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

FORM 10-Q

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

For the quarterly period ended November 30, 2009

o **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)**

500 Campus Drive, Suite 220
Florham Park, New Jersey 07932
(Address of principal executive offices)

(973)-437-1000
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The number of outstanding common shares of the registrant as of January 8, 2010 was 16,940,109.

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GSC Investment Corp.

Consolidated Balance Sheets

	As of	
	November 30, 2009 (unaudited)	February 28, 2009
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of $126,612,792 and $137,020,449, respectively)	$ 81,805,383	$ 96,462,919
Control investments (cost of $29,233,097 and $29,905,194, respectively)	21,464,041	22,439,029
Affiliate investments (cost of $0 and $0, respectively)	318	10,527
Total investments at fair value (amortized cost of $155,845,889 and $166,925,643, respectively)	103,269,742	118,912,475
Cash and cash equivalents	5,459,780	6,356,225
Cash and cash equivalents, securitization accounts	839,290	1,178,201
Outstanding interest rate cap at fair value (cost of $131,000 and $131,000, respectively)	72,593	39,513
Interest receivable, net of reserve	3,122,764	3,087,668
Deferred credit facility financing costs, net	—	529,767
Management fee receivable	1,058,861	237,370
Other assets	113,150	321,260
Receivable from unsettled trades	600,036	—
Total assets	$ 114,536,216	$ 130,662,479
LIABILITIES		
Revolving credit facility	$ 43,840,749	$ 58,994,673
Dividend payable	2,073,066	—
Management and incentive fees payable	3,093,400	2,880,667
Accounts payable and accrued expenses	827,707	700,537
Interest and credit facility fees payable	357,455	72,825
Total liabilities	$ 50,192,377	$ 62,648,702
NET ASSETS		
Common stock, par value $.0001 per share, 100,000,000 common shares authorized, 16,940,109 and 8,291,384 common shares issued and outstanding, respectively	1,694	829
Capital in excess of par value	130,001,583	116,943,738
Accumulated undistributed net investment income (loss)	(4,496,445)	6,122,492
Accumulated net realized loss from investments and derivatives	(8,528,440)	(6,948,628)
Net unrealized depreciation on investments and derivatives	(52,634,553)	(48,104,654)
Total Net Assets	64,343,839	68,013,777
Total liabilities and Net Assets	$ 114,536,216	$ 130,662,479
NET ASSET VALUE PER SHARE	$ 3.80	$ 8.20

See accompanying notes to consolidated financial statements.

GSC Investment Corp.

Consolidated Statements of Operations

	For the three months ended November 30		For the nine months ended November 30	
	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)	2008 (unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	$ 2,593,082	$ 4,269,985	$ 8,566,587	$ 12,873,546
Control investments	368,374	1,452,237	1,686,088	3,198,626
Total interest income	2,961,456	5,722,222	10,252,675	16,072,172
Interest from cash and cash equivalents	2,752	38,377	22,934	141,074
Management fee income	511,236	517,875	1,549,167	1,529,762
Other income	54,699	82,189	155,111	164,683
Total investment income	3,530,143	6,360,663	11,979,887	17,907,691
EXPENSES				
Interest and credit facility financing expenses	1,126,162	693,830	3,174,603	2,150,639
Base management fees	462,755	653,995	1,515,813	2,108,026
Professional fees	714,789	272,196	1,396,567	932,785
Administrator expenses	171,861	241,317	515,583	750,661
Incentive management fees	—	542,231	322,183	1,289,365
Insurance	220,059	173,353	649,535	518,001
Directors fees and expenses	71,989	72,490	217,125	212,375
General & administrative	65,298	65,289	191,223	208,230
Expenses before expense waiver and reimbursement	2,832,913	2,714,701	7,982,632	8,170,082
Expense reimbursement	(171,861)	(241,317)	(515,583)	(800,376)
Total expenses net of expense waiver and reimbursement	2,661,052	2,473,384	7,467,049	7,369,706
NET INVESTMENT INCOME	869,091	3,887,279	4,512,838	10,537,985
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized loss from investments	(549,864)	(7,293,875)	(1,579,812)	(7,423,694)
Net realized gain from derivatives	—	—	—	30,454
Net unrealized appreciation/(depreciation) on investments	8,825,100	(4,142,827)	(4,562,979)	(10,422,015)
Net unrealized appreciation/(depreciation) on derivatives	(16,754)	(1,419)	33,080	(29,745)
Net gain/(loss) on investments	8,258,482	(11,438,121)	(6,109,711)	(17,845,000)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 9,127,573	$ (7,550,842)	$ (1,596,873)	$ (7,307,015)
WEIGHTED AVERAGE — BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ 1.01	$ (0.91)	$ (0.19)	$ (0.88)
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING — BASIC AND DILUTED	9,051,711	8,291,384	8,542,983	8,291,384

See accompanying notes to consolidated financial statements.

