity securities of private middle market companies and high-yield bonds, we intend to invest up to 30% of our assets in opportunistic investments. Opportunistic investments may include investments in distressed debt, debt and equity securities of public companies, credit default swaps, emerging market debt, and structured finance vehicles, including collateralized loan obligation (“CLO”) funds. As part of this 30%, we may also invest in the debt of middle market companies located outside the United States. Given our primary investment focus on first and second lien loans issued by private middle market companies and high yield bonds, we believe our opportunistic investments will allow us to supplement our core investments with other investments that are within our investment adviser’s expertise and that we believe offer attractive yields and/or the potential for capital appreciation.

As a BDC, we must satisfy certain regulatory requirements. For instance, we have to invest at least 70% of our total assets in “qualifying assets,” including securities of private U.S. operating companies or public U.S. companies whose securities are not listed on a national securities exchange registered under the Exchange Act (i.e., New York Stock Exchange, American Stock Exchange and The NASDAQ Global Market), cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, we are only allowed to borrow money such that our asset coverage, which, as defined in the 1940 Act, measures the ratio of total assets less total liabilities (excluding borrowings) to total borrowings, equals at least 200% after such borrowing, with certain limited exceptions. The amount of our borrowing will depend on our investment adviser’s assessment of market conditions and other factors.

Investments

As of February 29, 2008, our portfolio consisted of \$172.8 million in investments. We are seeking to create a diversified portfolio that includes first and second lien loans, mezzanine debt and high-yield bonds by investing up to 5% of our total investments in each portfolio company, although the investment sizes may be more or less than the targeted range. As of February 29, 2008, we invested in excess of 5% of our total investments in 4 of the 38 portfolio companies, but in each case less than 16.7% of our total investments, and our five largest portfolio company exposures represented approximately 47.3% of our total investments. We also anticipate making equity investments in private middle market companies.

First lien loans

First lien loans are secured by a first priority perfected security interest on all or substantially all of the assets of the borrower and typically include a first priority pledge of the capital stock of the borrower. First lien loans hold a first priority with regard to right of payment. Generally, first lien loans offer floating rate interest payments, have a stated maturity of five to seven years, and have a fixed amortization schedule. First lien loans generally have restrictive financial and negative covenants.

Second lien loans

Second lien loans are secured by a second priority perfected security interest on all or substantially all of the assets of the borrower and typically include a second priority pledge of the capital stock of the borrower. Second lien loans hold a second priority with regard to right of payment. Second lien loans offer either floating rate or fixed rate interest payments, generally have a stated maturity of five to eight years, and may or may not have a fixed amortization schedule. Second lien loans that do not have fixed amortization schedules require payment of the principal amount of the loan upon the maturity date of the loan. Second lien loans have less restrictive financial and negative covenants than those that govern first lien loans.

High yield bonds

High yield bonds are divided into senior secured bonds and unsecured bonds. Senior secured bonds are secured by a perfected security interest on all or substantially all of the assets of the borrower, but which may be contractually subordinated to liens on certain assets of the borrower. In addition, senior secured bonds may have a pledge of the capital stock of the borrower. Senior secured bonds offer either floating rate or fixed rate interest payments and generally have a stated maturity of five to eight years and do not have fixed amortization schedules. Senior secured bonds generally have less restrictive financial and negative covenants than those that govern first lien and second lien loans.

Unsecured bonds are not secured by the underlying assets or collateral of the issuer and may be subordinate in priority of payment to senior debt of the issuer. In the event of the borrower’s liquidation, dissolution, reorganization, bankruptcy or other similar proceeding, the bondholders only have the right to share *pari passu* in the issuer’s unsecured assets with other equally-ranking creditors of the issuer. Unsecured bonds typically have fixed rate interest payments and a stated maturity of five to ten years and do not have fixed amortization schedules.

Mezzanine debt

Mezzanine debt usually ranks subordinate in priority of payment to senior debt and is often unsecured. However, mezzanine debt ranks senior to common and preferred equity in a borrowers' capital structure. Mezzanine debt typically has fixed rate interest payments and a stated maturity of six to eight years and does not have fixed amortization schedules.

In some cases our debt investments may provide for a portion of the interest payable to be paid-in-kind interest. To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation.

Equity investments

Equity investments may consist of preferred equity that is expected to pay dividends on a current basis or preferred equity that does not pay current dividends. Preferred equity generally has a preference over common equity as to distributions on liquidation and dividends. In some cases, we may acquire common equity. In general, our equity investments are not control-oriented investments and we expect that in many cases we will acquire equity securities as part of a group of private equity investors in which we are not the lead investor.

Opportunistic Investments

Opportunistic investments may include investments in distressed debt, debt and equity securities of public companies, credit default swaps, emerging market debt, structured finance vehicles, including collateralized loan obligation ("CLO") funds and debt of middle market companies located outside the United States. In January 2008, we purchased for \$30 million all of the outstanding subordinated notes of GSC Investment Corp. CLO 2007, Ltd., (the "GSCIC CLO"), a \$400 million CLO managed by us that invests primarily in senior secured loans. As of February 29, 2008, the GSCIC CLO portfolio consisted of \$372.9 million in aggregate principal amount of investments in 105 obligors with an average obligor exposure of \$2.9 million and \$40.3 million in uninvested cash. The weighted average maturity of the portfolio is 5.7 years. Although we will consider CLO investment opportunities as they arise, we do not plan on managing or purchasing the entire subordinated note tranche (or its equivalent) of any other CLOs in the near future.

Prospective portfolio company characteristics

Our investment adviser, GSC Group, utilizes the investment philosophy of its U.S. corporate debt group in identifying and selecting portfolio company investments. Our portfolio companies generally have one or more of the following characteristics:

- a history of generating stable earnings and strong free cash flow;
- well constructed balance sheets, including an established tangible liquidation value;
- reasonable debt-to-cash flow multiples;
- industry leadership with competitive advantages and sustainable market shares in attractive sectors; and
- capital structures that provide appropriate terms and reasonable covenants.

Investment selection

In managing us, GSC Group employs the same investment philosophy and portfolio management methodologies used by its U.S. corporate debt group. Through this investment selection process, based on quantitative and qualitative analysis, GSC Group seeks to identify issuers with superior fundamental risk-reward profiles and strong, defensible business franchises with the goal of minimizing principal losses while maximizing risk-adjusted returns. Our adviser's investment process emphasizes the following:

- bottoms-up, company-specific research and analysis;
- capital preservation, low volatility and minimization of downside risk; and
- investing with experienced management teams that hold meaningful equity ownership in their businesses.

Our adviser's investment process generally includes the following steps:

- *Initial screening.* A brief analysis identifies the investment opportunity and reviews the merits of the transaction. The initial screening memorandum provides a brief description of the company, its industry, competitive position, capital structure, financials, equity sponsor and deal economics. If the deal is determined to be attractive by the senior members of the deal team, the opportunity is more fully analyzed.
- *Full analysis.* A full analysis includes:
 - *Business and Industry analysis* — a review of the company's business position, competitive dynamics within its industry, cost and growth drivers and technological and geographic factors. Business and industry research often includes meetings with industry experts, consultants, GSC Group advisory board members, other investors, customers and competitors.
 - *Company analysis* — a review of the company's historical financial performance, future projections, cash flow characteristics, balance sheet strength, liquidation value, legal, financial and accounting risks, contingent liabilities, market share analysis and growth prospects.
 - *Structural/security analysis* — a thorough legal document analysis including but not limited to an assessment of financial and negative covenants, events of default, enforceability of liens and voting rights.
- *Approval of the group head.* After an investment has been identified and diligence has been completed, a report is prepared. This report is reviewed by the senior investment professional in charge of the potential investment. If such senior investment professional is in favor of the potential investment, it is presented for the approval of the group head. Additional due diligence with respect to any investment may be conducted by attorneys and independent accountants prior to the closing of the investment, as well as by other outside advisers, as appropriate.
- *Approval of the investment committee.* After the approval of the group head, the investment is presented to the investment committee for approval. Sale recommendations made by the investment staff must also be approved by the investment committee. Purchase and sale recommendations over \$10 million per issuer require unanimous and majority approval of the investment committee, respectively. Each of our Chief Executive Officer, Thomas V. Inglesby, and Chairman, Richard M. Hayden has discretionary authority to make purchases or sales below \$10 million per issuer, subject to certain aggregate limits.

In addition to various risk management and monitoring tools, GSC Group normally grades all investments using an internally developed credit and monitoring rating system ("CMR"), which assists it in evaluating and monitoring investments. The CMR rating consists of two components: (i) a numerical debt score and (ii) a corporate letter rating. The numerical debt score is based on the objective evaluation of six risk categories: (i) leverage, (ii) seniority in the capital structure, (iii) fixed charge coverage ratio, (iv) debt service coverage/liquidity, (v) operating performance, and (vi) business/industry risk. The numerical debt score ranges from 1.00 to 5.00, which can generally be characterized as follows:

- 1.00-2.00 represents investments that hold senior positions in the capital structure and, typically, have low financial leverage and/or strong historical operating performance;
- 2.00-3.00 represents investments that hold relatively senior positions in the capital structure, either senior secured, senior unsecured, or senior subordinate, and have moderate financial leverage and/or are performing at or above expectations;
- 3.00-4.00 represents investments that are junior in the capital structure, have moderate financial leverage and/or are performing at or below expectations; and
- 4.00-5.00 represents investments that are highly leveraged and/or have poor operating performance.

The numerical debt score is designed to produce higher scores for debt positions that are more subordinate in the capital structure. Therefore, generally second lien loans, high-yield bonds and mezzanine debt will be assigned scores of 2.25 or higher.

The CMR also consists of a corporate letter rating whereby each credit is assigned a letter rating based on several subjective criteria, including perceived financial and operating strength and covenant compliance. The corporate letter ratings range from (A) through (F) and are characterized as follows: (A) equals strong credit, (B) equals satisfactory credit, (C) equals special attention credit, (D) equals payment default risk, (E) equals payment default, (F) equals restructured equity security.

At February 29, 2008, no investment in our portfolio was non-performing or delinquent on any payment obligations or was being accounted for on a non-accrual basis.

The CMR distribution of our investments as of February 29, 2008 was as follows:

Numerical Debt Score	Investments at Fair Value	Percentage of Total Portfolio
	(\$ in thousands)	
1.00 - 1.99	\$ 11,863	6.9%
2.00 - 2.99	87,423	50.6
3.00 - 3.99	44,459	25.7
4.00 - 4.99	0	0.0
5.00	0	0.0
N/A(1)	29,092	16.8
Total	\$ 172,837	100.0%

Corporate Letter Rating	Investments at Fair Value	Percentage of Total Portfolio
	(\$ in thousands)	
A	\$ 0	0.0%
B	112,019	64.8
C	31,726	18.4
D	0	0.0
E	0	0.0
F	0	0.0
N/A(1)	29,092	16.8
Total	\$ 172,837	100.0%

(1) \$0.2 million constitutes our investment in the partnership interests of CDO Fund III and \$28.9 million constitutes our investment in the subordinated notes of GSCIC CLO. CMR ratings are intended for corporate issuers and are inapplicable to subordinated CLO investments, which are subject to unique payment risks. (See Part I, Item 1A “Risk Factors — Risks related to our investments — Our investment in GSCIC CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility”). GSCIC CLO’s portfolio investments are individually graded, however, and over 90% have a numerical debt score of less than 2.99 and a corporate letter rating of A or B.

Investment structure

In general, our investment adviser intends to select investments with financial covenants and terms that reduce leverage over time, thereby enhancing credit quality. These methods include:

- maintenance leverage covenants requiring a decreasing ratio of debt to cash flow;
- maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures; and
- debt incurrence prohibitions, limiting a company’s ability to re-lever.

In addition, limitations on asset sales and capital expenditures should prevent a company from changing the nature of its business or capitalization without consent.

Our investment adviser seeks, where appropriate, to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;
- requiring companies to use a portion of their excess cash flow to repay debt;
- selecting investments with covenants that incorporate call protection as part of the investment structure; and
- selecting investments with affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

There may be certain restrictions on our investment adviser's ability to negotiate and structure the terms of our investments when we co-invest with other GSC Group-managed investment vehicles. See "— Co-investment" below.

Valuation process

Investments for which market quotations are readily available are recorded in our financial statements at such market quotations subject to any decision by our board of directors to make a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available quarterly at fair value as determined in good faith by our board of directors based on input from our investment adviser, our audit committee and, if our board or audit committee so request, a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in a fair value pricing include the nature and realizable value of any collateral, the portfolio company's ability to make payments, the markets in which the portfolio company does business, yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Our investment in the subordinated notes of GSCIC CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar CLO securities, when available.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- each investment is initially valued by the responsible investment professionals and preliminary valuation conclusions are documented and discussed with our senior management; and
- an independent valuation firm engaged by our board of directors reviews at least one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by an independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- our board of directors discusses the valuations and determines the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (if applicable) and audit committee.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by our board of directors may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the

determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Ongoing relationships with and monitoring of portfolio companies

Our investment adviser will closely monitor each investment the Company makes and, when appropriate, will conduct a regular dialogue with both the management team and other debtholders and seek specifically tailored financial reporting. In addition, in certain circumstances, senior investment professionals of GSC Group may take board seats or board observation seats.

Leverage

In addition to funds available from the issuance of our common stock, we use borrowed funds, known as “leverage,” to make investments and to attempt to increase returns to our shareholders by reducing our overall cost of capital. As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing. As of February 29, 2008, our asset coverage ratio, as defined in the 1940 Act, was 225%.

On April 11, 2007, we entered into a revolving securitized credit facility (the “Revolving Facility”) pursuant to which we may borrow up to \$100 million. On May 1, 2007, we entered into a \$25.7 million term securitized credit facility (the “Term Facility” and, together with the Revolving Facility, the “Facilities”), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility.

As of February 29, 2008, we have borrowed an aggregate of \$78.5 million under the Revolving Facility and have \$21.5 million of undrawn commitments remaining. Interest is payable on funds drawn under the Revolving Facility at the prevailing commercial paper rates or, if the commercial paper market is at any time unavailable, the prevailing LIBOR rates, plus 0.70%, payable monthly.

By consolidating the Facilities we increased our overall borrowing capacity without increasing either our aggregate indebtedness or cost of funding. As a result of this consolidation, we incurred a non-cash charge of \$0.3 million, representing the write down of the non-amortized structuring expense of the Term Facility.

The Revolving Facility contains limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, investment size, payment frequency and status, average life, collateral interests and investment ratings. We are also subject to regulatory restrictions on leverage which may affect the amount of funding that we can obtain under the Revolving Facility. The Revolving Facility also includes certain requirements relating to portfolio performance the violation of which could result in the early amortization of the Facilities, limit further advances and, in some cases, result in an event of default. A significant percentage of our total investments have been pledged to secure our obligations under the Revolving Facility.

In the interests of diversifying our sources of debt funding, we may in the future borrow from and issue senior debt securities to banks and other lenders and/or securitize certain of our portfolio investments, subject to our ability to satisfy the 1940 Act restrictions on BDCs.

Dividend

We intend to make quarterly distributions to our stockholders out of assets legally available for distribution. Our quarterly distributions, if any, will be determined by our board of directors. Any such distributions will be taxable to our stockholders, including to those stockholders who receive additional shares of our common stock pursuant to a dividend reinvestment plan.

In order to maintain our qualification as a RIC, we must for each fiscal year distribute an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. In addition, we will be subject to federal excise taxes to the extent we do not distribute during the calendar year at least (1) 98% of our ordinary income for the calendar year,

(2) 98% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years. To provide stability in our dividend distributions (which might otherwise be adversely affected by timing mismatches between the receipt of payments on our investments and the payment of dividends) we did not distribute all of our capital gains in excess of capital losses realized during the one year period ending on October 31, 2007, and incurred federal excise taxes as a result. We expect to declare dividends payable from such capital gains prior to November 15, 2008 and to distribute such dividends prior to February 28, 2009. We may similarly withhold from distribution a portion of the capital gains in excess of capital losses realized during the one year period ending October 31, 2008 and/or a portion of our ordinary income for the 2008 calendar year and, if we do so, we would expect to incur federal excise taxes again as a result.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders’ cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash dividends.

We have distributed \$1.55 per share of dividends to stockholders since we commenced operations in March 2007. Please see Part II, Item 5 “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” for additional details. We are prohibited from making distributions that cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or that violate our debt covenants.

About GSC Group

GSC Group was founded in 1999 by Alfred C. Eckert III, its Chairman and Chief Executive Officer. Its senior officers and advisers are in many cases long-time colleagues who have worked together extensively at other institutions, including private equity, distressed debt and investment banking firms. GSC Group specializes in credit-based alternative investment strategies including corporate credit, equity and distressed debt investing and structured mortgage products. GSC Group is privately owned, has over 150 employees, and has offices in New Jersey, New York and London. GSC Group conducts its investment advisory business through GSCP (NJ), L.P., an SEC registered investment adviser with approximately \$21.6 billion of assets under management⁽¹⁾ as of March 31, 2008.

GSC Group operates in three main business lines: (i) the corporate credit group, which is organized into the U.S. corporate debt group, which provides investment advisory and management services to the Company, the European corporate debt group and the European mezzanine lending group, and is comprised of 31 investment professionals who manage approximately \$7.8 billion of assets⁽¹⁾ in collateralized loan obligation funds, collateralized debt obligation funds, mezzanine debt funds and credit funds; (ii) the equity and distressed debt investing group, which is comprised of 18 investment professionals who manage approximately \$1.4 billion of assets⁽¹⁾ in control distressed debt funds and sponsors, provides administrative services to, and acts as officers and directors of, a special acquisition company; and (iii) the structured mortgage products group, which is comprised of 10 investment professionals managing \$12.4 billion of assets⁽¹⁾ in various synthetic and hybrid collateralized debt obligation funds, a real estate investment trust and a structured products hedge fund.

⁽¹⁾ The methodology used by GSC Group to calculate its assets under management varies with the nature of the account and represents (i) the sum of cash, uncalled capital commitments, as applicable, and the market value of each investment; or (ii) the principal balance of the underlying assets adjusted for defaulted securities plus the market value of equity securities, all as measured under the relevant account documents; or (iii) for certain accounts holding both synthetic and cash investments, the notional value of the underlying investments in the accounts plus any uninvested cash balances, or (iv) for certain whole loan accounts, the sum of the outstanding principal balances of the underlying loans. In all cases, the value of the underlying assets may differ significantly from the assets under management as forth above.

Our investment adviser

Our Chairman, Richard M. Hayden, and Chief Executive Officer, Thomas V. Inglesby, are senior managers of our investment adviser and Mr. Inglesby is head of GSC Group's U.S. corporate debt group. Mr. Hayden and Mr. Inglesby have over 35 years and 20 years experience in the financial services industry, respectively. Mr. Hayden and Mr. Inglesby are supported by the 18 investment professionals within GSC Group's U.S. corporate debt group. Additionally, the Company has access to the approximately 40 investment professionals in GSC Group's European corporate debt group, European mezzanine lending group, equity and distressed debt investing group and structured mortgage products group.

Our investment adviser is responsible for administering our business activities and day-to-day operations and uses the resources of GSC Group to support our operations. Our investment adviser is able to leverage GSC Group's current investment platform, resources and existing relationships with financial institutions, financial sponsors and investment firms to provide us with attractive investment opportunities. In addition to deal flow, the GSC Group investment platform assists our investment adviser in analyzing and monitoring investments. In particular, these resources provide us with a wide variety of investment opportunities and information that assists us in making investment decisions across our targeted asset classes, which we believe provide us with a competitive advantage. GSC Group has been investing in corporate debt since its founding in 1999. In addition to having access to approximately 60 investment professionals, we also have access to GSC Group's administrative professionals who provide assistance in accounting, legal, compliance and investor relations.

Our relationship with our investment adviser and GSC Group

We currently have no employees, and each of our executive officers is also an employee of GSC Group. As of April 14, 2008, GSC Group and its affiliates owned 995,866 shares (12%) of our common stock and senior employees of GSC Group (managing director and above) owned an additional 375,659 shares (4.5%) of our common stock. Some, but not all, of these persons are required to file statements of beneficial ownership pursuant to Section 16 of the Exchange Act.

On March 21, 2007, we entered into an investment advisory and management agreement with our investment adviser. The initial term of the investment advisory and management agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. Pursuant to the investment advisory and management agreement, our investment adviser implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our investment adviser is responsible for, among other duties, performing all of our day-to-day functions, determining investment criteria, sourcing, analyzing and executing investments, asset sales, financings and performing asset management duties. Under our investment advisory and management agreement, we have agreed to pay our investment adviser an annual base management fee based on our total assets, as defined under the 1940 Act (other than cash and cash equivalents but including assets purchased with borrowed funds), and an incentive fee based on our performance.

Pursuant to our investment advisory and management agreement, our investment adviser has formed an investment committee to advise and consult with our investment adviser's senior management team with respect to our investment policies, investment portfolio holdings, financing and leveraging strategies and investment guidelines. We believe that the cumulative experience of the investment committee members across a variety of fixed income asset classes benefits us. Along with GSC Group's U.S. corporate debt group's investment staff, the investment committee monitors investments in our portfolio.

Market opportunity

We believe the environment for investing in private middle market companies is attractive for the following reasons:

- middle market debt securities are attractive compared to broadly syndicated debt securities because middle market debt securities generally have more conservative capital structures, tighter financial covenants, better security packages and higher yields.

- established relationships create a high barrier to entry in the middle market financing business. Specifically, private middle market companies and their financial sponsors prefer to access capital from and maintain close and longstanding relationships with a small group of well-known capital providers.
- the middle market debt segment is a highly fragmented portion of the leveraged finance market. We believe that many of the largest capital providers in the broader leveraged finance market choose not to participate in middle market lending because of a preference for larger, more liquid transactions.
- we expect continued strong leveraged buyout activity from private equity firms who currently hold large pools of uninvested capital earmarked for acquisitions of private middle market companies. These private equity firms will continue to seek to leverage their investments by combining their equity capital with leveraged loans and mezzanine debt from other sources.