GSC Investment Corp.

Consolidated Schedule of Investments

November 30, 2009

(unaudited)

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value	% of Stockholders' Equity
Non-control/Non-affiliated investments — 127.1% (b)						
GFSI Inc (d)	Apparel	Senior Secured Notes 10.50%, 6/1/2011	$ 7,082,000	$ 7,082,000	$ 6,463,741	10.0%
Legacy Cabinets, Inc. (d, i)	Building Products	First Lien Term Loan 6.54%, 8/18/2012	1,455,877	1,439,194	444,043	0.7%
Legacy Cabinets, Inc. (d, i)	Building Products	Second Lien Term Loan 10.50%, 8/18/2013	1,862,420	1,828,197	96,846	0.1%
		Total Building Products	3,318,297	3,267,391	540,889	0.8%
Hopkins Manufacturing Corporation (d)	Consumer Products	Second Lien Term Loan 7.53%, 1/26/2012	3,250,000	3,247,681	3,051,425	4.8%
Targus Group International, Inc. (d)	Consumer Products	First Lien Term Loan 5.75%, 11/22/2012	3,114,831	2,927,489	2,341,730	3.6%
Targus Group International, Inc. (d, i)	Consumer Products	Second Lien Term Loan 10.75%, 5/22/2013	5,000,000	4,777,205	1,802,500	2.8%
		Total Consumer Products	11,364,831	10,952,375	7,195,655	11.2%
CFF Acquisition LLC (d)	Consumer Services	First Lien Term Loan 7.50%, 7/31/2013	308,030	308,030	276,272	0.4%
M/C Communications, LLC (d)	Education	First Lien Term Loan 6.75%, 12/31/2012	827,005	827,005	549,876	0.9%
M/C Communications, LLC (d, i)	Education	Class A Common Stock	166,327	30,241	59,878	0.1%
		Total Education	993,332	857,246	609,754	1.0%
Advanced Lighting Technologies, Inc. (d)	Electronics	Second Lien Term Loan 6.24%, 6/1/2014	2,000,000	1,804,225	1,734,400	2.7%
Group Dekko (d)	Electronics	Second Lien Term Loan 10.50%, 1/20/2012	6,843,861	6,843,861	4,487,520	7.0%
		Total Electronics	8,843,861	8,648,086	6,221,920	9.7%
USS Mergerco, Inc. (d, i)	Environmental	Second Lien Term Loan 4.53%, 6/29/2013	5,960,000	5,846,833	2,693,324	4.2%
Bankruptcy Management Solutions, Inc. (d)	Financial Services	Second Lien Term Loan 6.48%, 7/31/2013	4,850,000	4,825,546	2,121,875	3.3%
Big Train, Inc. (d)	Food and Beverage	First Lien Term Loan 7.75%, 3/31/2012	1,985,368	1,454,623	1,765,786	2.7%
IDI Acquisition Corp. (d)	Healthcare Services	Senior Secured Notes 10.75%, 12/15/2011	3,800,000	3,665,945	3,565,540	5.5%
PRACS Institute, LTD (d)	Healthcare Services	Second Lien Term Loan 8.31%, 4/17/2013	4,093,750	4,055,868	3,535,363	5.5%
		Total Healthcare Services	7,893,750	7,721,813	7,100,903	11.0%
McMillin Companies LLC (d)	Homebuilding	Senior Secured Notes 9.53%, 10/31/2013	7,700,000	7,314,750	4,894,890	7.6%
Worldwide Express Operations, LLC (d)	Logistics	First Lien Term Loan 10.00%, 6/30/2013	2,802,960	2,798,751	2,406,061	3.7%
Jason Incorporated (d, i)	Manufacturing	Unsecured Notes 13.00%, 11/1/2010	12,000,000	12,000,000	3,907,200	6.0%
Jason Incorporated (d, i)	Manufacturing	Unsecured Notes 13.00%, 11/1/2010	1,700,000	1,700,000	553,520	0.9%
Specialized Technology Resources, Inc. (d)	Manufacturing	Second Lien Term Loan 7.24%, 12/15/2014	5,000,000	4,791,877	4,607,000	7.2%
		Total Manufacturing	18,700,000	18,491,877	9,067,720	14.1%
Elyria Foundry Company, LLC (d)	Metals	Senior Secured Notes 13.00%, 3/1/2013	5,000,000	4,872,888	4,151,000	6.5%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value	% of Stockholders' Equity