Competitive advantages

We believe that through our relationship with GSC Group we enjoy several competitive advantages over other capital providers to private middle market companies.

GSC Group's investment platform

GSC Group has a long history of strong performance across a broad range of asset classes and sectors. The senior investment professionals of GSC Group have extensive experience investing in leveraged loans, high-yield bonds, mezzanine debt and private equity. GSC Group's U.S. corporate debt group has drawn from its extensive middle market investment experience to develop a rigorous investment process that emphasizes detailed business and financial analysis to minimize principal loss while maximizing risk adjusted returns.

Experience sourcing and managing middle market loans

GSC Group's U.S. corporate debt group has historically focused on investments in private middle market companies and we expect to benefit from this experience. Our investment adviser uses GSC Group's extensive network of relationships with intermediaries focused on private middle market companies to attract well-positioned prospective portfolio company investments. Since 2003, GSC Group's U.S. corporate debt group has reviewed over 1,200 new middle market loan opportunities, including over 400 second lien loans. Of the loans reviewed, 352 were purchased by the group for the clients it advises, including 59 second lien loans.

Experienced management and investment committee

Thomas V. Inglesby, our Chief Executive Officer and a Senior Managing Director of GSC Group, has over 20 years of middle market investing experience, having managed leveraged loan, high-yield bond, mezzanine debt, distressed debt and private equity portfolios. In addition to Mr. Inglesby, our investment committee consists of Richard M. Hayden, Chairman of our board of directors, Robert F. Cummings, Jr., a Director of the Company and Seth M. Katzenstein, a Managing Director of GSC Group. Mr. Hayden is also Vice Chairman of GSC Group. Mr. Hayden was previously with Goldman, Sachs & Co. from 1969 until 1999. Mr. Cummings is a Senior Managing Director of GSC Group, Chairman of the risk and conflicts committee and Chairman of the valuation committee. Mr. Cummings was previously with Goldman, Sachs & Co. from 1973 to 1998. Mr. Katzenstein is a Managing Director of GSC Group in the U.S. corporate debt group and has five years of experience managing corporate debt portfolios.

Transaction sourcing network and relationships with middle market lenders

We intend to capitalize on the diverse deal-sourcing opportunities that we believe GSC Group brings to us as a result of its investment experience in our targeted asset classes, track record and extensive network of contacts in the financial community, including financial sponsors, merger and acquisition advisory firms, investment banks, capital markets desks, lenders and other financial intermediaries and sponsors. In addition, through its other activities, GSC Group is regularly in contact with portfolio company management teams that can help provide additional insights on a wide variety of companies and industries.

In particular, GSC Group has developed its middle market franchise via extensive relationships with middle market loan originators. These relationships have been developed over the past 15 years at multiple levels of management within GSC Group and have resulted in GSC Group's ability to generate a significant amount of middle market opportunities, including first and second lien loans and mezzanine debt securities. We believe that these relationships will continue to provide GSC Group with access to middle market debt securities.

Flexible transaction structuring

We expect to be flexible in structuring investments, the types of securities in which we invest and the terms associated with such investments. The principals of GSC Group have experience in a wide variety of securities issued by private middle market companies with a diverse set of terms and conditions. This approach and experience should enable our investment adviser to identify investment opportunities throughout various economic cycles and across a company's capital structure so that we can make investments consistent with our stated objectives.

Access to GSC Group's infrastructure

We have access to GSC Group's finance and administration infrastructure, which addresses information technology, risk management, legal and compliance, and operational matters, and promulgates and administers comprehensive policies and procedures regarding important investment adviser matters, including portfolio management, trade allocation and execution and securities valuation. We believe that the finance and administrative infrastructure established by GSC Group is an important component of a complex investment vehicle such as a BDC. These systems support, and are integrated with, our portfolio management functions.

We also have the benefit of the experience of GSC Group's senior professionals, many of whom have served on public and private company boards and/or served in other senior management roles.

Compliance policies

GSC Group has designed a compliance program to monitor its conflict-resolution policies and procedures and regularly evaluates the reasonableness of such policies and procedures. GSC Group's compliance program monitors the implementation of and tests adherence to compliance-related policies and procedures that address GSC Group's Code of Ethics and other compliance matters including investment allocation, trade aggregation, best execution, cross trades and proxy voting and related matters. The program is governed in part by the requirements of the 1940 Act and is headed by GSC Group's Chief Compliance Officer. GSC Group has also established a Compliance Committee consisting of GSC Group's Chief Compliance Officer, Associate General Counsel, Compliance (who also serves as our chief compliance officer) and a Senior Managing Director, that provides day-to-day guidance on GSC Group compliance matters in addition to overseeing the compliance program.

Managerial assistance

As a BDC we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Pursuant to a separate administration agreement, our investment adviser (to the extent permitted under the 1940 Act) will provide such managerial assistance on our behalf to portfolio companies that request this assistance, recognizing that our involvement with each investment will vary based on factors including the size of the company, the nature of our investment, the company's overall stage of development and our relative position in the capital structure. We may receive fees for these services.

Competition

Our primary competitors in providing financing to private middle market companies include public and private investment funds, commercial and investment banks and commercial financing companies. Many of our competitors are substantially larger and have considerably greater financial and marketing resources than us. For example, some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which may allow them to consider a

wider variety of investments. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. We expect to use GSC Group's knowledge and resources to learn about, and compete effectively for, financing opportunities with attractive private middle market companies in the industries in which we seek to invest. For additional information concerning the competitive risks we face, please see Part I, Item 1A "Risk Factors — Risks related to our business — We operate in a highly competitive market for investment opportunities."

Staffing

We do not currently have any employees and do not expect to have any employees in the future. Services necessary for our business will be provided by individuals who are employees of GSC Group, pursuant to the terms of the investment advisory and management agreement and the administration agreement. We reimburse GSC Group for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our officers and their respective staffs, subject to certain limitations. The amount payable to GSC Group under the administration agreement is capped to the effect that such amount, together with our other operating expenses, does not exceed an amount equal to 1.5% per annum of our net assets attributable to common stock. In addition, during the initial two year term of the administration agreement, GSC Group has agreed to waive our reimbursement obligation under the administration agreement until our total assets exceeds \$500 million. From the commencement of operations until March 23, 2008, GSC Group reimbursed us for operating expenses to the extent that our total annual operating expenses (other than investment advisory and management fees and interest and credit facility expenses) exceeded an amount equal to 1.55% of our net assets attributable to common stock.

Regulation

We have elected to be treated as a BDC under the 1940 Act. As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters, and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC, unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's stock present at a meeting if more than 50% of the outstanding stock of such company are present and represented by proxy or (ii) more than 50% of the outstanding stock of such company.

Under the 1940 Act, we may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed a "principal underwriter" as that term is defined in the Securities Act.

Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investment. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances.

We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of investment companies in general. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies are fundamental and may be changed without stockholder approval.

Qualifying assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

- (a) is organized under the laws of, and has its principal place of business in, the United States;
- (b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- (c) satisfies either of the following:
 - (i) does not have any class of securities listed on a national securities exchange; or
 - (ii) is controlled by a BDC or a group of companies including a BDC, and the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own at least 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Managerial assistance to portfolio companies

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above under "—Qualifying assets." However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary investments

As a BDC, pending investment in other types of “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the asset diversification requirements in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Indebtedness and senior securities

As a BDC, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of shares of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or stock unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, please see Part 1, Item 1A “Risk factors — Risks related to our operation as a BDC — Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.”

Code of ethics

As a BDC, we and our investment adviser have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code’s requirements.

Proxy voting policies and procedures

SEC registered investment advisers that have the authority to vote (client) proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of its clients. Registered investment advisers also must maintain certain records on proxy voting. In most cases, we will invest in securities that do not generally entitle us to voting rights in its portfolio companies. When we do have voting rights, we will delegate the exercise of such rights to our investment adviser.

Our investment adviser has particular proxy voting policies and procedures in place. In determining how to vote, officers of our investment adviser will consult with each other and other investment professionals of GSC Group, taking into account our interests and the interests of our investors, as well as any potential conflicts of interest. Where appropriate, our investment adviser will consult with legal counsel to identify potential conflicts of interest. Where a potential conflict of interest exists, our investment adviser may, if it so elects, resolve it by following the recommendation of a disinterested third party, by seeking the direction of our independent directors or, in extreme cases, by abstaining from voting. While our investment adviser may retain an outside service to provide voting recommendations and to assist in analyzing votes, our investment adviser will not delegate its voting authority to any third party.

Privacy principles

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law, or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to non-public personal information about our stockholders to employees of our investment adviser and its affiliates with a legitimate business need for the information. We maintain appropriate physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

Other

As a BDC, we may be periodically examined by the SEC for compliance with the 1940 Act. Our manager is a registered investment adviser and is also subject to examination by the SEC.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and our investment adviser are each required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

Co-investment

As a BDC, we are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors, or in some cases, the prior approval of the SEC. For example, any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we are prohibited from buying or selling any security from or to such person, or entering into joint transactions with such person, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result, we will be limited in our ability to negotiate the term of any investment (except with respect to price) in instances where we are participating in such investments with other funds managed by GSC Group. Generally, we are prohibited from knowingly purchasing securities in a primary offering from a portfolio company the securities of which are already held by GSC Group or any other fund managed by GSC Group. However, if a portfolio company offers additional securities and existing securities are held by us and GSC Group or other funds managed by GSC Group, then we may participate in a follow-on investment in such securities on a pro-rata basis. We may also purchase securities in the secondary market of a company, the securities of which are already held by GSC Group or another fund managed by GSC Group.

The Company and GSC Group may in the future submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments because we believe that it will be advantageous for the Company to co-invest with funds managed by GSC Group where such investment is consistent with the investment objectives, investment positions, investment policies, investment strategies, investment restrictions, regulatory requirements and other pertinent factors applicable to the Company. We believe that co-investment by the Company and funds

managed by GSC Group may afford the Company additional investment opportunities and the ability to achieve greater diversification. Accordingly, any application would seek an exemptive order permitting the Company to negotiate more than price terms when investing with funds managed by GSC Group in the same portfolio companies. It is expected that any exemptive relief permitting co-investments on those terms would be granted, if at all, only upon the conditions, among others, that before such a co-investment transaction is effected, our investment adviser will make a written investment presentation regarding the proposed co-investment to the independent directors of the Company and the independent directors of the Company will review our investment adviser's recommendation.

Moreover, it is expected that prior to committing to such a co-investment, a "required majority" (as defined in Section 57(o) of the 1940 Act) of the independent directors of the Company would conclude that (i) the terms of the proposed transaction are reasonable and fair to the Company and its stockholders and do not involve overreaching of the Company and its stockholders on the part of any person concerned; (ii) the transaction is consistent with the interests of the stockholders of the Company and is consistent with the investment objectives and policies of the Company; and (iii) the co-investment by any GSC Group fund would not disadvantage the Company in making its investment, maintaining its investment position, or disposing of such investment and that participation by the Company would not be on a basis different from or less advantageous than that of the affiliated co-investor. There is no assurance that the application for exemptive relief will be granted by the SEC or that, if granted, it will be on the terms set forth above.

Resolution of potential conflicts of interest; equitable allocation of investment opportunities

Subject to the 1940 Act restrictions on co-investments with affiliates, GSC Group will offer us the right to participate in all investment opportunities that it determines are appropriate for us in view of our investment objectives, policies and strategies and other relevant factors, subject to the exception that, in accordance with GSC Group's conflict of interest and allocation policies, we might not participate in each individual opportunity but are, on an overall basis, entitled to equitably participate with GSC Group's other funds or other clients.

We are GSC Group's principal investment vehicle for non-distressed second lien loans and mezzanine debt of U.S. middle market entities. Although existing and future investment vehicles managed or to be managed by GSC Group invest or may invest in mezzanine loans and second lien loans, none of these investment vehicles target non-distressed domestic second lien and mezzanine loans as the core of their portfolios. For example, while funds managed by GSC Group's equity and distressed debt investing group may purchase second lien loans and mezzanine debt of private middle market companies, these funds will typically be interested in these assets in distressed situations, whereas we generally will seek to hold performing debt. Likewise, while funds managed by GSC Group's structured mortgage products group may purchase second lien loans and mezzanine debt as an aspect of their investment strategies, these funds are largely focused on asset-backed and mortgage-backed loans and debt, not on corporate debt of the type we target. Finally, due to the high amounts of leverage deployed by various CLO funds managed by GSC Group, these funds tend to target first lien loans, while second lien and mezzanine loans are a secondary part of the strategy.

To the extent that we do compete with any of GSC Group's clients for a particular investment opportunity, our investment adviser will allocate the investment opportunity across the funds for which the investment is appropriate based on its internal conflict of interest and allocation policies consistent with the requirements of the Advisers Act, subject further to the 1940 Act restrictions on co-investments with affiliates and also giving effect to priorities that may be enjoyed from time to time by one or more funds based on their investment mandate or guidelines, or any right of first review agreed to from time to time by GSC Group. Currently:

- GSC European Mezzanine Fund II, L.P. has a priority on investments in mezzanine securities of issuers located primarily in Europe; and
- GSC Acquisition Company, a special acquisition company sponsored by GSC Group, has a business opportunity right of first review agreement that provides that it will have a right of first review prior to any other fund managed by GSC Group with respect to business combination opportunities with an enterprise value of \$175 million or more until the earlier of it consummating an initial business combination or its liquidation.

Subject to the foregoing, GSC Group's allocation policies are intended to ensure that we may generally share equitably with other GSC Group-managed investment vehicles in investment opportunities, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer, which may be suitable for us and such other investment vehicles.

GSC Group has historically managed investment vehicles with similar or overlapping investment strategies and has a conflict resolution policy in place that will also address the co-investment restrictions under the 1940 Act. The policy is intended to ensure that we comply with the 1940 Act restrictions on transactions with affiliates. These restrictions will significantly impact our ability to co-invest with other GSC Group's funds. While the 1940 Act generally prohibits all "joint transactions" between entities that share a common investment adviser, the staff of the SEC has granted no-action relief to an investment adviser permitting purchases of a single class of privately-placed securities, provided that the investment adviser negotiates no term other than price and certain other conditions are satisfied. Neither our investment adviser nor any participant in a co-investment will have both a material pecuniary incentive and ability to cause us to participate with it in a co-investment. As a result, we only expect to co-invest on a concurrent basis with GSC Group's funds when each fund will own the same securities of the issuer. If opportunities arise that would otherwise be appropriate for us and for one or more of GSC Group's other funds to invest in different securities of the same issuer, our investment adviser will need to decide whether we or the other funds will proceed with the investment.

GSC Group's allocation procedures are designed to allocate investment opportunities among the investment vehicles of GSC Group in a manner consistent with its obligations under the Advisers Act. If two or more investment vehicles with similar investment strategies are still in their investment periods, an available investment opportunity will be allocated as described below, subject to any provisions governing allocations of investment opportunities in the relevant organizational documents. As an initial step, our investment adviser will determine whether a particular investment opportunity is an appropriate investment for us and its other clients and typically will determine the amount that would be appropriate for each client by considering, among other things, the following criteria:

- (1) the investment guidelines and/or restrictions set forth in the applicable organizational documents;
- (2) the risk and return profile of the client entity;
- (3) the suitability/priority of a particular investment for the client entity;
- (4) if applicable, the target position size of the investment for the client entity;
- (5) the level of available cash for investment with respect to the particular client entity;
- (6) the total amount of funds committed to the client; and
- (7) the age of the fund and the remaining term of a fund's investment period, if any.

If there is an insufficient amount of an opportunity to satisfy the needs of all participants, the investment opportunity will generally be allocated pro-rata based on the initial investment amounts. Please see Part I, Item 1A "Risk Factors — There are conflicts of interest in our relationship with our investment adviser and/or GSC Group, which could result in decisions that are not in the best interests of our stockholders." Subject to applicable law, GSC Group may modify its allocation procedures from time to time at its discretion.

Compliance with the Sarbanes-Oxley Act and the New York Stock Exchange corporate governance regulations

The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") imposes a wide variety of new regulatory requirements on publicly-held companies and their insiders. The Sarbanes-Oxley Act requires us to review our policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the new regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

In addition, the New York Stock Exchange adopted corporate governance changes to its listing standards in 2003. We believe we are in compliance with such corporate governance listing standards. We will continue to

monitor our compliance with all future listing standards and will take actions necessary to ensure that we are in compliance therewith.

Available Information

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Securities Exchange of 1934, as amended (the "Exchange Act"). You may inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at <http://www.sec.gov>. Our Internet address is <http://www.gscinvestmentcorp.com>. We make available free of charge on our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. The risks set forth below are not the only risks we face. If any of the following risks occur, our business and financial condition could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline.

Risks related to our business

We have a limited operating history.

We were incorporated in March 2007 and commenced our operations that same month. We are subject to all of the business risks and uncertainties associated with any new business, including the risk that we may not achieve our investment objectives and that the value of your investment could decline substantially.

Many of our portfolio investments are recorded at fair value as determined in good faith by our board of directors; such valuations are inherently uncertain and may be materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

We expect that, over time, a large percentage of our portfolio will be comprised of investments that are not publicly traded. The value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as determined in good faith by our board of directors. Where appropriate, our board of directors may utilize the services of an independent valuation firm to aid it in determining fair value. The types of factors that may be considered in valuing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we plan to make in private middle market companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high-yield investors, hedge funds, and, to the extent they

provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. Several other BDCs have recently raised, or are expected to raise, significant amounts of capital, and may have investment objectives that overlap with ours, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments that could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a BDC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business and financial condition. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we cannot assure you that we will be able to identify and make investments that meet our investment objectives.

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on better terms to our portfolio companies than we originally anticipated, which may impact our return on these investments.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. However, we intend to comply with the diversification requirements imposed by the Code for qualification as a RIC.

We employ leverage.

We currently use the Revolving Facility to leverage our portfolio and we expect in the future to borrow from and issue senior debt securities to banks and other lenders and may securitize certain of our portfolio investments.

With certain limited exceptions, as a BDC we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessment of market conditions and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for stockholders, including:

- A likelihood of greater volatility in the net asset value and market price of our common stock.
- Diminished operating flexibility as a result of asset coverage or investment portfolio composition requirements that are more stringent than those imposed by the 1940 Act.
- The possibility that investments will have to be liquidated at less than full value or at inopportune times to comply with debt covenants or to pay interest or dividends on the leverage.
- Increased operating expenses due to the cost of leverage, including issuance and servicing costs.
- Subordination to lenders' superior claims on our assets as a result of which lenders will be able to receive proceeds available in the case of our liquidation before any proceeds are distributed to our shareholders.

For example, the amount we may borrow under our Revolving Facility is determined, in part, by the fair value of our investments. If the fair value of our investments declines, we may be forced to sell investments at a loss to maintain compliance with our borrowing limits. Other debt facilities we may enter into in the future may contain similar provisions. Any such forced sales would reduce our net asset value and also make it difficult for the net asset value to recover.

Our investment adviser and our board of directors in their best judgment nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks.

Our ability to grow will depend on our ability to raise capital.

We will need to periodically access the capital markets to raise cash to fund new investments. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any.

Our financial condition and results of operation depend on our ability to manage future growth effectively.

Our ability to achieve our investment objectives depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on our investment adviser's ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of our investment adviser's structuring of the investment process and its ability to provide competent, attentive and efficient service to us. Our executive officers and the employees of our investment adviser have substantial responsibilities in connection with their roles at GSC Group and with the other GSC Group investment vehicles as well as responsibilities under the investment advisory and management agreement. They may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time, which will increase as the number of investments grow, may distract them or slow the rate of investment. In order to grow, our investment adviser may need to hire, train, supervise and manage new employees. However, we cannot assure you that any such employees will contribute to the work of the investment adviser. Any failure to manage our future growth effectively could have a material adverse effect on our business and financial condition.

There are conflicts of interest in our relationship with our investment adviser and/or GSC Group that could cause them to make decisions that are not in the best interests of our stockholders.

Subject to the restrictions of the 1940 Act, we may co-invest in investments of portfolio companies on a concurrent basis with other investment vehicles managed by GSC Group. Similarly a GSC Group-managed investment vehicle may, in certain circumstances, invest in securities issued by a company in which we have made, or are making, an investment. Similarly, in certain circumstances, we may invest in securities issued by a company in which another GSC Group-managed investment vehicle has made an investment. Although certain such investments may present conflicts of interest, we nonetheless may pursue and consummate such transactions. These conflicts may include:

Co-Investment. We are prohibited from co-investing with other investment vehicles managed now or in the future by GSC Group in certain investments of portfolio companies in instances where GSC Group negotiates terms other than price. In instances where we co-invest with a GSC Group-managed investment vehicle, while we will invest on the same terms and neither we nor the GSC Group-managed investment vehicle may negotiate terms of the transaction other than price, conflicts of interest may arise. For example, if an investee company in which both we and a GSC Group-managed investment vehicle have invested becomes distressed, and if the size of our relative investments vary significantly, the decisions relating to actions to be taken could raise conflicts of interest.

Conflicts in Different Parts of Capital Structure. If a portfolio company in which we and another GSC Group-managed investment vehicle hold different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interest. For example, a debt holder may be better served by a liquidation of the issuer in which it will be paid in full, whereas an equity holder might prefer a reorganization that could create value for the equity holder.

Potential Conflicting Positions. Given our investment objectives and the investment objectives of other GSC Group-managed investment vehicles, it is possible that we may hold a position that is contrary to a position held by another GSC Group-managed investment vehicle. For example, we could hold a longer term investment in a certain portfolio company and at the same time another GSC Group-managed investment vehicle could hold a short term position in the same company. GSC Group makes each investment decision separately based upon the investment objective of each of its clients.

Shared Legal Counsel. We and other GSC Group-managed investment vehicles generally engage common legal counsel in transactions in which both are participating or with respect to matters that may affect both. Although separate counsel may be engaged, the time and cost savings and other efficiencies and advantages of using common counsel will generally outweigh the disadvantages. In the event of a significant dispute or divergence of interests, typically in a work-out or other distressed situation, separate representation may become desirable, and in litigation and other circumstances, separate representation may be necessary.

Allocation of Opportunities. Our investment adviser provides investment management, investment advice or other services in relation to a number of investment vehicles that focus on corporate credit, distressed debt, mezzanine investments and structured finance products and have investment objectives that are similar to or overlap with ours. Investment opportunities that may be of interest to us may also be of interest to GSC Group's other investment vehicles, and GSC Group may buy or sell securities for us which differ from securities which they may cause to be bought or sold for other investment vehicles. GSC Group has greater interests in other investment vehicles it manages, including greater capital commitments to, or larger fees earned from, such investment vehicles. These differing interests may create a conflict of interest for GSC Group in determining which investment vehicle should pursue a given investment opportunity.

Material Nonpublic Information. GSC Group or its employees, officers, principals or affiliates may come into possession of material nonpublic information in connection with business activities unrelated to our operations. The possession of such information may limit our ability to buy or sell securities or otherwise participate in an investment opportunity or to take other action it might consider in our best interest.

Cross-Trading. Subject to applicable law, we may engage in transactions directly with other investment vehicles managed by GSC Group, including the purchase or sale of all or a portion of a portfolio investment. Cross-trades can save us brokerage commissions and, in certain cases, related transaction costs. Cross-trades between affiliates may create conflicts of interest with respect to certain terms of the transaction, including price. The 1940 Act imposes substantial restrictions on cross-trades between us and investment vehicles managed by GSC Group. As a result, our board of directors has adopted cross-trading procedures designed to ensure compliance with the requirements of the 1940 Act and will regularly review the terms of any cross-trades.

Our investment adviser's base compensation may cause it to increase our leverage contrary to our interest.

We pay the investment adviser a quarterly base management fee based on the value of our total assets (including any assets acquired with leverage). Accordingly, the investment adviser has an economic incentive to increase our leverage. Our board of directors monitors the conflicts presented by this compensation structure by approving the amount of leverage that we incur. If our leverage is increased, we will be exposed to increased risk of loss, bear the increase cost of issuing and servicing such senior indebtedness, and will be subject to any additional covenant restrictions imposed on us in an indenture or other instrument or by the applicable lender.

We may compete with investment vehicles of GSC Group for access to GSC Group.

Our investment adviser and its affiliates have sponsored and currently manage other investment vehicles with an investment focus that overlaps with our focus, and may in the future sponsor or manage additional investment vehicles with an overlapping focus to ours, which, in each case, could result in us competing for access to the benefits that we expect our relationship with GSC Group to provide to us.

We are dependent upon our investment adviser's key personnel for our future success and upon their access to GSC Group's investment professionals.

We depend on the diligence, skill and network of business contacts of GSC Group's investment professionals and the information and deal flow generated by them in the course of their investment and portfolio management activities. The departure of a significant number of the investment professionals of GSC Group could have a material adverse effect on our ability to achieve our investment objectives. In addition, we cannot assure you that our investment adviser will remain our investment adviser or that we will continue to have access to GSC Group's investment professionals or its information and deal flow.

Our investment adviser's incentive compensation may cause it to pursue a high risk investment strategy.

The incentive fee payable to the investment adviser may create an incentive for the investment adviser to make investments that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to the investment adviser is determined (20% of the pre-incentive fee net investment income that exceeds a hurdle rate of a 1.875% quarterly return on the value of net assets) may encourage the investment adviser to use leverage to increase the return to the Company's investments. If the investment adviser acquires poorly-performing assets with such leverage, the loss to holders of the shares could be substantial. Moreover, if our leverage is increased, we will be exposed to increased risk of loss, bear the increased cost of issuing and servicing such senior indebtedness, and will be subject to any additional covenant restrictions imposed on us in an indenture or other instrument or by the applicable lender. Our board of directors will monitor the conflicts presented by this compensation structure by approving the amount of leverage that we may incur. In addition, the investment adviser receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

We are exposed to risks associated with changes in interest rates.

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on investment objectives and our rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. Decreases in credit spreads on debt that pays a floating rate of return would have an impact on the income generation of our floating rate assets. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to ten years. This means that we will be subject to greater risk (other things being equal) than an entity investing solely in shorter-term securities. A decline in the prices of the debt we own could adversely affect the trading price of our common stock.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt investments we make, the default rate on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our investment adviser's liability is limited under the investment advisory and management agreement and we will indemnify our investment adviser against certain liabilities, which may lead our investment adviser to act in a riskier manner on our behalf than it would when acting for its own account.

Our investment adviser has not assumed any responsibility to us other than to render the services described in the investment advisory and management agreement. Pursuant to the investment advisory and management agreement, our investment adviser and its general partner, officers and employees are not liable to us for their acts, under the investment advisory and management agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect our investment adviser and its general partner, officers and employees with respect to all damages, liabilities, costs and expenses resulting from acts of our investment adviser not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead our investment adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

We may be obligated to pay our investment adviser incentive compensation even if we incur a net loss, regardless of the market value of our common stock.

Our investment adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income, for incentive compensation purposes, excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our investment adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our Portfolio or we incur a net loss for that quarter.

Under the investment advisory and management agreement, we will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full quarterly periods ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less liabilities) is less than 7.5% of our net assets at the beginning of such period. These calculations will be appropriately pro rated during the first three quarters of this fiscal year and will be adjusted for any share issuances or repurchases. Furthermore, the incentive fee that we pay is not tied to the market value of our common stock.

If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. The investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income.

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Any change in these laws or regulations, or their interpretation, or any failure by us to comply with these laws or regulations may adversely affect our business.

As discussed below, there is a risk that certain investments that we intend to treat as qualifying assets will be determined to not be eligible for such treatment. Any such determination would have a material adverse effect on our business.

Risks related to our operation as a BDC

Our investment adviser has limited experience in managing a BDC.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets primarily in securities of private U.S. operating companies or public U.S. companies whose securities are not listed on a national securities exchange registered under the Exchange Act (i.e., New York Stock Exchange, American Stock Exchange and The NASDAQ Global Market), cash, cash equivalents, U.S. government securities and high quality debt investments that mature in one year or less. Our investment adviser does not manage any BDCs other than the Company, and the Company has been in operation only since March 2007. The lack of experience of our investment adviser in managing a portfolio of assets under such constraints may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objectives.

A failure on our part to maintain our qualification as a BDC would significantly reduce our operating flexibility.

If we fail to qualify as a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility.

We will be subject to corporate-level income tax if we fail to qualify as a RIC.

We will seek to qualify as a RIC under the Code, which requires us to qualify continuously as a BDC and meet certain source of income, distribution and asset diversification requirements.

The source of income requirement is satisfied if we derive at least 90% of our annual gross income from interest, dividends, payments with respect to certain securities loans, gains from the sale or other disposition of securities or options thereon or foreign currencies, or other income derived with respect to our business of investing in such securities or currencies, and net income from interests in “qualified publicly traded partnerships,” as defined in the Code.

The annual distribution requirement is satisfied if we distribute to our stockholders on an annual basis an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. We are subject to certain asset coverage ratio requirements under the 1940 Act and covenants under the Facilities that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. In such case, if we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to (i) dispose of certain investments quickly or (ii) raise additional capital to prevent the loss of our RIC qualification. Because most of our investments will be in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we raise additional capital to satisfy the asset diversification requirements, it could take us time to invest such capital. During this period, we will invest the additional capital in temporary investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in first and second lien loans, mezzanine debt and high yield debt.

If we fail to qualify as a RIC for any reason, all of our taxable income will be subject to U.S. federal income tax at regular corporate rates. The resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

Regulations governing our operation as a BDC will affect our ability to raise additional capital.

We have incurred indebtedness under the Revolving Facility and we may issue debt securities or preferred stock, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. If the value of our assets declines, we may be unable to satisfy this test, which would prohibit us from paying dividends and could prevent us from qualifying as a RIC. If we cannot satisfy this test, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any commission or discount). If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital.

To generate cash for funding new investments, we pledged a substantial portion of our portfolio investments under the Revolving Facility. Such assets are not available to secure other sources of funding or for securitization. Our ability to obtain additional secured or unsecured financing on attractive terms in the future is uncertain. Alternatively, we may in the future seek to securitize a portion of our loan portfolio. The loan and securitization markets are subject to changing market conditions, however, and we may not be able to access this market when we would otherwise deem appropriate. An inability to obtain additional leverage through secured or unsecured financing or securitization of our loan portfolio could limit our ability to grow our business, fully execute our business strategy and decrease our earnings, if any. We may also face a heightened risk of loss to the extent we hold a first loss position in a securitized loan portfolio. The 1940 Act may also impose restrictions on the structure of any securitization.

Our common stock may trade at a discount to our net asset value per share.

Common stock of BDCs, as closed-end investment companies, frequently trade at a discount to net asset value. Our common stock has traded at a discount to our net asset value since shortly after our initial public offering. The risk that our common stock may continue to trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline.

As a BDC, we may have difficulty paying our required distributions if we recognize income before or without receiving cash in respect of such income.

For U.S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or contracted paid-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment activities, or increases in loan balances will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash, including, for example, non-cash income from paid-in-kind securities and deferred payment securities. In addition, we will consolidate GSCIC CLO for federal income tax purposes, and income earned thereon may differ from the distributions paid in respect of our investment in the GSCIC subordinated notes because of the factors set forth above or because distributions on the subordinated notes are contractually required to be diverted for reinvestment or to pay down outstanding indebtedness.

Since in certain cases we may recognize income before or without receiving cash in respect of such income, we may have difficulty meeting the requirement that we distribute an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses, to qualify as a RIC. Accordingly, we may have to sell some of our investments (or investments in the GSCIC CLO portfolio) at times we would not consider advantageous, raise additional debt or equity capital or reduce new investments to meet these distribution requirements. If we are not able to obtain cash

from other sources, or are restricted from selling investments in the GSCIC CLO portfolio by the terms of the applicable indenture, we may fail to qualify as a RIC and thus be subject to corporate-level income tax.

If our primary investments are deemed not to be qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business plan.

If we are to maintain our qualification as a BDC, we must not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. We believe that the leveraged loans and mezzanine investments that we propose to acquire constitute qualifying assets because the privately held issuers will not, at the time of our investment, have securities listed on a national securities exchange.

The Securities and Exchange Commission (the “SEC”) has adopted a rule that defines an “eligible portfolio company” as any private domestic operating company and public domestic operating company that does not have securities listed on a national securities exchange. In addition, the SEC has proposed a new rule that would expand the definition of eligible portfolio companies to include publicly-traded companies with a market capitalization of less than \$250 million. If adopted or enacted, the effect of this rule would be to further reduce or eliminate confusion surrounding whether a company qualifies as an eligible portfolio company. We cannot assure you that this rule will be approved by the SEC. Until the SEC or its staff has issued a final rule, we will continue to monitor this issue closely. Please see “— Risks related to our business — Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business” above.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

As a BDC for 1940 Act purposes and a RIC for U.S. federal income tax purposes, we intend to make distributions out of assets legally available for distribution on a quarterly basis to our stockholders once such distributions are authorized by our board of directors and declared by us. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test that is applicable to us as a BDC, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution.

The floating interest rate features of any indebtedness incurred by us could adversely affect us if interest rates rise.

Any indebtedness incurred by us will likely bear interest at a floating rate based on an index. As a result, if that index increases, our costs under any indebtedness incurred would become more expensive, which could have a material adverse effect on our earnings.

Risks related to our investments

Our investments may be risky, and you could lose all or part of your investment.

Substantially all of the debt investments held in the portfolio hold, and will likely continue to hold, a non-investment grade rating by Moody’s Investors Service and/or Standard & Poor’s or, where not rated by any rating agency, would be below investment grade, if rated. High yield bonds rated below investment grade are commonly referred to as “junk bonds.” A below investment grade rating means that, in the rating agency’s view, there is an increased risk that the obligor on such debt will be unable to pay interest and repay principal on its debt in full. We may also invest in debt that defers or pays paid-in-kind interest. To the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates, such debt could produce taxable income without a corresponding cash payment to us, and since we generally do not receive any cash prior to maturity of the debt, the investment will be of greater risk.

In addition, private middle market companies in which we expect to invest are exposed to a number of significant risks, including:

- limited financial resources and an inability to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- dependence on the management talents and efforts of a small group of persons; the death, disability, resignation or termination of one or more of which could have a material adverse impact on the company and, in turn, on us;
- less predictable operating results and, possibly, substantial additional capital requirements to support their operations, finance expansion or maintain their competitive position.; and
- difficulty accessing the capital markets to meet future capital needs.

In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt that we hold and the value of any equity securities we own. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

The debt securities in which we invest are subject to credit risk and prepayment risk.

An issuer of debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security by rating agencies may further decrease its value.

Certain debt instruments may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument's stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher interest debt instruments with lower interest debt instruments. An issuer may also elect to refinance their debt instruments with lower interest debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may receive less than we paid for such security and we may be forced to reinvest in lower yielding securities or debt securities of issuers of lower credit quality.

The lack of liquidity in our investments may adversely affect our business.

We expect to make investments in private companies. A portion of these securities may be subject to legal and other restrictions on resale, transfer, pledge or other disposition or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or our investment adviser has or could be deemed to have material non-public information regarding such business entity.

Our investment in GSCIC CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility.

At February 29, 2008, our investment in the subordinated notes of GSCIC CLO had a fair value of \$28.9 million and constituted 16.7% of our portfolio. This investment constitutes a first loss position in a portfolio that, as of February 29, 2008, was composed of \$372.9 million in aggregate principal amount of primarily senior secured first lien term loans and \$40.3 million in uninvested cash. Interest payments generated from this portfolio will be used to pay the administrative expenses of GSCIC CLO and interest on the debt issued by GSCIC CLO before paying a return on the subordinated notes. Principal payments will be similarly applied to pay administrative expenses of GSCIC CLO and for reinvestment or repayment of GSCIC CLO debt before paying a return on, or repayment of, the subordinated notes. In addition, 80% of our fixed management fee and 100% our incentive management fee is subordinated to the payment of interest and principal on GSCIC CLO's debt. Any losses on the portfolio will accordingly reduce the cash flow available to pay these management fees and provide a return on, or repayment of, our investment. Depending on the amount and timing of such losses we may experience smaller than expected returns and, potentially, the loss of our entire investment.

As the manager of the portfolio, we will have some ability to direct the composition of the portfolio, but our discretion is limited by the terms of the debt issued by GSCIC CLO, which may limit our ability to make investments that we feel are in the best interests of the subordinated notes, and the availability of suitable investments. The performance of the portfolio is also subject to many of the same risks sets forth in this annual report with respect to portfolio investments in senior secured first lien term loans.

Available information about privately held companies is limited.

We invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our investment adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

We anticipate making both debt and minority equity investments; therefore, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

Our portfolio companies usually will have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are

entitled to receive payments in respect of our investments. These debt instruments will usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debtor equity ranking equally with our investments, we would have to share on an equal basis any distributions with other holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we actually render significant managerial assistance.

Investments in equity securities involve a substantial degree of risk.

We may purchase common stock and other equity securities. Although equity securities have historically generated higher average total returns than fixed-income securities over the long term, equity securities also have experienced significantly more volatility in those returns and in recent years have significantly under performed relative to fixed-income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company's success. Investments in equity securities involve a number of significant risks, including:

- any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;
- to the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment in equity securities; and
- in some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of our portfolio companies. Even if the portfolio companies are successful, our ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or we can sell our equity investments. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell.

There are special risks associated with investing in preferred securities, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes even though we have not received any cash payments in respect of such income;
- preferred securities are subordinated with respect to corporate income and liquidation payments, and are therefore subject to greater risk than debt;

- preferred securities may be substantially less liquid than many other securities, such as common securities or U.S. government securities; and
- preferred security holders generally have no voting rights with respect to the issuing company, subject to limited exceptions.

Our investments in foreign debt, including that of emerging market issuers, may involve significant risks in addition to the risks inherent in U.S. investments.

Although there are limitations on our ability to invest in foreign debt, we may, from time to time, invest in debt of foreign companies, including the debt of emerging market issuers. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Investments in the debt of emerging market issuers may subject us to additional risks such as inflation, wage and price controls, and the imposition of trade barriers. Furthermore, economic conditions in emerging market countries are, to some extent, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reaction to developments in one country can have effects on the debt of issuers in other countries.

Although most of our investments will be U.S. dollar-denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that we will fully hedge against these risks or that such strategies will be effective.

We may expose ourselves to risks if we engage in hedging transactions.

We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may expose us to counter-party credit risk. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is generally anticipated at an acceptable price.

Our board of directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our board of directors has the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, financial condition, and value of our common stock. However, the effects might be adverse, which could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

Risks related to an investment in our shares

Investing in our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objectives may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax rules, particularly with respect to RICs or BDCs;
- loss of RIC qualification;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of our investment adviser's key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

Provisions of our governing documents and the Maryland General Corporation Law could deter takeover attempts and have an adverse impact on the price of our common stock.

We are governed by our charter and bylaws, which we refer to as our "governing documents."

Our governing documents and the Maryland General Corporation Law contain provisions that may have the effect of delaying, deferring or preventing a transaction or a change in control of us that might involve a premium price for our stockholders or otherwise be in their best interest.

Our charter provides for the classification of our board of directors into three classes of directors, serving staggered three-year terms, which may render a change of control of us or removal of our incumbent management more difficult. Furthermore, any and all vacancies on our board of directors will be filled generally only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term until a successor is elected and qualifies.

Our board of directors is authorized to create and issue new series of shares, to classify or reclassify any unissued shares of stock into one or more classes or series, including preferred stock and, without stockholder approval, to amend our charter to increase or decrease the number of shares of stock that we have authority to issue, which could have the effect of diluting a stockholder's ownership interest. Prior to the issuance of shares of stock of each class or series, including any reclassified series, our board of directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock.

Our governing documents also provide that our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws, and to make new bylaws. The Maryland General Corporation Law also contains certain provisions that may limit the ability of a third party to acquire control of us, such as:

- The Maryland Business Combination Act, which, subject to certain limitations, prohibits certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of the common stock or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special minimum price provisions and special stockholder voting requirements on these combinations; and
- The Maryland Control Share Acquisition Act, which provides that “control shares” of a Maryland corporation (defined as shares of common stock which, when aggregated with other shares of common stock controlled by the stockholder, entitles the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares of common stock.

The provisions of the Maryland Business Combination Act will not apply, however, if our board of directors adopts a resolution that any business combination between us and any other person will be exempt from the provisions of the Maryland Business Combination Act. Although our board of directors has adopted such a resolution, there can be no assurance that this resolution will not be altered or repealed in whole or in part at any time. If the resolution is altered or repealed, the provisions of the Maryland Business Combination Act may discourage others from trying to acquire control of us.

As permitted by Maryland law, our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our common stock. Although our bylaws include such a provision, such a provision may also be amended or eliminated by our board of directors at any time in the future.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We do not own any real estate or physical properties materially important to our business. Our corporate office is located at 888 Seventh Avenue, New York, New York 10019. Our telephone number is (212) 884-6200. We believe that our office facilities are suitable and adequate for our business as currently conducted and as reasonably foreseeable.

Item 3. *Legal Proceedings*

Neither we nor our investment adviser are currently subject to any material legal proceedings.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of stockholders through the solicitation of proxies or otherwise during the fourth quarter of the fiscal year ending February 29, 2008.

PART II

Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Price range of common stock

Our common stock is quoted on the New York Stock Exchange under the symbol “GNV” and started trading on March 23, 2007 at an initial public offering price of \$15.00 per share. Prior to such date there was no public market for our common stock. Set forth below are the high and low sales prices for our common stock for each full quarterly period since our common stock began trading.

Fiscal 2008	NAV(1)	Price Range	
		High	Low
First Quarter	\$ 14.21	\$ 15.00	\$ 12.57
Second Quarter	\$ 13.76	\$ 14.06	\$ 10.74
Third Quarter	\$ 13.51	\$ 12.75	\$ 10.92
Fourth Quarter	\$ 11.80	\$ 11.43	\$ 9.68

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of each period.

Holders

As of May 12, 2008, there were 15 holders of record and approximately, 3,300 beneficial holders of our common stock.

Dividend Policy

Set forth below are the cash dividends declared by the Company since March 23, 2007, the date on which we commenced operations:

Date Declared	Record Date	Payment Date	Amount per Share
May 21, 2007	May 29, 2007	June 6, 2007	\$ 0.24
August 14, 2007	August 24, 2007	August 31, 2007	\$ 0.36
November 15, 2007	November 30, 2007	December 3, 2007	\$ 0.38
December 28, 2007	January 18, 2008	January 28, 2008	\$ 0.18
February 20, 2008	February 29, 2008	March 10, 2008	\$ 0.39
Total Dividends Declared			\$ 1.55

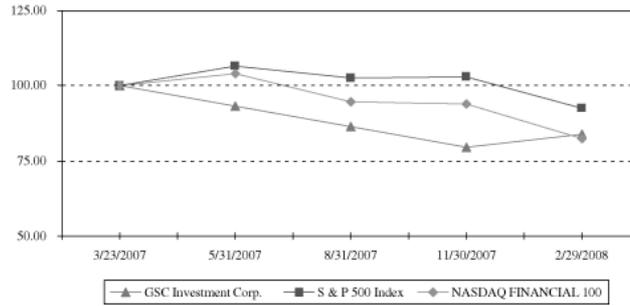
We intend to make quarterly distributions to our stockholders out of assets legally available for distribution. Our quarterly distributions, if any, will be determined by our board of directors. Any such distributions will be taxable to our stockholders, including to those stockholders who receive additional shares of our common stock pursuant to a dividend reinvestment plan. We are prohibited from making distributions that cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or that violate our debt covenants.