Elyria Foundry Company, LLC (i)	Metals	Warrants	$ 3,000	$ —	$ —	0.0%
		Total Metals	5,003,000	4,872,888	4,151,000	6.5%
Abitibi-Consolidated Company of Canada (d, e)	Natural Resources	First Lien Term Loan 11.00%, 3/30/2009	2,948,640	2,948,640	2,565,316	4.0%
Grant U.S. Holdings LLP (d, e)	Natural Resources	Second Lien Term Loan 10.75%, 9/20/2013	6,349,512	6,349,348	317,476	0.5%
		Total Natural Resources	9,298,152	9,297,988	2,882,792	4.5%
Edgen Murray II, L.P. (d)	Oil and Gas	Second Lien Term Loan 6.28%, 5/11/2015	3,000,000	2,830,602	2,226,300	3.5%
Energy Alloys, LLC (d, i)	Oil and Gas	Second Lien Term Loan 3.00%, 6/30/2015	6,200,000	6,200,000	2,421,720	3.7%
Energy Alloys, LLC (d, i)	Oil and Gas	Warrants	3	—	—	0.0%
		Total Oil and Gas	9,200,003	9,030,602	4,648,020	7.2%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2010	4,850,000	4,850,000	4,347,540	6.8%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2010	5,087,250	5,087,250	4,560,211	7.1%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 10.92%, 6/15/2010	500,000	500,000	448,200	0.7%
		Total Packaging	10,437,250	10,437,250	9,355,951	14.5%
Custom Direct, Inc. (d)	Printing	First Lien Term Loan 3.03%, 12/31/2013	1,977,812	1,615,866	1,676,196	2.6%
Affinity Group, Inc. (d)	Publishing	First Lien Term Loan 12.75%, 3/31/2010	362,106	358,620	329,517	0.5%
Affinity Group, Inc. (d)	Publishing	First Lien Term Loan 12.75%, 3/31/2010	388,144	384,412	353,211	0.5%
Brown Publishing Company (d, i)	Publishing	Second Lien Term Loan 8.76%, 9/19/2014	1,203,226	1,198,390	35,013	0.1%
Network Communications, Inc. (d)	Publishing	Unsecured Notes 10.75%, 12/1/2013	5,000,000	5,073,062	2,847,500	4.4%
Penton Media, Inc. (d)	Publishing	First Lien Term Loan 2.53%, 2/1/2013	4,860,264	3,868,044	3,214,093	5.0%
		Total Publishing	11,813,740	10,882,528	6,779,334	10.5%
GXS Worldwide, Inc. (d)	Software	Second Lien Term Loan 13.75%, 9/30/2013	1,000,000	906,349	953,300	1.6%
Sub Total Non-control/Non-affiliated investments				126,612,792	81,805,383	127.1%
Control investments — 33.3% (b)						
GSC Partners CDO GP III, LP (h)	Financial Services	100% General Partnership Interest	—	—	—	0.0%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value	% of Stockholders' Equity
GSC Investment Corp. CLO 2007 LTD. (f, h)	Structured Finance Securities	Other/Structured Finance Securities 10.96%, 1/21/2020	$ 30,000,000	$ 29,233,097	$ 21,464,041	33.3%
Sub Total Control investments				29,233,097	21,464,041	33.3%
Affiliate investments — 0.1% (b)						
GSC Partners CDO GP III, LP (g)	Financial Services	6.24% Limited Partnership Interest	—	—	318	0.1%
Sub Total Affiliate investments				—	318	0.1%
TOTAL INVESTMENT ASSETS — 160.5% (b)				**$ 155,845,889**	**$ 103,269,742**	**160.5%**

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Stockholders' Equity
Interest rate cap	8.0%	2/9/2014	$ 40,000,000	$ 87,000	$ 51,046	0.1%
Interest rate cap	8.0%	11/30/2013	26,433,408	44,000	21,547	0.0%
Sub Total Outstanding interest rate cap				$ 131,000	$ 72,593	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 Abitibi-Consolidated Company of Canada, Grant U.S. Holdings LLP, GSC Investment Corp. CLO 2007 Ltd., Terphane Holdings Corp., and GSC Partners CDO GP III, LP.