In order to maintain our qualification as a RIC, we must for each fiscal year distribute an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. In addition, we will be subject to federal excise taxes to the extent we do not distribute during the calendar year at least (1) 98% of our ordinary income for the calendar year, (2) 98% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years. To provide stability in our dividend distributions (which might otherwise be adversely affected by timing mismatches between the receipt of payments on our investments and the payment of dividends) we did not distribute all of our capital gains in excess of capital losses realized during the one year period ending on October 31, 2007, and incurred federal excise taxes as a result. We expect to declare dividends payable from such capital gains prior to November 15, 2008 and to distribute such dividends prior to February 28, 2009. We may similarly withhold from distribution a portion of the capital gains in excess of capital losses realized during the one year period ending October 31, 2008 and/or a portion of our ordinary income for the 2008 calendar year and, if we do so, we would expect to incur federal excise taxes again as a result.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders’ cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash dividends. GSC Group, and the funds managed by it, do not currently participate in the dividend reinvestment plan with respect to their holdings of the company’s common stock.

Performance Graph

The following graph compares the return on our common stock with that of the Standard & Poor's 500 Stock Index and the NASDAQ Financial 100 index, for the period from March 23, 2007, the date our common stock began trading, through February 29, 2008. The graph assumes that, on March 23, 2007, a person invested \$100 in each of our common stock, the Standard & Poor's 500 Stock Index and the NASDAQ Financial 100 index. The graph measures total shareholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are reinvested in like securities.



Sales of unregistered securities

We did not sell any securities during the period covered by this report that were not registered under the Securities Act.

Issuer purchases of equity securities

In December 2007 and January 2008, as part of our dividend reinvestment plan for our common stockholders, we purchased 118,199 shares of our common stock for \$1.31 million in the open market in order to satisfy the reinvestment portion of our dividends. The following chart outlines repurchases of our common stock during the quarter ended February 29, 2008.

Period	Total Number of Shares Purchased	Average Price Paid per Share (In thousands, except per share numbers)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
December 1, 2007 through December 31, 2007	92 ⁽¹⁾	\$ 11.1391	—	—
January 1, 2008 through January 31, 2008	27 ⁽¹⁾	\$ 10.8966	—	—
Total	118⁽²⁾			

(1) Pursuant to our dividend reinvestment plan, we directed our plan administrator to purchase the indicated quantity of shares in the open market in order to satisfy our obligations to deliver share of common stock to our stockholders with respect to our dividend for the fourth quarter of fiscal year 2008.

(2) Does not total due to rounding.

Item 6. Selected Financial Data

As of February 28, 2007, the Company (including its predecessors) had not yet commenced operations. The following selected financial and other data for the year ended February 29, 2008 is derived from our consolidated financial statements which have been audited by Ernst & Young LLP, an independent registered public accounting firm whose report thereon is included within this Annual Report. The data should be read in conjunction with our consolidated financial statements and notes thereto, which are included elsewhere in this Annual Report, and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

GSC INVESTMENT CORP.
SELECTED FINANCIAL DATA
For the Year Ended February 29, 2008

	<u>Year Ended</u> <u>February 29, 2008</u> <u>(\$ in thousands,</u> <u>except share and</u> <u>per share numbers)</u>
Income Statement Data:	
Interest and related portfolio income:	
Interest	\$ 20,744
Management fee and other income	642
Total interest and related portfolio income	<u>21,386</u>
Expenses:	
Interest and credit facility financing expenses	5,031
Base management and incentive management fees(1)	3,650
Administrator expenses	892
Administrative and other	2,766
Expense reimbursement	<u>(1,789)</u>
Total operating expenses	<u>10,550</u>
Net Investment Income before income taxes	10,836
Income tax expenses, including excise tax	<u>(89)</u>
Net Investment Income	<u>10,747</u>
Realized and unrealized gain (loss) on investments and derivatives	
Net realized gain	3,908
Net change in unrealized loss	<u>(20,106)</u>
Total net loss	<u>(16,198)</u>
Net decrease in net assets resulting from operations	<u>\$ (5,451)</u>
Per Share:	
Earnings per common share — basic and diluted(2)	\$ (0.70)
Net investment income per share — basic and diluted(2)	\$ 1.38
Net realized and unrealized gain (loss) per share — basic and diluted(2)	\$ (2.08)
Dividends declared per common share(3)	\$ 1.55

	Year Ended February 29, 2008 (\$ in thousands, except share and per share numbers)
Balance Sheet Data:	
Investment assets at fair value	\$ 172,837
Total assets	192,842
Total debt outstanding	78,450
Stockholders' equity	97,869
Net asset value per common share	\$ 11.80
Common shares outstanding at end of year	8,291,384
Other Data:	
Investments funded	314,003
Principal collections related to investment repayments or sales	141,772
Number of portfolio investments at year end	46
Weighted average yield of income producing debt investments — Non-control/non-affiliate	10.7%
Weighted average yield on income producing debt investments — Control	8.2%

Quarterly Data

	2008			
	Qtr 4	Qtr 3	Qtr 2	Qtr 1
	(\$ in thousands, except per share numbers) (Unaudited)			
Interest and related portfolio income	\$ 5,520	\$ 5,882	\$ 5,882	\$ 4,102
Net investment income	2,562	3,070	3,157	1,958
Net realized and unrealized gain (loss)	(11,972)	(2,009)	(3,939)	1,722
Net increase (decrease) in net assets resulting from operations	(9,410)	1,061	(782)	3,680
Net investment income per common share at end of each quarter	\$ 0.32	\$ 0.37	\$ 0.38	\$ 0.23
Net realized and unrealized gain (loss) per common share at end of each quarter	\$ (1.46)	\$ (0.24)	\$ (0.47)	\$ 0.21
Dividends declared per common share	\$ 0.57	\$ 0.38	\$ 0.36	\$ 0.24
Net asset value per common share	\$ 11.80	\$ 13.51	\$ 13.76	\$ 14.21

- (1) See note 6 in consolidated financial statements.
- (2) Calculated using weighted average common shares outstanding for the year of 7,761,965.
- (3) Based on 8,291,384 common shares outstanding

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this Annual Report. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Part I, Item 1A "Risk Factors" and "Note about Forward-Looking Statements" appearing elsewhere herein.

Overview

GSC Investment Corp. was incorporated under the Maryland General Corporation Law on March 21, 2007 and concurrently merged with GSC Investment, LLC, a Maryland limited liability company that had elected to be regulated as a BDC. GSC Investment Corp. has elected to be treated as a BDC. As a BDC, we are required to comply with certain regulatory requirements. For instance, we have to invest at least 70% of our total assets in "qualifying assets," including securities of private U.S. operating companies or public U.S. companies whose securities are not listed on a national securities exchange registered under the Exchange Act (i.e., New York Stock Exchange, American Stock Exchange and The NASDAQ Global Market), cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, we are only allowed to borrow money such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing, with certain limited exceptions. The amount of our borrowing will depend on our investment adviser's assessment of market conditions and other factors.

The Company (including its predecessors) had not commenced operation during the period ended February 28, 2007. It had, however, incurred a net loss for the period of \$130,163 composed of organizational expenses of \$95,193 and professional fees in the amount of \$35,000. We used the net proceeds of our IPO in March 2007 to purchase approximately \$100.7 million in aggregate principal amount of debt investments. We used borrowings under our Facilities to purchase approximately \$115.1 million in aggregate principal amount of debt investments in April and May 2007.

Revenues

We generate revenue in the form of interest income and capital gains on the debt investments that we hold and capital gains, if any, on equity interests that we may acquire in portfolio companies. We expect our debt investments, whether in the form of first and second lien leveraged loans, mezzanine debt or high yield bonds, to have terms of up to ten years, and to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either quarterly or semi-annually. In some cases our debt investments may provide for a portion of the interest payable to be paid-in-kind. To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation. The principal amount of the debt and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned. We may also invest in equity securities, which may, in some cases, include preferred securities that pay dividends on a current basis.

We recognize interest income on our investment in the subordinated notes of GSCIC CLO using the effective interest method, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Pursuant to an agreement with our investment adviser entered into on October 17, 2006, prior to becoming a BDC, we acquired the right to act as investment adviser to CDO Fund III and collect the management fees related thereto from March 20, 2007 until the liquidation of the CDO Fund III assets. We paid our investment adviser a fair market price of \$0.1 million for the right to act as investment adviser to CDO Fund III and expected to receive fees totaling \$0.2 million.

On January 22, 2008 we entered into a collateral management agreement with GSCIC CLO pursuant to which we will act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of GSCIC CLO's assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the GSCIC CLO subordinated notes receive an internal rate of return equal to or greater than 12%. We do not expect to enter into additional collateral management agreements in the near future.

Expenses

Our primary operating expenses include the payment of investment advisory and management fees, professional fees, directors and officers insurance, fees paid to independent directors and administrator expenses, including our allocable portion of our administrator's overhead. Our allocable portion is based on the proportion that our total assets bears to the total assets administered by our administrator. Our investment advisory and management fees compensate our investment adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions, including those relating to:

- organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- expenses incurred by our investment adviser payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory and management fees;
- administration fees; fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees;
- registration fees; listing fees;
- taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents of the SEC;
- the costs of any reports;
- proxy statements or other notices to stockholders, including printing costs;
- to the extent we are covered by any joint insurance policies, our allocable portion of the insurance premiums for such joint policies;
- direct costs and expenses of administration, including auditor and legal costs; and
- all other expenses incurred by us or our administrator in connection with administering our business.

The amount payable to GSC Group as administrator under the administration agreement is capped to the effect that such amount, together with our other operating expenses, does not exceed an amount equal to 1.5% per annum of our net assets attributable to common stock. In addition, during the initial two year term of the administration agreement, GSC Group has agreed to waive our reimbursement obligation under the administration agreement until our total assets exceed \$500 million. From the commencement of operations until March 23, 2008, GSC Group reimbursed us for operating expenses to the extent that our total annual operating expenses (other than investment advisory and management fees and interest and credit facility expenses) exceeded an amount equal to 1.55% of our net assets attributable to common stock.

Pursuant to the investment advisory and management agreement, we pay GSC Group as investment adviser a quarterly base management fee of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter, and an incentive fee.

The incentive fee has two parts:

- A fee, payable quarterly in arrears, equal to 20% of our pre-incentive fee net investment income, expressed as a rate of return on the value of the net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter. Under this provision, in any fiscal quarter, our investment adviser receives no incentive fee unless our pre-incentive fee net investment income exceeds the hurdle rate of 1.875%. Amounts received as a return of capital are not included in calculating this portion of the incentive fee. Since the hurdle rate is based on net assets, a return of less than the hurdle rate on total assets may still result in an incentive fee.
- A fee, payable at the end of each fiscal year, equal to 20% of our net realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation, in each case on a cumulative basis, less the aggregate amount of capital gains incentive fees paid to the investment adviser through such date.

To the extent that any of our loans are denominated in a currency other than U.S. dollars, we may enter into currency hedging contracts to reduce our exposure to fluctuations in currency exchange rates. We may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use of interest rate caps, futures, options and forward contracts. Costs incurred in entering into or settling such contracts will be borne by us.

Portfolio and investment activity

During the fiscal year ending February 29, 2008, we made 144 investments in an aggregate principal amount of \$327.1 million. Also during the fiscal year ending February 29, 2008, we had \$129.0 million in aggregate principal amount of exits and repayments resulting in net investments of \$198.1 million in aggregate principal amount for the year.

At February 29, 2008, we had 46 investments in 38 portfolio companies with an average investment size of \$3.8 million and a weighted average maturity of 3.8 years. The average investment in each portfolio company is \$4.5 million. The overall portfolio composition consisted of 15.3% first lien term loans, 36.1% second lien term loans, 18.3% senior secured notes, 13.5% unsecured notes, 16.7% subordinated notes of GSCIC CLO and 0.1% equity/limited partnership interests. The weighted average current yield on our first lien term loans, second lien term loans, senior secured notes, unsecured notes and the GSCIC CLO subordinated notes were 8.1%, 10.8%, 11.5%, 12.2% and 8.2% respectively.

There were two delinquent investments during the fiscal year ending February 29, 2008, each of which was cured prior to becoming an event of default. At February 29, 2008, no investment in our portfolio was non-performing or delinquent on any payment obligations or was being accounted for on a non-accrual basis.

GSC Group normally grades all of our investments using an internally developed credit and monitoring rating system ("CMR"). The CMR rating consists of two components: (i) a numerical debt score and (ii) a corporate letter rating. The numerical debt score is based on the objective evaluation of six risk categories: (i) leverage, (ii) seniority in the capital structure, (iii) fixed charge coverage ratio, (iv) debt service coverage/liquidity, (v) operating performance, and (vi) business/industry risk. The numerical debt score ranges from 1.00 to 5.00, which can generally be characterized as follows:

- 1.00-2.00 represents investments that hold senior positions in the capital structure and, typically, have low financial leverage and/or strong historical operating performance;
- 2.00-3.00 represents investments that hold relatively senior positions in the capital structure, either senior secured, senior unsecured, or senior subordinate, and have moderate financial leverage and/or are performing at or above expectations;

- 3.00-4.00 represents investments that are junior in the capital structure, have moderate financial leverage and/or are performing at or below expectations; and
- 4.00-5.00 represents investments that are highly leveraged and/or have poor operating performance.

The numerical debt score is designed to produce higher scores for debt positions that are more subordinate in the capital structure. Therefore, generally second lien loans, high-yield bonds and mezzanine debt will be assigned scores of 2.25 or higher.

The CMR also consists of a corporate letter rating whereby each credit is assigned a letter rating based on several subjective criteria, including perceived financial and operating strength and covenant compliance. The corporate letter ratings range from (A) through (F) and are characterized as follows: (A) equals strong credit, (B) equals satisfactory credit, (C) equals special attention credit, (D) equals payment default risk, (E) equals payment default, (F) equals restructured equity security.

The CMR distribution of our investments as of February 29, 2008 was as follows:

Portfolio CMR Distribution as of February 29, 2008

Numerical Debt Score	Investments at Fair Value	Percentage of Total Portfolio
	(\$ in thousands)	
1.00 - 1.99	\$ 11,863	6.9%
2.00 - 2.99	87,423	50.6
3.00 - 3.99	44,459	25.7
4.00 - 4.99	0	0.0
5.00	0	0.0
N/A ⁽¹⁾	29,092	16.8
Total	\$ 172,837	100.0%

Corporate Letter Rating	Investments at Fair Value	Percentage of Total Portfolio
	(\$ in thousands)	
A	\$ 0	0.0%
B	112,019	64.8
C	31,726	18.4
D	0	0.0
E	0	0.0
F	0	0.0
N/A ⁽¹⁾	29,092	16.8
Total	\$ 172,837	100.0%

(1) \$0.2 million constitutes our investment in the partnership interests of CDO Fund III and \$28.9 million constitutes our investment in the subordinated notes of GSCIC CLO. CMR ratings are intended for corporate issuers and are inapplicable to subordinated CLO investments, which are subject to unique payment risks. (See Part I, Item 1A "Risk Factors — Risks related to our investments — Our investment in GSCIC CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility"). GSCIC CLO's portfolio investments are individually graded, however, and over 90% have a numerical debt score of less than 2.99 and a corporate letter rating of A or B.

At February 29, 2008, 33.0% or \$57.0 million of our interest-bearing portfolio was in fixed rate debt with a weighted average current coupon of 11.6% and 50.2% or \$86.8 million of our interest-bearing portfolio was in floating rate debt with a weighted average current spread of LIBOR plus 5.6%.

The following table shows the portfolio composition by industry grouping at fair value as of February 29, 2008.

Portfolio composition by industry grouping at fair value as of February 29, 2008

	Investments at Fair Value	Percentage of Total Portfolio
	(\$ in thousands)	
Structured Finance Securities ⁽¹⁾	\$ 28,915	16.7%
Automotive	22,158	12.8
Packaging	16,370	9.5
Manufacturing	15,030	8.7
Consumer Products	10,021	5.8
Publishing	9,289	5.4
Apparel	8,004	4.6
Oil and Gas	7,738	4.5
Electronics	6,377	3.7
Healthcare Services	6,040	3.5
Homebuilding	5,912	3.4
Metals	5,129	3.0
Environmental	5,066	2.9
Natural Resources	4,167	2.4
Agriculture	3,850	2.2
Financial Services	3,815	2.2
Building Products	2,964	1.7
Logistics	2,688	1.6
Retail	2,179	1.3
Gaming	1,730	1.0
Insurance	1,700	1.0
Education	1,546	0.9
Consumer Services	1,290	0.7
Restaurants	859	0.5
Total	\$ 172,837	100.0%

(1) \$0.2 million constitutes our investment in the partnership interests of CDO Fund III and \$28.9 million constitutes our investment in the subordinated notes of GSCIC CLO.

The following table shows the portfolio composition by geographic location at fair value as of February 29, 2008. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

Portfolio composition by geographic location at fair value as of February 29, 2008

	Investments at Fair Value	Percentage of Total Portfolio
	(\$ in thousands)	
Midwest	\$ 40,109	23.2%
Southeast	33,685	19.5
Other(1)	29,092	16.8
West	24,450	14.2
Mid-Atlantic	20,367	11.8
International	13,739	7.9
Northeast	11,395	6.6
Total	\$ 172,837	100.00%

(1) \$0.2 million constitutes our investment in the partnership interests of CDO Fund III and \$28.9 million constitutes our investment in the subordinated notes of GSCIC CLO.

At February 29, 2008, our investment in the subordinated notes of GSCIC CLO was \$28.9 million and constituted 16.7% of our portfolio. This investment represents a first loss position in a portfolio composed of \$372.9 million in aggregate principal amount of predominantly senior secured first lien term loans and \$40.3 million in uninvested cash. At February 29, 2008, no investment in the GSCIC CLO portfolio was in payment default or delinquent on any payment obligations.

Results of operations

Investment income

For the fiscal year ended February 29, 2008, total investment income consisted of approximately \$20.4 million in interest income from investments, \$0.4 million in interest income from cash and cash equivalents and other income, \$0.4 million in fees from managing CDO Fund III and \$0.2 million in fees from managing GSCIC CLO. Total PIK income for the period was \$0.4 million.

Operating expenses

For the fiscal year ended February 29, 2008, total operating expenses before manager reimbursement consisted of \$5.0 million in interest and credit facility financing expense, \$2.9 million in base management fees, \$1.4 million in professional fees, \$0.9 million in administrator expenses, \$0.7 million in incentive management fees, \$0.6 million in insurance expenses, \$0.3 million in directors fees, \$0.3 million in general and administrative expenses, and \$0.2 million in other expenses.

For the fiscal year ended February 29, 2008, we recorded \$1.8 million in expense reimbursement from the administrator and Manager based upon our total estimated annual operating expenses.

Net realized gains/losses on sales of investments

For the fiscal year ended February 29, 2008, the Company had approximately \$3.9 million of net realized gains. The most significant realized gains for the year were \$1.0 million and \$1.7 million attributable to the repayment of the Strategic Finance Company Senior Notes and the repayment of the Sportcraft, LTD Second Lien Term Loans, respectively.

On December 28, 2007, the Company received cash proceeds of \$3.5 million in respect of a 30% partial repayment, at par plus all accrued interest, of our investment in the McMillin Companies LLC senior secured notes;

this repayment resulted in a reversal of unrealized loss of \$0.6 million and a realized gain of \$0.2 million with respect to the repaid portion of the investment.

Net unrealized appreciation/depreciation on investments

For the fiscal year ended February 29, 2008, the Company's investments had an increase in net unrealized depreciation of approximately \$20.1 million. The most significant changes in unrealized depreciation for the year were \$3.0 million in EuroFresh, Inc. Senior Notes, \$2.6 million in the SILLC Holdings, LLC ("SILLC") Second Lien Term Loan and \$2.2 million in Atlantis Plastics Films, Inc. First Lien Term Loan.

On April 8, 2008, Advantage Partners, LLP, an Asia-based private equity firm ("Advantage"), and GST AutoLeather, Inc., ("GST"), a subsidiary of SILLC, announced that Advantage was purchasing GST from SILLC. In May 2008, we received a notification of repayment, at par, of the SILLC Second Lien Term Loan. Such repayment will result in the reversal of the \$2.6 million unrealized depreciation we recorded for the fiscal year ended February 29, 2008 and will result in a realized gain of \$0.2 million in the first quarter of fiscal year 2009.

Net realized gains/losses on derivatives

For the fiscal year ended February 29, 2008, the Company recorded net realized gain on derivatives of \$0.7 million relating to our investment in the GSCIC CLO warehouse facilities (see "— Off-balance sheet arrangements" below).

Net unrealized appreciation/depreciation on derivatives

For the fiscal year ended February 29, 2008, the Company recorded unrealized depreciation on derivatives of \$0.1 million, relating to a decrease in value of the interest rate caps purchased pursuant to the Facilities.

Changes in net asset value from operations

For the fiscal year ended February 29, 2008, we recorded a \$5.5 million net decrease in net assets resulting from operations. Based on 7,761,965 weighted average common shares outstanding for the fiscal year ended February 29, 2008, our net per share decrease in net assets from operations was \$0.70.

Financial condition, liquidity and capital resources

The Company's liquidity and capital resources have been generated primarily from the net proceeds of its IPO, advances from the Revolving Facility and the Term Facility, as well as cash flows from operations. On March 28, 2007, we completed our IPO and issued 7,250,000 common shares and received net proceeds of \$100.7 million.

On April 11, 2007, we entered into the Revolving Facility pursuant to which we may borrow up to \$100 million. Advances under the Revolving Facility were used to purchase \$55.8 million in aggregate principal amount of debt investments from CDO Fund III. Future advances under the Revolving Facility may be used to purchase additional investments as they become available. A significant percentage of our total assets were pledged to secure our obligations under the Revolving Facility. Interest is payable on funds drawn under the Revolving Facility at the prevailing commercial paper rates or, if the commercial paper market is at any time unavailable, the prevailing LIBOR rates, plus 0.70%, payable monthly. We pay a fee on any unused commitment equal to 0.225% of the amount thereof, payable monthly.

On May 1, 2007, we entered into the \$25.7 million Term Facility, which was fully drawn at closing. The proceeds of the Term Facility, together with additional advances under our Revolving Facility, were used to purchase \$59.3 million in aggregate principal amount of debt investments from CDO Fund I. A significant percentage of our total assets were pledged to secure our obligations under the Term Facility. The interest rate on funds drawn under the Term Facility was the then prevailing commercial paper rates or, if the commercial paper market was then unavailable, the prevailing LIBOR rates, plus 0.70%, payable monthly.

In December 2007, we consolidated the Facilities by using the proceeds of a draw under the Revolving Facility to repay and terminate the Term Facility. All assets formerly pledged under the Term Facility were pledged under

the Revolving Facility. By consolidating the Facilities we increased our overall borrowing capacity without increasing either our aggregate indebtedness or cost of funding. As a result of this consolidation, we incurred a non-cash charge of \$0.3 million, representing the write down of the non-amortized structuring expense of the Term Facility.

At February 29, 2008, our borrowings under the Revolving Facility was \$78.5 million. We had \$21.5 million of undrawn commitments remaining. At February 29, 2008, our asset coverage ratio, as defined in the 1940 Act, was 225%.

At February 29, 2008 the fair value of investments, cash and cash equivalents and cash and cash equivalents, securitization accounts were as follows:

	<u>Fair Value</u>	<u>Percent of Total</u>
	(\$ in thousands)	
Cash and cash equivalents	\$ 1,073	0.6%
Cash and cash equivalents, securitization accounts	14,581	7.7
First lien term loans	26,362	14.0
Second lien term loans	62,446	33.1
Senior secured notes	31,657	16.8
Unsecured notes	23,280	12.4
Other/structured finance securities	28,915	15.3
Equity/limited partnership interests	176	0.1
Total	\$ 188,490	100.0%

Contractual obligations

The following table shows our payment obligations for repayment of debt and other contractual obligations as of February 29, 2008:

Contractual Obligations	<u>Payment Due by Period</u>			
	<u>Total</u>	<u>Less Than 1</u> <u>Year</u>	<u>1 - 3</u> <u>Years</u>	<u>3 - 5</u> <u>Years</u>
	(\$ in thousands)			
Long-Term Debt Obligations	\$ 78,450			\$ 78,450

Off-balance sheet arrangements

In order to ramp the GSCIC CLO portfolio preparatory to close, we participated in certain warehousing arrangements and provided collateral against realized losses on the portfolio in an amount equal to 15% of the purchase price of the warehoused assets. In return, we received all interest income and realized gains from the warehoused assets minus expenses, including financing charges paid to the warehouse provider, and realized losses. The warehouse arrangements were terminated when the GSCIC CLO note offering closed on January 22, 2008. For the fiscal year ended February 29, 2008, we recorded \$0.7 million of net realized gain in connection with our involvement in the warehousing arrangements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our business activities contain elements of market risk. We consider our principal market risks to be fluctuations in interest rates and the inherent difficulty of determining the fair value of our investments that do not have a readily available market value. Managing these risks is essential to our business. Accordingly, we have systems and procedures designed to identify and analyze our risks, to establish appropriate policies and thresholds and to continually monitor these risks and thresholds by means of administrative and information technology systems and other policies and processes.

Interest Rate Risk

Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility including relative changes in different interest rates, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to acquire loans and securities and the value of our investment portfolio.

Our investment income is affected by fluctuations in various interest rates, including LIBOR and the prime rate. We expect that a large portion of our future portfolio will be comprised of floating rate investments that utilize LIBOR. Our interest expense is affected by fluctuations in the commercial paper rate or, if the commercial paper market is unavailable, LIBOR. As of February 29, 2008, we had \$78.5 million of borrowings outstanding at a floating rate tied to the prevailing commercial paper rate plus a margin of 0.70%.

In April and May 2007, pursuant to the Facilities, the Company entered into two interest rate cap agreements with notional amounts of \$34 million (increased to \$40 million in May 2007 at a cost of \$12,000) and \$60.9 million. These agreements provide for a payment to the Company in the event LIBOR exceeds 8%, mitigating our exposure to increases in LIBOR. At February 29, 2008, the aggregate interest rate cap agreement notional amount was \$86.6 million.

We have analyzed the potential impact of changes in interest rates on interest income from investments net of interest expense on our revolving credit facility. Assuming that our investments as of February 29, 2008 were to remain constant for a full fiscal year and no actions were taken to alter the existing interest rate terms, a hypothetical change of 1% in interest rates would cause a corresponding change of approximately \$0.2 million to our interest income net of interest expense.

Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could magnify or diminish our sensitivity to interest rate changes, nor does it account for divergences in LIBOR and the commercial paper rate, which have historically moved in tandem but, in times of unusual credit dislocations, have experienced periods of divergence. Accordingly no assurances can be given that actual results would not materially differ from the potential outcome simulated by this estimate.

Portfolio Valuation

We carry our investments at fair value, as determined in good faith by our board of directors. Investments for which market quotations are readily available are valued at such market quotations. We value investments for which market quotations are not readily available at fair value as determined in good faith by our board under our valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations that are assigned.

The types of factors that we may take into account in fair value pricing of our investments include, as relevant, the nature and realizable value of any collateral, third party valuations, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, yield trend analysis, comparison to publicly-traded securities, recent sales of or offers to buy comparable companies, and other relevant factors. The fair value of our investment in the equity of GSCIC CLO is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar CLO equity, when available.

In September 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for

measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 157 and its impact on the financial statements has not yet been determined. However, additional disclosures will be required about the inputs used to develop the measurements of fair value.

The table below describes the primary considerations made by the board of directors in determining the fair value of our investments for which market quotations are not readily available:

	<u>Fair Value</u>	<u>Percent of Total Investments</u>
		(\$ in thousands)
Third party independent valuation firm	\$ 39,339	22.8%
Market maker, broker quotes	51,505	29.8
Discounted cash flows model	28,915	16.7
Interest rate yield trend analysis	15,355	8.9
Other	176	0.1
Total fair valued investments	<u>\$ 135,290</u>	<u>78.3%</u>

Item 8. Financial Statements and Supplementary Data

Our financial statements are annexed to this Annual Report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A(T). Controls and Procedures

Evaluation of disclosure controls and procedures

The Company's management, under the supervision and with the participation of various members of management, including our CEO and our CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our CEO and CFO have concluded that our current disclosure controls and procedures are effective as of the end of the period covered by this report.

Management's annual report on internal control over financial reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) and for the assessment of the effectiveness of internal control over financial reporting. Under the supervision and with the participation of management, including the CEO and CFO, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the Company's evaluation under the framework in *Internal Control-Integrated Framework*, the Company's management concluded that the Company's internal control over financial reporting was effective as of February 29, 2008.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Changes in internal controls over financial reporting.

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recently completed fiscal quarter that have

materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2008 Annual Stockholder Meeting and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2008 Annual Stockholder Meeting and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2008 Annual Stockholder Meeting and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2008 Annual Stockholder Meeting and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be contained in the Company's definitive Proxy Statement for its 2008 Annual Stockholder Meeting and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Consolidated Financial Statement Schedules

Consolidated Financial Statements

The following financial statements of the Company are filed herewith:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of February 29, 2008 and February 28, 2007

Consolidated Statements of Operations for the year ended February 29, 2008, and for the period from May 12, 2006 (date of inception) to February 28, 2007

Consolidated Schedule of Investments as of February 29, 2008

Consolidated Statements of Changes in Net Assets for the year ended February 29, 2008, and for the period from May 12, 2006 (date of inception) to February 28, 2007

Consolidated Statements of Cash Flows for the year ended February 29, 2008, and for the period from May 12, 2006 (date of inception) to February 28, 2007

Notes to Consolidated Financial Statements

Exhibits

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Incorporation of GSC Investment Corp. ⁽⁸⁾
3.2	Amended and Restated Bylaws of GSC Investment Corp. ⁽⁹⁾
4.1	Specimen certificate of GSC Investment Corp.'s common stock, par value \$0.0001 per share. ⁽⁴⁾
4.2	Registration Rights Agreement dated March 27, 2007 between GSC Investment Corp., GSC CDO III L.L.C., GSCP (NJ) L.P. and the other investors party thereto. ⁽⁸⁾
4.3	Form of Dividend Reinvestment Plan. ⁽¹⁾
10.1	Amended and Restated Limited Partnership Agreement of GSC Partners CDO Investors III, L.P. dated August 27, 2001. ⁽²⁾
10.2	Amended and Restated Limited Partnership Agreement of GSC Partners CDO GP III, L.P. dated October 16, 2001. ⁽²⁾
10.3	Collateral Management Agreement dated November 5, 2001 among GSC Partners CDO Fund III, Limited and GSCP (NJ), L.P. ⁽²⁾
10.4	Contribution and Exchange Agreement dated October 17, 2006 among GSC Investment LLC, GSC CDO III, L.L.C., GSCP (NJ), L.P., and the other investors party thereto. ⁽¹⁾
10.5	Amendment to the Contribution and Exchange Agreement dated as of March 20, 2007 among GSC Investment LLC, GSC CDO III, L.L.C., GSCP (NJ), L.P., and the other investors party thereto.
10.6	Form of Regulations of American Stock Transfer and Trust Company. ⁽³⁾
10.7	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Peter K. Barker, as director of GSC Investment LLC. ⁽⁸⁾
10.8	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Robert F. Cummings, Jr., as director of GSC Investment LLC. ⁽⁸⁾
10.9	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Richard M. Hayden, as director of GSC Investment LLC. ⁽⁸⁾
10.10	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Thomas V. Inglesby, as director of GSC Investment LLC. ⁽⁸⁾
10.11	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Steven M. Looney, as director of GSC Investment LLC. ⁽⁸⁾
10.12	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Charles S. Whitman III, as director of GSC Investment LLC. ⁽⁸⁾
10.13	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and G. Cabell Williams, as director of GSC Investment LLC. ⁽⁸⁾
10.14	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Richard T. Allorto, Jr., as Chief Financial Officer of GSC Investment LLC. ⁽⁸⁾
10.15	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and David L. Goret, as Vice President and Secretary of GSC Investment LLC. ⁽⁸⁾
10.16	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Michael J. Monticciolo, as Chief Compliance Officer of GSC Investment LLC. ⁽⁸⁾
10.17	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Daniel I. Castro, Jr., as member of the investment committee of GSCP (NJ), LP. ⁽⁸⁾
10.18	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Robert F. Cummings, Jr., as member of the investment committee of GSCP (NJ), LP. ⁽⁸⁾
10.19	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Richard M. Hayden, as member of the investment committee of GSCP (NJ), LP. ⁽⁸⁾
10.20	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Thomas V. Inglesby, as member of the investment committee of GSCP (NJ), LP. ⁽⁸⁾

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<u>Exhibit Number</u>	<u>Description</u>
10.21	Indemnification Agreement dated March 20, 2007 between GSC Investment LLC and Thomas J. Libassi, as member of the investment committee of GSCP (NJ), LP. ⁽⁸⁾
10.22	Assignment and Assumption Agreement dated March 20, 2007 among GSCP (NJ), L.P. and GSC Investment LLC. ⁽⁸⁾
10.23	Investment Advisory and Management Agreement dated March 21, 2007 between GSC Investment LLC and GSCP (NJ) L.P. ⁽⁸⁾
10.24	Custodian Agreement dated March 21, 2007 between GSC Investment LLC and U.S. Bank National Association. ⁽⁸⁾
10.25	Administration Agreement dated March 21, 2007 between GSC Investment Corp. and GSCP (NJ) L.P. ⁽⁸⁾
10.26	Trademark License Agreement dated March 21, 2007 between GSC Investment Corp. and GSCP (NJ) L.P. ⁽⁸⁾
10.27	Notification of Fee Reimbursement dated March 21, 2007. ⁽⁸⁾
10.28	Portfolio Acquisition Agreement dated March 23, 2007 between GSC Investment Corp. and GSC Partners CDO Fund III, Limited. ⁽⁸⁾
10.29	Credit Agreement dated as of April 11, 2007 among GSC Investment Funding LLC, GSC Investment Corp., GSC (NJ), L.P., the financial institutions from time to time party thereto, the commercial paper lenders from time to time party thereto and Deutsche Bank AG, New York Branch. ⁽⁵⁾
10.30	Purchase and Sale Agreement between GSC Investment Corp. and GSC Investment Funding LLC dated as of April 11, 2007. ⁽⁵⁾
10.31	Amendment No. 1 to Credit Agreement, dated as of May 1, 2007 among GSC Investment Funding LLC, Deutsche Bank AG, New York Branch, GSC Investment Corp., and GSCP (NJ), L.P. ⁽⁶⁾
10.32	Credit Agreement dated as of May 1, 2007 among GSC Investment Funding II LLC, GSC Investment Corp., GSC (NJ), L.P., the financial institutions from time to time party thereto, the commercial paper lenders from time to time party thereto and Deutsche Bank AG, New York Branch. ⁽⁶⁾
10.33	Purchase Sale Agreement dated as of May 1, 2007 between GSC Investment Funding II LLC and GSC Investment Corp. ⁽⁶⁾
10.34	Purchase and Sale Agreement dated as of May 1, 2007 between GSC Investment Corp. and GSC Partners CDO Fund Limited. ⁽⁶⁾
10.35	Amendment to Investment Advisory and Management Agreement dated May 23, 2007 between GSC Investment Corp. and GSCP (NJ), L.P. ⁽⁷⁾
10.36	Indemnification Agreement dated October 9, 2007 between GSC Investment Corp. and David Goret, as member of the disclosure committee of GSC Investment Corp.
10.37	Indemnification Agreement dated October 9, 2007 between GSC Investment Corp. and David Rice, as member of the disclosure committee of GSC Investment Corp.
14.1	Code of Ethics of the Company adopted under Rule 17j-1. ⁽³⁾
21.1	List of Subsidiaries.
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to Amendment No. 2 to GSC Investment LLC's Registration Statement on Form N-2, File No. 333-138051, filed on January 12, 2007.

(2) Incorporated by reference to Amendment No. 4 to GSC Investment LLC's Registration Statement on Form N-2, File No. 333-138051, filed on February 23, 2007.

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- (3) Incorporated by reference to Amendment No. 6 to GSC Investment Corp.'s Registration Statement on Form N-2, File No. 333-138051, filed on March 22, 2007.
- (4) Incorporated by reference to GSC Investment Corp.'s Registration Statement on Form 8-A, File No. 001-333-76, filed on March 21, 2007.
- (5) Incorporated by reference to GSC Investment Corp.'s Form 8-K, File No. 001-33376 dated April 11, 2007.
- (6) Incorporated by reference to GSC Investment Corp.'s Form 8-K, File No. 001-33376 dated May 1, 2007.
- (7) Incorporated by reference to GSC Investment Corp.'s Form 10-K for the fiscal year ended February 28, 2007, file No. 001-33376
- (8) Incorporated by reference to GSC Investment Corp.'s Form 10-Q for the quarterly period ended May 31, 2007, File No. 001-33376
- (9) Incorporated by reference to GSC Investment Corp.'s Form 8-K, File No. 001-33376 dated February 19, 2008

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GSC INVESTMENT CORP.

By /s/ Thomas V. Inglesby

Thomas V. Inglesby
Director and Chief Executive Officer,
GSC Investment Corp.

Date: May 20, 2008

* * * * *

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard M. Hayden</u> RICHARD M. HAYDEN	Chairman of the Board of Directors	May 20, 2008
<u>/s/ Thomas V. Inglesby</u> THOMAS V. INGLESBY	Director and Chief Executive Officer	May 20, 2008
<u>/s/ Richard T. Allorto, Jr.</u> RICHARD T. ALLORTO, JR.	Chief Financial Officer and Chief Accounting Officer	May 20, 2008
<u>/s/ Robert F. Cummings Jr.</u> ROBERT F. CUMMINGS, JR.	Member of the Board of Directors	May 20, 2008
<u>/s/ Peter K. Barker</u> PETER K. BARKER	Member of the Board of Directors	May 20, 2008
<u>/s/ Steven M. Looney</u> STEVEN M. LOONEY	Member of the Board of Directors	May 20, 2008
<u>/s/ Charles S. Whitman III</u> CHARLES S. WHITMAN III	Member of the Board of Directors	May 20, 2008
<u>/s/ G. Cabell Williams</u> G. CABELL WILLIAMS	Member of the Board of Directors	May 20, 2008

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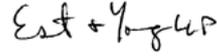
Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of GSC Investment Corp.

We have audited the accompanying consolidated balance sheets of GSC Investment Corp. (the "Company") as of February 29, 2008 and February 28, 2007, including the consolidated schedule of investments as of February 29, 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the year ended February 29, 2008 and for the period from May 12, 2006 (date of inception) to February 28, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GSC Investment Corp. at February 29, 2008 and February 28, 2007, and the consolidated results of their operations, changes in their net assets and their cash flows for the year ended February 29, 2008 and for the period from May 12, 2006 (date of inception) to February 28, 2007, in conformity with U.S. generally accepted accounting principles.



Ernst & Young LLP

New York, NY
May 20, 2008

GSC Investment Corp.
Consolidated Balance Sheets

	As of	
	February 29, 2008	February 28, 2007
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$162,888,724)	\$ 143,745,269	\$ —
Control investments (amortized cost of \$30,000,000)	29,075,299	—
Affiliate investments (amortized cost of \$0)	16,233	—
Total investments at fair value (amortized cost of \$192,888,724 and \$0, respectively)	172,836,801	—
Cash and cash equivalents	1,072,641	1,030
Cash and cash equivalents, securitization accounts	14,580,973	—
Outstanding interest rate cap at fair value (cost of \$131,000 and \$0, respectively)	76,734	—
Interest receivable	2,355,122	—
Due from manager	940,903	—
Management fee receivable	215,914	—
Other assets	39,349	—
Deferred credit facility financing costs, net	723,231	—
Deferred offering costs	—	808,617
Total assets	\$ 192,841,668	\$ 809,647
LIABILITIES		
Revolving credit facility	\$ 78,450,000	\$ —
Payable for unsettled trades	11,329,150	—
Dividend payable	3,233,640	—
Management and incentive fees payable	943,061	—
Accounts payable and accrued expenses	713,422	105,000
Interest and credit facility fees payable	292,307	—
Due to affiliate	11,048	73,810
Accrued offering cost	—	760,000
Total liabilities	\$ 94,972,628	\$ 938,810
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, par value \$.0001 per share, 100,000,000 common shares authorized, 8,291,384 and 67 common shares issued and outstanding, respectively	829	—
Capital in excess of par value	116,218,966	1,000
Accumulated undistributed net investment income	455,576	(130,163)
Accumulated undistributed net realized gain on sale of investments and derivatives	1,299,858	—
Net unrealized depreciation on investments and derivatives	(20,106,189)	—
Total stockholders' equity (deficit)	97,869,040	(129,163)
Total liabilities and stockholders' equity	\$ 192,841,668	\$ 809,647
NET ASSET VALUE PER SHARE	\$ 11.80	n/a

See accompanying notes to consolidated financial statements.

GSC Investment Corp.
Consolidated Statements of Operations

	<u>For the Year Ended</u> <u>February 29, 2008</u>	<u>For the Period from</u> <u>May 12, 2006</u> <u>(Date of Inception)</u> <u>to February 28, 2007</u>
INVESTMENT INCOME		
Interest from investments		
Non-Control/Non-Affiliate investments	\$ 20,115,301	\$ —
Control investments	262,442	—
Total interest and dividend income	<u>20,377,743</u>	<u>—</u>
Interest from cash and cash equivalents	366,312	30
Management fee income	599,476	—
Other income	42,548	—
Total investment income	<u>21,386,079</u>	<u>30</u>
EXPENSES		
Interest and credit facility financing expenses	5,031,233	—
Base management fees	2,938,659	—
Professional fees	1,409,806	35,000
Administrator expenses	892,112	—
Incentive management fees	711,363	—
Insurance	586,784	—
Directors fees	313,726	—
General & administrative	261,653	—
Cost of acquiring management contract	144,000	—
Organizational expense	49,542	95,193
Expenses before manager reimbursement	<u>12,338,878</u>	<u>130,193</u>
Expense reimbursement	(1,789,028)	—
Total expenses net of expense reimbursement	<u>10,549,850</u>	<u>130,193</u>
NET INVESTMENT INCOME (LOSS) BEFORE INCOME TAXES	10,836,229	(130,163)
Income tax expense, including excise tax	(88,951)	—
NET INVESTMENT INCOME (LOSS)	<u>10,747,278</u>	<u>(130,163)</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain from investments		
Non-Control/Non-Affiliate investments	2,707,402	—
Control investments	428,673	—
Affiliate investments	39,147	—
Net realized gain from derivatives	732,526	—
Net unrealized depreciation on investments	(20,051,923)	—
Net unrealized depreciation on derivatives	(54,266)	—
Net loss on investments	<u>(16,198,441)</u>	<u>—</u>
NET DECREASE IN NET ASSETS FROM OPERATIONS	<u>\$ (5,451,163)</u>	<u>\$ (130,163)</u>
WEIGHTED AVERAGE — BASIC AND DILUTED EARNINGS PER COMMON SHARE	<u>\$ (0.70)</u>	<u>n/a</u>
WEIGHTED AVERAGE COMMON STOCK		
OUTSTANDING — BASIC AND DILUTED	7,761,965	67

See accompanying notes to consolidated financial statements.

GSC Investment Corp.
Consolidated Schedule of Investments
February 29, 2008

Company(a)	Industry	Investment	Principal	Cost	Fair Value	% of Stockholders' Equity
Non-control/Non-affiliated investments — 146.9%(b)						
EuroFresh Inc.(d)	Agriculture	Unsecured Notes 11.50%, 1/15/2013	7,000,000	\$ 6,890,639	\$ 3,850,000	3.9%
GFSI Inc(c, d)	Apparel	Senior Secured Notes 10.50%, 6/1/2011	8,425,000	8,421,760	8,003,750	8.2%
Key Safety Systems(d)	Automotive	First Lien Term Loan 6.68%, 3/8/2014	2,500,000	1,837,500	1,875,000	1.9%
SILLC Holdings, LLC(c, d)	Automotive	Second Lien Term Loan 9.86%, 5/24/2011	23,049,210	22,865,049	20,283,305	20.7%
		Total Automotive	25,549,210	24,702,549	22,158,305	22.6%
Legacy Cabinets, Inc.(d)	Building Products	First Lien Term Loan 8.56%, 8/18/2012	1,871,500	1,847,290	1,403,625	1.4%
Legacy Cabinets, Inc.(d)	Building Products	Second Lien Term Loan 12.31%, 8/18/2013	2,400,000	2,354,989	1,560,000	1.6%
		Total Building Products	4,271,500	4,202,280	2,963,625	3.0%
Hopkins Manufacturing Corporation(c, d)	Consumer Products	Second Lien Term Loan 11.82%, 1/26/2012	3,250,000	3,245,793	3,152,500	3.2%
Targus Group International, Inc.(d)	Consumer Products	First Lien Term Loan 7.61%, 11/22/2012	3,408,271	3,095,060	2,851,701	2.9%
Targus Group International, Inc.(d)	Consumer Products	Second Lien Term Loan 13.35%, 5/22/2013	5,000,000	4,743,768	4,016,500	4.1%
		Total Consumer Products	11,658,271	11,084,621	10,020,701	10.2%
Affinity Group, Inc.(d)	Consumer Services	First Lien Term Loan 5.62%, 6/24/2009	481,233	449,953	444,371	0.4%
Affinity Group, Inc.(d)	Consumer Services	First Lien Term Loan 5.74%, 6/24/2009	518,767	485,047	479,859	0.5%
CFF Acquisition LLC(c, d)	Consumer Services	First Lien Term Loan 8.77%, 7/31/2013	406,228	406,228	365,605	0.4%
		Total Consumer Services	1,406,228	1,341,228	1,289,835	1.3%
M/C Communications, LLC(c, d)	Education	First Lien Term Loan 5.54%, 12/31/2010	1,736,766	1,571,773	1,545,721	1.6%
Group Dekko(c, d)	Electronics	Second Lien Term Loan 9.38%, 1/20/2012	6,670,000	6,670,000	6,336,500	6.5%
IPC Systems, Inc.(d)	Electronics	First Lien Term Loan 7.09%, 5/31/2014	49,750	44,647	40,497	0.0%
		Total Electronics	6,719,750	6,714,647	6,376,997	6.5%
USS Mergerco, Inc.(c, d)	Environmental	Second Lien Term Loan 9.08%, 6/29/2013	5,960,000	5,827,121	5,066,000	5.2%
Bankruptcy Management Solutions, Inc.(d)	Financial Services	Second Lien Term Loan 9.37%, 7/31/2013	4,937,500	4,902,101	3,555,000	3.6%
Realogy Corp.(d)	Financial Services	First Lien Term Loan 6.11%, 10/10/2013	21,106	19,693	17,746	0.0%
Realogy Corp.(d)	Financial Services	First Lien Term Loan 7.51%, 10/10/2013	78,394	73,147	65,733	0.1%
		Total Financial Services	5,037,000	4,994,941	3,638,479	3.7%
CCM Merger Inc.(d)	Gaming	First Lien Term Loan 6.35%, 7/13/2012	2,000,000	1,670,000	1,730,000	1.8%
IDI Acquisition Corp.(d)	Healthcare Services	Senior Secured Notes 10.75%, 12/15/2011	3,800,000	3,574,228	3,040,000	3.1%
PRACS Institute, LTD(c, d)	Healthcare Services	Second Lien Term Loan 11.41%, 4/17/2013	3,000,000	3,000,000	3,000,000	3.1%
		Total Healthcare Services	6,800,000	6,574,228	6,040,000	6.2%
McMillin Companies LLC(c, d)	Homebuilding	Senior Secured Notes 9.53%, 4/30/2012	7,700,000	7,194,636	5,912,060	6.0%

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Company(a)	Industry	Investment	Principal	Cost	Fair Value	% of Stockholders' Equity
Asurion Corporation(d)	Insurance	First Lien Term Loan 6.10%, 7/3/2014	2,000,000	1,665,000	1,699,600	1.7%
Worldwide Express Operations, LLC(c, d)						
Jason Incorporated(c, d)	Logistics	First Lien Term Loan 7.89%, 6/30/2013	2,973,362	2,966,658	2,687,919	2.7%
Jason Incorporated(c, d)	Manufacturing	Unsecured Notes 13.00%, 11/1/2008	12,000,000	12,000,000	11,712,000	12.0%
Jason Incorporated(c, d)	Manufacturing	Unsecured Notes 13.00%, 11/1/2008	3,400,000	3,400,000	3,318,400	3.4%
		Total Manufacturing	15,400,000	15,400,000	15,030,400	15.4%
Blaze Recycling & Metals, LLC(d)	Metals	Senior Secured Notes 10.88%, 7/15/2012	2,500,000	2,493,087	2,218,750	2.3%
Elyria Foundry Company, LLC(c, d)	Metals	Senior Secured Notes 13.00%, 3/1/2013	3,000,000	2,893,873	2,910,000	3.0%
		Total Metals	5,500,000	5,386,960	5,128,750	5.3%
Grant U.S. Holdings LLP(d, e)	Natural Resources	Second Lien Term Loan 12.75%, 9/20/2013	5,365,592	5,365,393	4,167,456	4.3%
Edgen Murray II, L.P.(c, d)	Oil and Gas	Second Lien Term Loan 9.32%, 5/11/2015	2,000,000	1,947,348	1,600,000	1.6%
Energy Alloys, LLC(c, d)	Oil and Gas	Second Lien Term Loan 12.15%, 10/5/2012	6,200,000	6,200,000	6,138,000	6.3%
		Total Oil and Gas	8,200,000	8,147,348	7,738,000	7.9%
Atlantis Plastics Films, Inc.(c, d)	Packaging	First Lien Term Loan 8.71%, 9/22/2011	6,516,244	6,491,835	4,298,114	4.4%
Stronghaven, Inc.(c, d)	Packaging	Second Lien Term Loan 11.00%, 10/31/2010	2,500,000	2,500,000	2,500,000	2.6%
Terphane Holdings Corp.(c, d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2009	4,850,000	4,853,648	4,447,450	4.5%
Terphane Holdings Corp.(c, d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2009	5,087,250	5,094,096	4,665,008	4.8%
Terphane Holdings Corp.(c, d, e)	Packaging	Senior Secured Notes 15.11%, 6/15/2009	500,000	498,536	459,500	0.5%
		Total Packaging	19,453,494	19,438,114	16,370,073	16.8%
Advanstar Communications Inc.(d)	Publishing	First Lien Term Loan 7.09%, 5/31/2014	1,990,000	1,516,878	1,492,500	1.5%
Brown Publishing Company(c, d)	Publishing	Second Lien Term Loan 11.09%, 9/19/2014	1,203,226	1,197,520	1,070,871	1.1%
Network Communications, Inc.(c, d)	Publishing	Unsecured Notes 10.75%, 12/1/2013	5,000,000	5,095,198	4,400,000	4.5%
Penton Media, Inc.(c, d)	Publishing	First Lien Term Loan 5.37%, 2/1/2013	2,962,500	2,134,841	2,325,563	2.4%
		Total Publishing	11,155,726	9,944,437	9,288,934	9.5%
QCE LLC(d)	Restaurants	First Lien Term Loan 7.03%, 5/5/2013	992,443	804,673	859,456	0.9%
Claire's Stores, Inc.(d)	Retail	First Lien Term Loan 6.47%, 5/29/2014	2,786,000	2,579,717	2,179,209	2.2%
				162,888,724	143,745,269	146.9%
Sub Total Non-control/ Non-affiliated investments						
Control investments — 29.7%(b)						
GSC CDO III, LLC(c, g)	Financial Services	100% membership interest			160,153	0.2%
GSC Investment Corp. CLO 2007 LTD.(c, g)	Structured Finance Securities	Other/Structured Finance Securities 20.36%, 1/21/2020	30,000,000	30,000,000	28,915,146	29.5%
				30,000,000	29,075,299	29.7%
Sub Total Control investments						
Affiliate investments — 0.0%(b)						
GSC Partners CDO GP III, LP(c, f)	Financial Services	6.24% Partnership interest			16,233	0.0%
TOTAL INVESTMENT ASSETS — 176.6%(b)				\$ 192,888,724	\$ 172,836,801	176.6%

Outstanding interest rate cap

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Notional</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Stockholders' Equity</u>
Interest rate cap	8.0%	2/9/2014	\$ 40,000,000	\$ 87,000	\$ 50,703	0.1%
Interest rate cap	8.0%	11/30/2013	46,637,408	44,000	26,031	0.0%
Sub Total Outstanding interest rate cap				\$ 131,000	\$ 76,734	0.1%

- (a) All of the Fund's equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except Atlantis Plastics Films, Inc., Grant U.S. Holdings LLP, GSC Investment Corp. CLO 2007, Terphane Holdings Corp.
- (b) Percentages are based on net assets of \$97,869,040 as of February 29, 2008.
- (c) Fair valued investment (see Note 2 to the consolidated financial statements).
- (d) All or a portion of the investment is pledged as collateral under a revolving securitized credit facility (see Note 7 to the consolidated financial statements).
- (e) Non-U.S. company. The principal place of business for Terphane Holdings Corp is Brazil, and for Grant U.S. Holdings LLP is Canada.
- (f) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

<u>Company</u>	<u>Purchases</u>	<u>Redemptions</u>	<u>Sales (Cost)</u>	<u>Interest Income</u>	<u>Management Fee Income</u>	<u>Net Realized Gains/(Losses)</u>	<u>Net Unrealized Gains/(Losses)</u>
GSC Partners CDO GP III, LP	\$2,045,067	\$2,084,214	\$—	\$—	\$—	\$39,147	\$16,233

- (g) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. In addition, as defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting (g) securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

<u>Company</u>	<u>Purchases</u>	<u>Redemptions</u>	<u>Sales (Cost)</u>	<u>Interest Income</u>	<u>Management Fee Income</u>	<u>Net Realized Gains/(Losses)</u>	<u>Net Unrealized Gains/(Losses)</u>
GSC Investment Corp. CLO 2007 LTD.	\$30,000,000	\$ —	\$—	\$262,442	\$215,914	\$ —	\$(1,084,854)
GSC CDO III, LLC	\$13,574,694	\$14,003,367	\$—	\$ —	\$ —	\$428,673	\$ 160,153

See accompanying notes to consolidated financial statements.

GSC Investment Corp.
Consolidated Statements of Changes in Net Assets

	<u>For the Year Ended February 29, 2008</u>	<u>For the Period from May 12, 2006 (Date of Inception) to February 28, 2007</u>
OPERATIONS:		
Net investment income (loss)	\$ 10,747,278	\$ (130,163)
Net realized gain from investments	3,175,222	—
Net realized gain from derivatives	732,526	—
Net unrealized depreciation on investments	(20,051,923)	—
Net unrealized depreciation on derivatives	(54,266)	—
Net decrease in net assets from operations	<u>(5,451,163)</u>	<u>(130,163)</u>
SHAREHOLDER DISTRIBUTIONS:		
Distributions declared	(12,851,645)	—
Net decrease in net assets from shareholder distributions	<u>(12,851,645)</u>	<u>—</u>
CAPITAL SHARE TRANSACTIONS:		
Issuance of common stock, net	116,301,011	1,000
Net increase in net assets from capital share transactions	<u>116,301,011</u>	<u>1,000</u>
Total increase (decrease) in net assets	97,998,203	(129,163)
Net assets at beginning of year/period	(129,163)	—
Net assets at end of year/period	<u>\$ 97,869,040</u>	<u>\$ (129,163)</u>
Net asset value per common share	\$ 11.80	n/a
Common shares outstanding at end of period	8,291,384	67

See accompanying notes to consolidated financial statements.

GSC Investment Corp.
Consolidated Statements of Cash Flows

	<u>For the Year Ended</u> <u>February 29, 2008</u>	<u>For the Period from</u> <u>May 12, 2006 (Date</u> <u>of Inception)</u> <u>to February 28, 2007</u>
Operating activities		
NET DECREASE IN NET ASSETS FROM OPERATIONS	\$ (5,451,163)	\$ (130,163)
ADJUSTMENTS TO RECONCILE NET DECREASE IN NET ASSETS FROM OPERATIONS TO NET CASH USED IN		
OPERATING ACTIVITIES:		
Paid-in-kind interest income	(365,592)	—
Net accretion of discount on investments	(765,255)	—
Amortization of deferred credit facility financing costs	502,468	—
Net realized gain from investments	(3,175,222)	—
Net realized gain from derivatives	(732,526)	—
Net unrealized depreciation on investments	20,051,923	—
Unrealized depreciation on derivatives	54,266	—
Proceeds from sale and redemption of investments	141,772,158	—
Purchase of investments	(314,002,526)	—
(Increase) decrease in operating assets and liabilities:		
Cash and cash equivalents, securitization accounts	(14,580,973)	—
Interest receivable	(2,355,122)	—
Due from manager	(940,903)	—
Management fee receivable	(215,914)	—
Other assets	(39,349)	—
Deferred offering costs	808,617	(808,617)
Payable for unsettled trades	11,329,150	—
Management and incentive fees payable	943,061	—
Accounts payable and accrued expenses	608,422	105,000
Interest and credit facility fees payable	292,307	—
Due to affiliate	(62,762)	73,810
Accrued offering costs	(760,000)	760,000
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(167,084,935)</u>	<u>30</u>
Financing activities		
Contribution from member	—	1,000
Issuance of shares of common stock	108,750,000	—
Offering costs and sales load	(8,068,750)	—
Borrowings on debt	167,958,119	—
Paydowns on debt	(89,508,119)	—
Credit facility financing cost	(1,225,699)	—
Cost of interest rate cap	(131,000)	—
Payments of cash dividends	(9,618,005)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>168,156,546</u>	<u>1,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,071,611	1,030
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR/PERIOD	1,030	—
CASH AND CASH EQUIVALENTS, END OF YEAR/PERIOD	<u>\$ 1,072,641</u>	<u>\$ 1,030</u>
Supplemental Information:		
Interest paid during the year/period	\$ 4,236,458	n/a
Supplemental non-cash information		
Issuance of common stock for acquisition of investments in GSC CDO III, LLC and GSC Partners CDO GP III, L.P.	\$ 15,619,761	n/a
Paid-in-kind interest income	\$ 365,592	n/a
Net accretion of discount on investments	\$ 765,255	n/a
Amortization of deferred credit facility financing costs	\$ 502,468	n/a

See accompanying notes to consolidated financial statements.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

GSC Investment Corp. (the “Company”, “we” and “us”) is a non-diversified closed end management investment company incorporated in Maryland that has elected to be treated and is regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). We commenced operations on March 23, 2007 and completed our initial public offering (“IPO”) on March 28, 2007. The Company intends to file an election and to qualify to be treated for tax purposes as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our first taxable year as a corporation. We expect to continue to qualify and to elect to be treated for tax purposes as a RIC. Our investment objectives are to generate both current income and capital appreciation through debt and equity investments by primarily investing in private middle market companies and select high yield bonds.

GSC Investment, LLC (the “LLC”) was organized in May 2006 as a Maryland limited liability company. As of February 28, 2007, the LLC had not yet commenced its operations and investment activities.

On March 21, 2007, the Company was incorporated in and concurrently, the LLC was merged with and into the Company in accordance with the procedure for such merger in the LLC’s limited liability company agreement and Maryland law. In connection with such merger, each outstanding common share of the LLC was converted into an equivalent number of shares of common stock of the Company and the Company is the surviving entity.

We are externally managed and advised by our investment adviser, GSCP (NJ), L.P. (individually and collectively with its affiliates, “GSC Group” or the “Manager”), pursuant to an investment advisory and management agreement.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles and include the accounts of the Company and its special purpose financing subsidiaries, GSC Investment Funding, LLC and GSC Investment Funding II, LLC. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition for the periods presented. All intercompany accounts and transactions have been eliminated in consolidation. All references made to the “Company,” “we” and “us” in the financial statements are encompassing of these consolidated subsidiaries, except as stated otherwise.

Note 2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value.

Cash and cash equivalents, Securitization Accounts

Cash and cash equivalents, securitization accounts includes amounts held in designated bank accounts in the form of cash and short-term liquid investments in money market funds representing payments received on securitized investments or other reserved amounts associated with the Company’s securitization facilities. The Company is required to use a portion of these amounts to pay interest expense, reduce borrowings, or pay other

GSC INVESTMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

amounts in accordance with the related securitization agreements. Cash held in such accounts may not be available for the general use of the Company.

Risk Management

In the ordinary course of its business, the Company manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices. Credit risk is the risk of default or non-performance by portfolio companies equivalent to the investment's carrying amount.

The Company is also exposed to credit risk related to maintaining all of its cash and cash equivalents including those in securitization accounts at a major financial institution and credit risk related to the derivative counterparty.

The Company has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which we own more than 25% of the voting securities or maintain greater than 50% of the board representation. Under the 1940 Act, "Affiliated Investments" are defined as those non-control investments in companies in which we own between 5% and 25% of the voting securities. Under the 1940 Act, "Non-affiliated Investments" are defined as investments that are neither Control Investments or Affiliated Investments.

Investment Valuation

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments," approximates the carrying amounts presented in the consolidated balance sheet.

Investments for which market quotations are readily available are valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to make a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available as stated above at fair value as determined in good faith by our board of directors based on input from our Manager, our audit committee and, if our board or audit committee so request, a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in a fair value pricing include the nature and realizable value of any collateral, the portfolio company's ability to make payments, yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals and preliminary valuation conclusions are documented and discussed with our senior management;

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- An independent valuation firm engaged by our board of directors reviews at least one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least annually;
- The audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- Our board of directors discuss the valuations and determine the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (if applicable) and audit committee.

Our equity investment in GSC Investment Corp. CLO 2007, Ltd. ("GSCIC CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar CLO equity, when available, as determined by our investment advisor and recommended to our board of directors.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by our board of directors may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("FAS 133") as amended. FAS 133 requires recognizing all derivative instruments as either assets or liabilities on the consolidated balance sheet at fair value. The Company values derivative contracts at the closing fair value provided by the counterparty. Changes in the values of derivative contracts are included in the consolidated statement of operations.

Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. If any cash is received after it is determined that interest is no longer collectible, we will treat the cash as payment on the principal balance until the entire principal balance has been repaid, before any interest income is recognized. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments. At February 29, 2008, no investments were being accounted for on a non-accrual basis.

Interest income on our investment in GSCIC CLO is recorded using the effective interest method in accordance with the provision of EITF 99-20, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Paid-in-Kind Interest

The Company includes in income certain amounts that it has not yet received in cash, such as contractual paid-in-kind interest ("PIK"), which represents contractually deferred interest added to the investment balance that is generally due at maturity. We stop accruing PIK if we do not expect the issuer to be able to pay all principal and interest when due.

Organizational Expenses

Organizational expenses consist principally of professional fees incurred in connection with the organization of the Company and have been expensed as incurred.

Organizational expenses of \$95,193 for the period ended February 28, 2007 consisted principally of professional fees incurred in connection with the organization of the LLC. The Manager had agreed to pay organizational expenses on behalf of the LLC, and to be subsequently reimbursed through the proceeds of the IPO. There were additional organizational expenses incurred during the year ended February 29, 2008 of \$49,542. The Manager has been reimbursed for \$26,673 of the organizational expenses, the remaining are paid directly by the Company.

Offering Costs

Offering costs consist principally of legal fees incurred by the Company related to the Company's IPO that was completed on March 28, 2007. These offering costs were charged directly against capital and are limited to \$1 million. All offering costs in excess of \$1 million were paid by the Manager. As of February 29, 2008, the Company incurred \$1.4 million relating to offering costs of which the Manager has reimbursed the Company \$0.4 million. As of February 28, 2007, the LLC had accrued and deferred \$0.8 million relating to offering costs.

Deferred Credit Facility Financing Costs

Financing costs incurred in connection with each respective credit facility have been deferred and are being amortized using the straight line method over the life of each respective facility.

Indemnifications

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management feels that the likelihood of such an event is remote.

Income Taxes

The Company intends to file an election and qualify to be treated for tax purposes as a RIC under Subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from federal income taxes. Therefore, no provision has been recorded for federal income taxes.

In order to qualify as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if we do not distribute at least 98% of our investment company taxable income in any calendar year and 98% of our capital gain net income for each one-year period ending on October 31.

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

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the year ended February 29, 2008 provisions of \$88,951 were recorded for Federal excise taxes. As of February 29, 2008, the entire \$88,951 was unpaid and included in accounts payable on the accompanying consolidated balance sheet. This amount was paid subsequent to year end.

The Company has adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB No. 109, *Accounting for Income Taxes*, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In May 2007, the FASB issued Staff Position, FIN 48-1, *Definition of Settlement in FASB Interpretation No. 48* (“FSP FIN 48-1”), which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective with the initial adoption of FIN 48. The adoption of FIN 48 and FSP FIN 48-1 did not have a material impact on our consolidated financial statements.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not “opted out” of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. If the Company’s common stock is trading below net asset value at the time of valuation, the plan administrator will receive the dividend or distribution in cash and will purchase common stock in the open market, on the New York Stock Exchange or elsewhere, for the account of each Participant.

New Accounting Pronouncements

In September 2006, the FASB released Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (“FAS 157”). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 157 and its impact on the financial statements has not yet been determined. However, additional disclosures will be required about the inputs used to develop the measurements of fair value.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“FAS 159”), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of FAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. FAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company’s choice to use fair value on its earnings. FAS 159 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. FAS 159 does not eliminate disclosure requirements of other accounting standards, including fair value measurement disclosures

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

in FAS 157. This statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FAS 157. At this time, the Company is evaluating the implications of FAS No. 159, and its impact in the consolidated financial statements has not yet been determined.

Note 3. Investments

The composition of our investments as of February 29, 2008, at amortized cost and fair value was as follows (dollars in thousands):

	Investments at Amortized Cost	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	\$ 29,660	\$ 26,362	15.25%
Second lien term loans	70,819	62,446	36.13
Senior secured notes	35,024	31,657	18.32
Unsecured notes	27,386	23,281	13.47
Structured Finance Securities	30,000	28,915	16.73
Equity/limited partnership interest	0	176	0.10
Total	\$ 192,889	\$ 172,837	100.0%

As of February 29, 2008, \$135.3 million or 78% of the total value of our investments were fair valued by our board of directors in accordance with our valuation policy described in Note 2. All of our investments are in below investment grade securities and loans.

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd.

On January 22, 2008, we invested \$30 million in all of the outstanding subordinated notes of GSC Investment Corp. CLO 2007, Ltd., (the "GSCIC CLO"), a \$400 million CLO managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with GSCIC CLO pursuant to which we will act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of GSCIC CLO's assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the GSCIC CLO subordinated notes receive an internal rate of return equal to or greater than 12%. For the year ended February 29, 2008, we accrued \$0.2 million in management fees and \$0.3 million in interest income. We did not accrue any amounts related to the incentive management fee as the 12% hurdle rate has not yet been achieved.

Note 5. Income Taxes

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed to stockholders.

The Company owns 100% of GSC Investment Corp. CLO 2007, Ltd. ("CLO"), an Exempted Company incorporated in the Cayman Islands. For financial reporting purposes, the CLO is not included as part of the consolidated financial statements. For federal income tax purposes, the CLO is treated as a disregarded entity. As such, for federal income tax purposes and for purposes of meeting the RIC qualification and diversification tests, the results of operations of the CLO are included with those of the Company.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its investment company taxable income, as defined by the Code. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the year ended February 29, 2008, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to nondeductible excise tax and meals & entertainment, tax character of distributions and the tax treatment of derivatives as follows (dollars in thousands):

Accumulated net investment income/(loss)	\$ 1,197
Accumulated net realized gains (losses) on investments	(1,115)
Additional paid-in-capital	(82)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the year ended December 31, 2007 was as follows (dollars in thousands):

Ordinary income(a)	\$ 12,483
Capital gains	369
Return of capital	—
Total	<u>\$ 12,852</u>

(a) Ordinary income is reported on Form 1099-DIV as non-qualified.

For federal income tax purposes, the cost of investments owned at February 29, 2008 was \$513 million.

At February 28, 2008, the components of distributable earnings on a tax basis as detailed below differ from the amounts reflected per the Company's Statement of Assets and Liabilities by temporary book/tax differences primarily arising from the consolidation of the CLO for tax purposes, market discount and original issue discount income and amortization of organizational expenditures (dollars in thousands).

Accumulated capital gains/(losses)	\$ —
Other temporary differences	(3,283)
Undistributed ordinary income	5,091
Unrealized depreciation	(35,226)
Components of distributable earnings	<u>\$ (33,418)</u>

Note 6. Agreements

On March 21, 2007, the Company entered into an investment advisory and management agreement (the "Management Agreement") with GSC Group. The initial term of the Management Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. Pursuant to the Management Agreement, our investment adviser implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our investment adviser is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investments transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay our investment adviser a management fee for investment advisory and management services consisting of a base management fee and an incentive fee.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The base management fee of 1.75% is calculated based on the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter.

The incentive fee consists of the following two parts:

The first, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income (not including excise taxes), expressed as a rate of return on the value of the net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter. Under this provision, in any fiscal quarter, our investment adviser receives no incentive fee unless our pre-incentive fee net investment income, as defined above, exceeds the hurdle rate of 1.875%. Amounts received as a return of capital are not included in calculating this portion of the incentive fee. Since the hurdle rate is based on net assets, a return of less than the hurdle rate on total assets may still result in an incentive fee.

The second, payable at the end of each fiscal year equals 20% of our net realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation, in each case on a cumulative basis, less the aggregate amount of such incentive fees paid to the investment adviser through such date.

For the year ended February 29, 2008, we incurred \$2.9 million in base management fees and \$0.7 million in incentive fees related to pre-incentive fee net investment income. For the year ended February 29, 2008, we incurred no incentive management fees related to net realized capital gains. As of February 29, 2008, \$0.8 million of base management fees and \$0.1 million of incentive fees were unpaid and included in management and incentive fees payable in the accompanying consolidated balance sheet.

For the year ended February 29, 2008, our investment advisor incurred, on our behalf, \$48,629 in expenses related to the monitoring and due diligence of the Company's investments and prospective investments which are reimbursable under the management agreement. As of February 29, 2008, \$11,048 was unpaid and included in due to affiliate in the accompanying consolidated balance sheet.

On March 21, 2007, the Company entered into a separate administration agreement (the "Administration Agreement") with GSC Group, pursuant to which GSC Group, as our administrator, has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide managerial assistance on our behalf to those portfolio companies to which we are required to provide such assistance. Our allocable portion is based on the proportion that our total assets bears to the total assets or a subset of total assets administered by our administrator.

For the year ended February 29, 2008, we accrued \$0.9 million of administrator expenses pertaining to bookkeeping, record keeping and other administrative services provided to the Company in addition to our allocable portion of rent and other overhead related expenses. GSC Group has agreed not to be reimbursed by the Company for any expenses incurred in performing its obligations under the Administration Agreement until the Company's total assets exceeds \$500 million. Additionally, the Company's requirement to reimburse GSC Group is capped such that the amounts payable, together with the Company's other operating expenses, will not exceed an amount equal to 1.5% per annum of the Company's net assets attributable to the Company's common stock. Accordingly, for the year ended February 29, 2008, we have recorded \$0.9 million in expense reimbursement under the Administration Agreement in the accompanying consolidated statement of operations.

On March 23, 2007, the Manager provided the Company with a Notification of Fee Reimbursement (the "Expense Reimbursement Agreement"). The Expense Reimbursement Agreement provides for the Manager to reimburse the Company for operating expenses to the extent that our total annual operating expenses (other than investment advisory and management fees, interest and credit facility expenses, and organizational expense) exceed an amount equal to 1.55% of our net assets attributable to common stock. The Manager is not entitled to recover any

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reimbursements under this agreement in future periods. The term of the Expense Reimbursement Agreement is for a period of 12 months beginning March 23, 2007 and for each twelve months period thereafter unless otherwise agreed by the Manager and the Company. For the year ended February 29, 2008, we have recorded \$0.9 million in expense reimbursement under the Expense Reimbursement Agreement in the accompanying consolidated statement of operations. As of February 29, 2008, \$0.9 million of such expense reimbursement was due from the Manager. On April 15, 2008, the Manager and the Company agreed not to extend the agreement for an additional twelve month period and terminated the Expense Reimbursement Agreement as of March 23, 2008.

Note 7. Borrowings

As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

On April 11, 2007, we formed GSC Investment Funding LLC (“GSC Funding”), a wholly owned consolidated subsidiary of the Company, through which we entered into a revolving securitized credit facility (the “Revolving Facility”) with Deutsche Bank AG, as administrative agent, under which we may borrow up to \$100 million. A significant percentage of our total assets have been pledged under the Revolving Facility to secure our obligations thereunder. Under the Revolving Facility, funds are borrowed from or through certain lenders at prevailing commercial paper rates or, if the commercial paper market is at any time unavailable, at prevailing LIBOR rates, plus 0.70% payable monthly. We also pay an unused commitment fee equal to 0.225% payable monthly. As of February 29, 2008, there was \$78.5 million outstanding under the Revolving Facility and the Company continues to be in compliance with all of the limitations and requirements of the Revolving Facility. For the year ended February 29, 2008, we recorded \$4.0 million of interest expense and \$0.2 million of amortization of deferred financing costs related to the Revolving Facility and the interest rates on the outstanding borrowings ranged from 4.22 to 6.44%.

On May 1, 2007, we formed GSC Investment Funding II LLC (“GSC Funding II”), a wholly owned consolidated subsidiary of the Company, through which we entered into a \$25.7 million term securitized credit facility (the “Term Facility” and, together with the Revolving Facility, the “Facilities”) with Deutsche Bank AG, as administrative agent, which was fully drawn at closing. A significant percentage of our total assets were pledged under the Term Facility to secure our obligations thereunder. The Term Facility bears interest at prevailing commercial paper rates or, if the commercial paper market is at any time unavailable, at prevailing LIBOR rates, plus 0.70%, payable quarterly. For the year ended February 29, 2008, we recorded \$0.6 million of interest expense and \$0.3 million of amortization of deferred financing costs related to the Term Facility.

Each of the Facilities contain limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, asset size, payment frequency and status, average life, collateral interests and investment ratings. The Facilities also include certain requirements relating to portfolio performance the violation of which could result in the early amortization of the Facilities, limit further advances (in the case of the Revolving Facility) and, in some cases, result in an event of default, allowing the lenders to accelerate repayment of amounts owed thereunder.

On December 12, 2007, the Company consolidated its Facilities by using the proceeds of a draw under the Revolving Facility to repay and terminate the Term Facility and transferring all assets in GSC Funding II to GSC Funding. The Company’s aggregate indebtedness and cost of funding were unchanged as a result of this consolidation. In connection with the termination of the Term Facility, the Company expensed \$0.3 million of unamortized deferred financing costs.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 8. Interest Rate Cap Agreements

In April and May 2007, pursuant to the requirements of the Facilities, GSC Funding and GSC Funding II entered into interest rate cap agreements with Deutsche Bank AG with notional amounts of \$34 million and \$60.9 million at costs of \$75,000, and \$44,000, respectively. In May 2007 GSC Funding increased the notional under its agreement from \$34 million to \$40 million for an additional cost of \$12,000. The agreements expire in February 2014 and November 2013 respectively. These interest rate caps are treated as free-standing derivatives under FAS 133 and are presented at their fair value on the consolidated balance sheet and changes in their fair value are included on the consolidated statement of operations.

The agreements provide for a payment to the Company in the event LIBOR exceeds 8%, mitigating our exposure to increases in LIBOR. With respect to calculating the payments under these agreements, the notional amount is determined based on a pre-determined schedule set forth in the respective agreements which provides for a reduction in the notional at specified dates until the maturity of the agreements. As of February 29, 2008 we did not receive any such payments as the LIBOR has not exceeded 8%. At February 29, 2008, the total notional outstanding for the interest rate caps was \$86.6 million with an aggregate fair value of \$0.1 million, which is recorded in outstanding interest cap at fair value on the Company's consolidated balance sheet. For the year ended February, 29, 2008, the Company recorded \$0.05 million of unrealized depreciation on derivatives in the consolidated statement of operations related to the change in the fair value of the interest rate cap agreements.

The table below summarizes our interest rate cap agreements as of February 29, 2008 (dollars in thousands):

<u>Instrument</u>	<u>Type</u>	<u>Notional</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
Interest Rate Cap	Free Standing Derivative	\$ 40,000	8.0%	Feb 2014	\$ 51
Interest Rate Cap	Free Standing Derivative	46,637	8.0	Nov 2013	26
	Net fair value				<u>\$ 77</u>

Note 9. Warehouse Agreement — Off Balance Sheet Agreement

On November 2, 2007, the Company engaged an investment bank to structure and raise a collateralized loan obligations fund ("CLO Fund") in which the Company will be the portfolio manager and sole equity investor.

Simultaneously, the Company entered into a warehouse agreement with an affiliate of the investment bank (the "Warehouse Provider") under which the Warehouse Provider agreed to purchase assets identified by the Company for resale to the CLO Fund on the CLO Fund closing date. As a condition of the warehouse financing, the Company agreed to pledge cash collateral to the Warehouse Provider in an amount equal to 15% of the purchase price of the warehoused assets up to \$30 million to cover realized losses (if any) on the portfolio prior to the sale of the portfolio to the CLO Fund. In return, the Company received all interest income and realized gains from the warehoused assets less expenses, including financing charges paid to the warehouse provider, and realized losses. The warehouse arrangements were terminated when the GSCIC CLO closed on January 22, 2008. For the year ended February 29, 2008, we recorded \$0.7 million of net realized gain in connection with our investment in the warehousing arrangement.

Note 10. Directors Fees

The independent directors receive an annual fee of \$40,000. They also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the Audit Committee receives an annual fee of \$5,000 and the chairman of each other committee receives an annual fee of \$2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons." For the year ended February 29, 2008 we accrued \$0.3 million for directors fees expense and \$10,226 for reimbursement of out-of-pocket expenses. As of February 29, 2008, \$23,000 in directors fees expense was unpaid and included in accounts payable and accrued expenses in the consolidated balance sheet. As of February 29, 2008, we had not issued any common stock to our directors as compensation for their services.

Note 11. Stockholders' Equity

On May 16, 2006, GSC Group capitalized the LLC, by contributing \$1,000 in exchange for 67 shares, constituting all of the issued and outstanding shares of the LLC.

On March 20, 2007, the Company issued 959,955 and 81,362 shares of common stock, priced at \$15.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at \$15.6 million. At this time, the 67 shares owned by GSC Group in the LLC were exchanged for 67 shares of GSC Investment Corp.

On March 28, 2007, the Company completed its IPO of 7,250,000 shares of common stock, priced at \$15.00 per share, before underwriting discounts and commissions. Total proceeds received from the IPO, net of \$7.1 million in underwriter's discount and commissions, and \$1.0 million in offering costs, were \$100.7 million.

Note 12. Earnings Per Share

The following information sets forth the computation of the weighted average basic and diluted net decrease in net assets per share from operations for the year ended February 29, 2008 (dollars in thousands except per share amounts):

Basic and diluted	
Net decrease in net assets from operations	\$ (5,451)
Weighted average common shares outstanding	7,761,965
Earnings per common share-basic and diluted	\$ (0.70)

Note 13. Dividend

The following table summarizes dividends declared during the 2008 fiscal year (dollars in thousands except per share amounts):

<u>Date Declared</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount per Share*</u>	<u>Total Amount</u>
May 21, 2007	May 29, 2007	June 6, 2007	\$ 0.24	\$ 1,990
August 14, 2007	August 24, 2007	August 31, 2007	0.36	2,985
November 15, 2007	November 30, 2007	December 3, 2007	0.38	3,151
December 28, 2007	January 18, 2008	January 28, 2008	0.18	1,492
February 20, 2008	February 29, 2008	March 10, 2008	0.39	3,234
Total dividends declared			<u>\$ 1.55</u>	<u>\$ 12,852</u>

* Amount per share is calculated based on the number of shares outstanding at the date of declaration.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 14. Financial Highlights

The following is a schedule of financial highlights for the period from commencement operations/IPO (March 23, 2008) to February 29, 2008:

Per share data:	
Public offering cost at IPO, March 23, 2008	\$ 15.00
Sales load	(0.85)
Offering cost	(0.12)
Net asset value at IPO	14.03
Net investment income(1)	1.30
Net realized gains on investments and derivatives	0.47
Net unrealized depreciation on investments and derivatives	(2.45)*
Net decrease in stockholders' equity	(0.68)
Distributions declared from net investment income	(1.37)
Distributions declared from net realized capital gains	(0.18)
Total distributions to stockholders	(1.55)
Net asset value at end of period	\$ 11.80
Net assets at end of period	\$ 97,869,040
Shares outstanding during of period	8,291,384
Per share market value at end of period	\$ 11.04
Total return based on market value(2)	(16.07)%
Total return based on net asset value(3)	(11.00)%

* Net unrealized depreciation on investments and derivatives per share amount includes the net loss incurred prior to the IPO.

Ratio/Supplemental data:

Ratio of net investment income to average net assets(4)	8.11%
Ratio of operating expenses to average net assets(4)	5.91%
Ratio of incentive management fees to average net assets	0.64%
Ratio of credit facility related expenses to average net assets	4.51%
Ratio of total expenses to average net assets(4)	11.05%

- (1) Net investment income excluding expense reimbursement equals \$1.08 per share.
- (2) For the year ended February 29, 2008, the total return based on market value equals the decrease in market value at February 29, 2008, of \$3.96 per share over the IPO offering price per share at March 23, 2007, of \$15.00, plus the declared dividends of \$0.24, \$0.36, \$0.38, \$0.18, and \$0.39 per share for stockholders of record on May 29, 2007, August 24, 2007, November 30, 2007, January 18, 2008, and February 29, 2008, respectively, divided by the IPO offering price per share. Total return based on market value is not annualized.
- (3) For the year ended February 29, 2008, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.24, \$0.36, \$0.38, \$0.18, and \$0.39 per share for stockholders of record on May 29, 2007, August 24, 2007, November 30, 2007, January 18, 2008, and February 29, 2008, respectively, divided by the beginning net asset value during the period. Total return based on net asset value is not annualized.
- (4) For the year ended February 29, 2008, incorporating the expense reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 9.63%, 4.31%, and 9.45%, respectively.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 15. Related Party Transactions

As of February 28, 2007, the due to affiliate balance of \$0.1 million included amounts paid by the Manager on behalf of the LLC for certain organizational expenses and offering costs. The amount was paid to the Manager subsequent to the IPO.

On March 20, 2007, the Company issued 959,955 and 81,362 shares of common stock, priced at \$15.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at \$15.6 million. Additionally, GSC Group assigned its rights to act as collateral manager for GSC Partners CDO Fund III, Limited (“CDO III”) to the Company. The Company paid GSC Group \$0.1 million to acquire the rights to act as collateral manager and expected to receive collateral management fees of \$0.2 million. For the year ended February 29, 2008 we received \$0.4 million of management fee income from CDO III and received distributions of \$16.1 million from our partnership interests resulting in a realized gain of \$0.5 million. As of February 29, 2008, the fair value of the general partnership interest and limited partnership interest is \$0.2 million.

On January 10, 2008, GSC Group notified our Dividend Reinvestment Plan Administrator that it was electing to receive dividends and other distributions in cash (rather than in additional shares of common stock) with respect to all shares of stock held by it and the investment funds under its control. For the year ended February 29, 2008, GSC Group received 35,911 of additional shares under the dividend reinvestment plan. As of February 29, 2008, GSC Group and its affiliates own approximately 12% of the outstanding common shares of the Company.

On January 22, 2008, we entered into a collateral management agreement with GSCIC CLO pursuant to which we will act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of GSCIC CLO’s assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the GSCIC CLO subordinated notes receive an internal rate of return equal to or greater than 12%. We do not expect to enter into additional collateral management agreements in the near future.

Note 16. Selected Quarterly Data (Unaudited)

	2008			
	Qtr 4	Qtr 3	Qtr 2	Qtr 1
	(\$ in thousands, except per share numbers)			
Interest and related portfolio income	\$ 5,520	\$ 5,882	\$ 5,882	\$ 4,102
Net investment income	2,562	3,070	3,157	1,958
Net realized and unrealized gain (loss)	(11,972)	(2,009)	(3,939)	1,722
Net increase (decrease) in net assets resulting from operations	(9,410)	1,061	(782)	3,680
Net investment income per common share at end of each quarter	\$ 0.32	\$ 0.37	\$ 0.38	\$ 0.23
Net realized and unrealized gain (loss) per common share at end of each quarter	\$ (1.46)	\$ (0.24)	\$ (0.47)	\$ 0.21
Dividends declared per common share	\$ 0.57	\$ 0.38	\$ 0.36	\$ 0.24
Net asset value per common share	\$ 11.80	\$ 13.51	\$ 13.76	\$ 14.21

Note 17. Subsequent Events

For all of our senior secured notes issued by Terphane Holdings, Corp. we have identified trades in the market subsequent to year end at amounts significantly below our year end carrying values. At year end these notes were fair valued in accordance with our valuation policy for investments for which market quotations are not readily available as discussed in Note 2. These notes had been determined to have an aggregate fair value of \$9.6 million, as of year end. If we were to value our investment in the notes solely based upon the limited market quotations available as of May 16, 2008, the carrying value of our investment in such notes would be \$6.3 million.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On April 2008, Advantage Partners, LLP, an Asia-based private equity firm (“Advantage”), and GST AutoLeather, Inc., (“GST”), a subsidiary of SILLC, announced that Advantage was purchasing GST from SILLC. In May 2008, we received a notification of repayment, at par, of the SILLC Second Lien Term Loan on May 23, 2008. This repayment will result in the reversal of \$2.6 million unrealized depreciation we recorded for the year ended February 29, 2008 and a realized gain of \$2.0 million.

**AMENDMENT TO THE
CONTRIBUTION AND EXCHANGE AGREEMENT
DATED AS OF MARCH 20, 2007
AMONG
GSC INVESTMENT LLC,
GSC CDO III L.L.C.,
GSCP (NJ), L.P.,
AND
THE OTHER INVESTORS PARTY HERETO**

This AMENDMENT TO THE CONTRIBUTION AND EXCHANGE AGREEMENT (the "**Amendment**") dated as of March 20, 2007 by and among GSC Investments LLC, a Maryland limited liability company ("**Newco**"), GSC CDO III, L.L.C., a Delaware limited liability company (the "**Class A Investor**") and the persons identified below (collectively, the "**Class B Investors**," together with the Class A Investor, the "**Investors**") and GSCP (NJ), L.P., a Delaware limited partnership (the "**Manager**," together with Newco and the Investors, the "**Parties**").

WHEREAS the Parties entered into the Contribution and Exchange Agreement dated October 17, 2006 (the "**Agreement**") with respect to the contribution to Newco (i) of certain general partner and limited partner interests in GSC Partners CDO GP III, L.P., a Cayman Islands exempted limited partnership ("**CDO III GP**"), by the Investors and the Manager, and (ii) of the rights and obligations of the Manager under the Collateral Management Agreement dated as of November 5, 2001 (the "**Collateral Management Agreement**") in exchange for common shares of Newco ("**Common Shares**");

WHEREAS CDO III GP is the general partner of GSC Partners CDO Investors III, L.P., a Cayman Island exempted limited partnership, which owns all of the outstanding Subordinated Notes of GSC Partners CDO Fund III, Limited, a Cayman Islands company ("**CDO Fund III**"); and

WHEREAS the Parties wish to amend the Agreement in accordance with Section 5.01 of the Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereby agree as follows:

Section 1.01. *Purchase of Role as Collateral Manager.* In lieu of Newco's obligation to deliver Common Shares to the Manager in consideration of the Manager's assignment of the Collateral Management Agreement to Newco pursuant to and in accordance with Section 1.01(b) of the Agreement, Newco shall, subject to the following terms and conditions, pay to the Manager cash consideration in the amount equal to the fair value of the role as collateral manager of CDO Fund III. The fair value of the role as collateral manager of CDO Fund III shall be calculated by a majority of Newco's independent directors acting in good faith by considering the aggregate value of the management fees that would be payable to Newco under the Collateral Management Agreement from the date of the assignment through the date of maturity of the financing entered into by CDO Fund III. The cash payable by Newco to the Manager pursuant to the immediately preceding sentence shall be delivered on such date as may be agreed between Newco and the Manager.

Section 1.02. *Waiver of Conditions to Transfer Limited Partner Interests.* (a) As general partner of CDO III GP, the Class A Investor hereby agrees to waive the conditions set forth in Sections 10.1(b)(i), 10.1(b)(ii), 10.1(b)(iii), 10.1(b)(iv), 10.1(b)(v), 10.1(b)(vi), 10.1(b)(vii) and 10.1(c) of the Amended and Restated Limited Partnership Agreement of CDO III GP dated October 16, 2001 with respect to the transfer of the Class B Investors limited partner interests.

(b) *Power of Attorney.* Each of the Class B Investors hereby appoints the Class A Investor to act as attorney-in-fact for such Class B Investor for the purpose of effecting the transfer of such Class B Investor's limited partner interests in CDO III GP and any other documents in connection therewith.

Section 1.03. *Deficit Amount.* The Class A Investor and the Class B Investors hereby severally agree to make an additional contribution to Newco in cash equal to such Investor's Pro Rata Share of the Deficit Amount, if any, within five business days following receipt of a written demand by Newco; provided that no Investor shall be obligated under this provision to pay an amount in aggregate in excess of such Investor's Pro Rata Share of \$5,000,000. Newco shall make a written demand with respect to the Deficit Amount not less than 120 days nor more than 150 days after the date hereof. No additional Common Shares will be issued to the Investors.

"**Deficit Amount**" means an amount, if any, as determined by Newco, by which the actual aggregate distributions received by Newco with respect to the GP Interest and LP Interests are less than the fair value of such Interests as of the date hereof.

“Pro Rata Share” means, with respect to each Investor, a percentage determined by dividing the number of Common Shares issued pursuant to Section 1.01 of the Agreement to such Investor by the total number of Common Shares issued under Section 1.01 of the Agreement to all of the Investors.

Section 1.04. *Governing Law.* This Amendment is made and shall be governed by and construed in all respects in accordance with the laws of the State of New York, without regard to the principles of conflicts of laws thereof.

Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed in the Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

GSC INVESTMENT LLC

By: /s/ Richard T. Allorto
Name: Richard T. Allorto
Title: Chief Financial Officer

GSC CDO III L.L.C.

By: GSCP (NJ) Holdings, L.P. as its sole member

By: GSCP (NJ), Inc., as its General Partner

By: /s/ David L. Goret
Name: David L. Goret
Title: Managing Director and Secretary

GSCP (NJ), L.P.

By: GSCP (NJ), Inc., as its General Partner

By: /s/ David L. Goret
Name: David L. Goret
Title: Managing Director and Secretary

Class B Investors:

/s/ Thomas J. Libassi
Thomas J. Libassi

/s/ Richard M. Hayden
Richard M. Hayden

/s/ Thomas V. Inglesby
Thomas V. Inglesby

/s/ Robert A. Hamwee
Robert A. Hamwee

/s/ Keith W. Abell
Keith W. Abell

HANNA FRANK INVESTMENTS LLC

By: /s/ Peter Frank
Name: Peter Frank
Title: Managing Member

GREENWICH STREET CAPITAL PARTNERS II, L.P.

By: Greenwich Street Investments II, L.L.C., as its General Partner

By: /s/ Thomas V. Inglesby
Name: Thomas V. Inglesby
Title: Managing Member

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (“**Agreement**”) is made and entered into this 9th day of October, 2007 (the “**Effective Date**”), by and between GSC Investment Corp., a Maryland Corporation (the “**Company**”), and David Goret (“**Indemnitee**”).

WHEREAS, Indemnitee currently serves as a disclosure committee member of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as an disclosure committee member of the Company, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the fullest extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) “**Change in Control**” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “**Act**”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the Effective Date (i) any “**person**” (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company’s then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors of the Company in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors of the Company then in office, as a consequence of which members of the Board of Directors of the Company in office immediately prior to such transaction or event constitute less than a

majority of the Board of Directors of the Company thereafter; or (iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 1, individuals who at the beginning of such period constituted the Board of Directors of the Company (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors of the Company.

(b) "**Corporate Status**" means the status of a person who provides or provided advisory services to the Company in his capacity as a disclosure committee member of the Company.

(c) "**Disinterested Director**" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "**Effective Date**" has the meaning set forth in the first paragraph of this Agreement.

(e) "**Expenses**" shall include all reasonable and out-of-pocket attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(f) "**Independent Counsel**" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to or witness in the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "**Independent Counsel**" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. If a Change of Control has not occurred, Independent Counsel shall be selected by the Board of Directors of the Company, with the approval of Indemnitee, which approval will not be unreasonably withheld. If a Change of Control has occurred, Independent Counsel shall be selected by Indemnitee, with the approval of the Board of Directors of the Company, which approval will not be unreasonably withheld.

(g) "**Proceeding**" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee.

Section 2. Services by Indemnitee. Indemnitee will provide advisory services to the Company in his capacity as a disclosure committee member of the Company. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

Section 3. Indemnification—General. The Company shall indemnify, and advance Expenses to, Indemnitee as provided in this Agreement.

Section 4. Proceedings Other Than Proceedings By Or In The Right Of The Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed Proceeding, other than a Proceeding by or in the right of the Company. Pursuant to this Section 4, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with a Proceeding by reason of his Corporate Status unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) Indemnitee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 5. Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 5 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to or a witness in any threatened, pending or completed Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 5, Indemnitee shall be indemnified against all amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to such a Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (ii) Indemnitee actually received an improper personal benefit in money, property or services.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the Maryland General Corporation Law (the “MGCL”), the court shall order indemnification, in which case Indemnitee shall be entitled to recover the expenses of securing such reimbursement; or

(b) if it determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses actually and reasonably incurred by him or on his behalf in connection with a Proceeding.

Section 7. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee is, by reason of his Corporate Status, made a party to and is successful, on the merits or otherwise, in the defense of any Proceeding, he shall be indemnified for all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses. The Company shall advance all reasonable Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with any Proceeding (other than a Proceeding brought to enforce indemnification under (i) this Agreement, (ii) applicable law, (iii) the organizational documents of the Company, (iv) any agreement or (v) a resolution of (A) the stockholders entitled to vote generally in the election of directors or (B) the Board of Directors) of the Company to which Indemnitee, by reason of his Corporate Status, is, or is threatened to be, made a party or a witness, within ten

days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as *Exhibit A* or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met and which have not been successfully resolved as described in Section 7. For so long as the Company is subject to the Investment Company Act, any advancement of Expenses shall be subject to at least one of the following as a condition of the advancement: (a) Indemnitee shall provide a security for his or her undertaking, (b) the Company shall be insured against losses arising by reason of any lawful advances or (c) a majority of a quorum of the Disinterested Directors, or Independent Counsel, in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full-trial-type inquiry), that there is no reason to believe that Indemnitee ultimately will be found to not be entitled to indemnification. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors of the Company in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 9(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be

delivered to Indemnitee; or (ii) if a Change of Control shall not have occurred, (A) by the Board of Directors of the Company (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Directors (as herein defined), or (B) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 9. Any Expenses actually and reasonably incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

Section 10. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding by judgment, order, settlement, conviction, a plea of *nolo contendere* or its equivalent, or an entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

Section 11. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 9(b) of this Agreement within 30 days after receipt

by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 11(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce his rights under Section 7 of this Agreement.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 11 the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 9(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee, pursuant to this Section 11, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 12. *Defense of the Underlying Proceeding.*

(a) Indemnitee shall notify the Company promptly upon being served with or receiving any summons, citation, subpoena, complaint, indictment, information, notice, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder;

provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 12(b) and of Section 12(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 12(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise of a claim against Indemnitee which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 12(b) shall not apply to a Proceeding brought by Indemnitee under Section 11 above or Section 18 below.

(c) Notwithstanding the provisions of Section 12(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that he may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, its affiliate or such person whose defense is being assumed by the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company (subject to Section 11(d)), to represent Indemnitee in connection with any such matter.

Section 13. *Non-Exclusivity; Survival of Rights; Subrogation; Insurance; Investment Company Act.*

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under (i) applicable law, (ii) the Charter or Bylaws of the Company, (iii) any agreement or (iv) a resolution of (A) the stockholders entitled to vote generally in the election of directors or (B) the Board of Directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that (i) Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, or (ii) for so long as the Company is subject to the Investment Company Act, indemnification or payment or reimbursement of expenses would not be permissible under the Investment Company Act.

Section 14. *Insurance.* The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors of the Company, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee for service as a director or officer of the Company and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee for service as a director or officer of the Company. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and reasonable Expenses actually and reasonably incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence.

Section 15. *Indemnification for Expenses of A Witness.* Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of his Corporate Status, a witness in any Proceeding, whether instituted

by the Company or any other party, and to which Indemnitee is not a party but in which the Indemnitee receives a subpoena to testify, he shall be advanced all reasonable Expenses and indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 16. Duration of Agreement; Assignment; Binding Effect.

(a) This Agreement shall continue until and terminate ten years after the date that Indemnitee's Corporate Status shall have ceased; provided, that the rights of Indemnitee hereunder shall continue until the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advance of Expenses hereunder and of any Proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement relating thereto.

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the written request of the Company, and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company may assign this Agreement without prior written consent of the Indemnitee. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. In connection with the Merger Transaction, (i) Company shall cause the Corporation to become a party to this Agreement; and (ii) the Indemnitee acknowledges and agrees that the Corporation shall be the successor of the Company hereunder and shall succeed to all of the rights, powers and duties of the Company hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this

Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Exception To Right Of Indemnification Or Advance Of Expenses. Notwithstanding any other provision of this Agreement, Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (a) the Proceeding is brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Sections 8 and 11 of this Agreement, or (b) expressly provided otherwise in (i) the Company's Charter or Bylaws, (ii) a resolution of (A) the stockholders entitled to vote generally in the election of directors or (B) the Board of Directors or (iii) an agreement approved by the Board of Directors to which the Company is a party.

Section 19. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 20. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 21. Modification And Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 22. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand or overnight courier service and receipted for by the party to whom said notice or other communication shall have been directed, on receipt, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to: The address set forth on the signature page hereto.

(b) If to the Company to:
GSC Investment Corp.
12 East 49th Street
Suite 3200
New York, NY 10017
Attention: Chief Compliance Officer

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 23. *Governing Law.* The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

Section 24. *Miscellaneous.* Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

GSC INVESTMENT CORP.

By: /s/ Thomas V. Inglesby

Name: Thomas V. Inglesby

Title: Director and Chief Executive Officer

By: /s/ David Goret

Name: David L. Goret

Address:

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of GSC Investment Corp.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated the ___ day of _____, 200___, by and between GSC Investment Corp. (the "Company") and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm that at all times, insofar as I was involved as an disclosure committee member of the Company, in any of the facts or events giving rise to the Proceeding, I (1) acted in good faith and honestly, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 7 of the Indemnification Agreement. To the extent that Advanced Expenses do not relate to a specific claim, issue or matter in the Proceeding, I agree that such Expenses shall be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ___ day of _____, 200__.

WITNESS:

_____ (SEAL)

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (“**Agreement**”) is made and entered into this 9th day of October, 2007 (the “**Effective Date**”), by and between GSC Investment Corp., a Maryland Corporation (the “**Company**”), and David Rice (“**Indemnitee**”).

WHEREAS, Indemnitee currently serves as a disclosure committee member of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as an disclosure committee member of the Company, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the fullest extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) “**Change in Control**” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “**Act**”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the Effective Date (i) any “**person**” (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company’s then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors of the Company in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors of the Company then in office, as a consequence of which members of the Board of Directors of the Company in office immediately prior to such transaction or event constitute less than a

majority of the Board of Directors of the Company thereafter; or (iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 1, individuals who at the beginning of such period constituted the Board of Directors of the Company (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors of the Company.

(b) "**Corporate Status**" means the status of a person who provides or provided advisory services to the Company in his capacity as a disclosure committee member of the Company.

(c) "**Disinterested Director**" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "**Effective Date**" has the meaning set forth in the first paragraph of this Agreement.

(e) "**Expenses**" shall include all reasonable and out-of-pocket attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(f) "**Independent Counsel**" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to or witness in the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "**Independent Counsel**" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. If a Change of Control has not occurred, Independent Counsel shall be selected by the Board of Directors of the Company, with the approval of Indemnitee, which approval will not be unreasonably withheld. If a Change of Control has occurred, Independent Counsel shall be selected by Indemnitee, with the approval of the Board of Directors of the Company, which approval will not be unreasonably withheld.

(g) “**Proceeding**” includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee.

Section 2. Services by Indemnitee. Indemnitee will provide advisory services to the Company in his capacity as a disclosure committee member of the Company. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee’s service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

Section 3. Indemnification—General. The Company shall indemnify, and advance Expenses to, Indemnitee as provided in this Agreement.

Section 4. Proceedings Other Than Proceedings By Or In The Right Of The Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed Proceeding, other than a Proceeding by or in the right of the Company. Pursuant to this Section 4, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with a Proceeding by reason of his Corporate Status unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) Indemnitee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 5. Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 5 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to or a witness in any threatened, pending or completed Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 5, Indemnitee shall be indemnified against all amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to such a Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (ii) Indemnitee actually received an improper personal benefit in money, property or services.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the Maryland General Corporation Law (the “MGCL”), the court shall order indemnification, in which case Indemnitee shall be entitled to recover the expenses of securing such reimbursement; or

(b) if it determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses actually and reasonably incurred by him or on his behalf in connection with a Proceeding.

Section 7. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee is, by reason of his Corporate Status, made a party to and is successful, on the merits or otherwise, in the defense of any Proceeding, he shall be indemnified for all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses. The Company shall advance all reasonable Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with any Proceeding (other than a Proceeding brought to enforce indemnification under (i) this Agreement, (ii) applicable law, (iii) the organizational documents of the Company, (iv) any agreement or (v) a resolution of (A) the stockholders entitled to vote generally in the election of directors or (B) the Board of Directors) of the Company to which Indemnitee, by reason of his Corporate Status, is, or is threatened to be, made a party or a witness, within ten

days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as *Exhibit A* or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met and which have not been successfully resolved as described in Section 7. For so long as the Company is subject to the Investment Company Act, any advancement of Expenses shall be subject to at least one of the following as a condition of the advancement: (a) Indemnitee shall provide a security for his or her undertaking, (b) the Company shall be insured against losses arising by reason of any lawful advances or (c) a majority of a quorum of the Disinterested Directors, or Independent Counsel, in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full-trial-type inquiry), that there is no reason to believe that Indemnitee ultimately will be found to not be entitled to indemnification. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors of the Company in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 9(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be

delivered to Indemnitee; or (ii) if a Change of Control shall not have occurred, (A) by the Board of Directors of the Company (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Directors (as herein defined), or (B) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 9. Any Expenses actually and reasonably incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

Section 10. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding by judgment, order, settlement, conviction, a plea of *nolo contendere* or its equivalent, or an entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

Section 11. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 9(b) of this Agreement within 30 days after receipt

by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 11(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce his rights under Section 7 of this Agreement.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 11 the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 9(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee, pursuant to this Section 11, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 12. *Defense of the Underlying Proceeding.*

(a) Indemnitee shall notify the Company promptly upon being served with or receiving any summons, citation, subpoena, complaint, indictment, information, notice, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder;

provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 12(b) and of Section 12(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 12(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise of a claim against Indemnitee which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 12(b) shall not apply to a Proceeding brought by Indemnitee under Section 11 above or Section 18 below.

(c) Notwithstanding the provisions of Section 12(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that he may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, its affiliate or such person whose defense is being assumed by the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company (subject to Section 11(d)), to represent Indemnitee in connection with any such matter.

Section 13. *Non-Exclusivity; Survival of Rights; Subrogation; Insurance; Investment Company Act.*

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under (i) applicable law, (ii) the Charter or Bylaws of the Company, (iii) any agreement or (iv) a resolution of (A) the stockholders entitled to vote generally in the election of directors or (B) the Board of Directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that (i) Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, or (ii) for so long as the Company is subject to the Investment Company Act, indemnification or payment or reimbursement of expenses would not be permissible under the Investment Company Act.

Section 14. *Insurance.* The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors of the Company, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee for service as a director or officer of the Company and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee for service as a director or officer of the Company. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and reasonable Expenses actually and reasonably incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence.

Section 15. *Indemnification for Expenses of A Witness.* Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of his Corporate Status, a witness in any Proceeding, whether instituted

by the Company or any other party, and to which Indemnitee is not a party but in which the Indemnitee receives a subpoena to testify, he shall be advanced all reasonable Expenses and indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 16. Duration of Agreement; Assignment; Binding Effect.

(a) This Agreement shall continue until and terminate ten years after the date that Indemnitee's Corporate Status shall have ceased; provided, that the rights of Indemnitee hereunder shall continue until the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advance of Expenses hereunder and of any Proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement relating thereto.

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the written request of the Company, and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company may assign this Agreement without prior written consent of the Indemnitee. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. In connection with the Merger Transaction, (i) Company shall cause the Corporation to become a party to this Agreement; and (ii) the Indemnitee acknowledges and agrees that the Corporation shall be the successor of the Company hereunder and shall succeed to all of the rights, powers and duties of the Company hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this

Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. *Exception To Right Of Indemnification Or Advance Of Expenses.* Notwithstanding any other provision of this Agreement, Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (a) the Proceeding is brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Sections 8 and 11 of this Agreement, or (b) expressly provided otherwise in (i) the Company's Charter or Bylaws, (ii) a resolution of (A) the stockholders entitled to vote generally in the election of directors or (B) the Board of Directors or (iii) an agreement approved by the Board of Directors to which the Company is a party.

Section 19. *Identical Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 20. *Headings.* The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 21. *Modification And Waiver.* No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 22. *Notices.* All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand or overnight courier service and receipted for by the party to whom said notice or other communication shall have been directed, on receipt, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to: The address set forth on the signature page hereto.

(b) If to the Company to:
GSC Investment Corp.
12 East 49th Street
Suite 3200
New York, NY 10017
Attention: Chief Compliance Officer

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 23. *Governing Law.* The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

Section 24. *Miscellaneous.* Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

GSC INVESTMENT CORP.

By: /s/ Thomas V. Inglesby

Name: Thomas V. Inglesby

Title: Director and Chief Executive Officer

By: /s/ David C. Rice

Name: David C. Rice

Address:

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of GSC Investment Corp.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated the ___ day of _____, 200___, by and between GSC Investment Corp. (the "Company") and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm that at all times, insofar as I was involved as an disclosure committee member of the Company, in any of the facts or events giving rise to the Proceeding, I (1) acted in good faith and honestly, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 7 of the Indemnification Agreement. To the extent that Advanced Expenses do not relate to a specific claim, issue or matter in the Proceeding, I agree that such Expenses shall be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ____ day of _____, 200__.

WITNESS:

_____ (SEAL)

LIST OF SUBSIDIARIES

GSC Investment Funding LLC

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED**

I, Thomas V. Inglesby, certify that:

1. I have reviewed this Annual Report on Form 10-K of GSC Investment Corp.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
 4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
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5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2008

/s/ Thomas V. Inglesby
Thomas V. Inglesby
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED**

I, Richard T. Allorto, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of GSC Investment Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2008

/s/ Richard T. Allorto, Jr.

Name: Richard T. Allorto, Jr.
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the accompanying Annual Report of GSC Investment Corp. on Form 10-K (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Thomas V. Inglesby, the Chief Executive Officer and Richard T. Allorto, Jr., the Chief Financial Officer of GSC Investment Corp., each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of GSC Investment Corp.

Date: May 20, 2008

/s/ Thomas V. Inglesby

Name: Thomas V. Inglesby
Chief Executive Officer

/s/ Richard T. Allorto, Jr.

Name: Richard T. Allorto, Jr.
Chief Financial Officer