(b) Percentages are based on net assets of $64,343,839 as of November 30, 2009.

(c) Fair valued investment (see Note 4 to the consolidated financial statements).

(d) All or a portion of the securities are 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 Abitibi-Consolidated Company of Canada and Grant U.S. Holdings LLP is Canada.

(f) 10.96% represents the modeled effective interest rate that is expected to be earned over the life of the investment.

(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. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net unrealized gains/(losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$(10,209)

(h) 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 securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

(i) Non-income producing at November 30, 2009.

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$ 1,686,088	$ 1,549,167	$ —	$(204,480)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ (98,412)

GSC Investment Corp.

Consolidated Schedule of Investments

February 28, 2009

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal Number of Shares	Cost	Fair Value	% of Stockholders' Equity
Non-control/Non-affiliated investments — 141.8% (b)						
GFSI Inc (d)	Apparel	Senior Secured Notes 10.50%, 6/1/2011	$ 7,082,000	$ 7,082,000	$ 6,616,004	9.7%
Legacy Cabinets, Inc. (d)	Building Products	First Lien Term Loan 5.75%, 8/18/2012	1,437,555	1,420,872	975,956	1.4%
Legacy Cabinets, Inc. (d)	Building Products	Second Lien Term Loan 9.75%, 8/18/2013	1,862,420	1,828,197	450,519	0.7%
		Total Building Products	3,299,975	3,249,069	1,426,475	2.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.75%, 12/20/2013	32,381	27,281	6,152	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.47%, 12/20/2013	77,141	64,991	14,657	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.16%, 12/20/2014	92,962	78,320	17,663	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.16%, 12/20/2014	92,962	78,320	17,663	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.16%, 12/20/2014	92,962	78,320	17,663	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.75%, 12/20/2013	121,428	102,303	23,071	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 5.75%, 12/20/2013	231,354	194,916	43,957	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 7.00%, 12/20/2014	403,388	339,854	76,644	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 7.00%, 12/20/2014	403,388	339,854	76,644	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 7.00%, 12/20/2014	403,388	339,854	76,644	0.1%
		Total Chemicals	1,951,354	1,644,013	370,758	0.4%
Hopkins Manufacturing Corporation (d)	Consumer Products	Second Lien Term Loan 7.70%, 1/26/2012	3,250,000	3,246,870	2,627,950	3.9%
Targus Group International, Inc. (d)	Consumer Products	First Lien Term Loan 4.67%, 11/22/2012	3,122,943	2,895,723	2,089,561	3.1%
Targus Group International, Inc. (d)	Consumer Products	Second Lien Term Loan 9.75%, 5/22/2013	5,000,000	4,777,205	3,126,000	4.6%
		Total Consumer Products	11,372,943	10,919,798	7,843,511	11.6%
CFF Acquisition LLC (d)	Consumer Services	First Lien Term Loan 8.57%, 7/31/2013	308,912	308,912	243,793	0.4%
M/C Communications, LLC (d)	Education	First Lien Term Loan 13.12%, 12/31/2010	1,697,164	1,590,350	674,283	1.0%
Advanced Lighting Technologies, Inc. (d)	Electronics	Second Lien Term Loan 8.53%, 6/1/2014	2,000,000	1,771,457	1,503,200	2.2%
Group Dekko (d)	Electronics	Second Lien Term Loan 6.45%, 1/20/2012	6,670,000	6,670,000	5,321,326	7.8%
IPC Systems, Inc. (d)	Electronics	First Lien Term Loan 3.71%, 3/31/2014	46,332	42,367	24,621	0.0%
		Total Electronics	8,716,332	8,483,824	6,849,147	10.0%
USS Mergerco, Inc. (d)	Environmental	Second Lien Term Loan 4.73%, 6/29/2013	5,960,000	5,846,833	3,592,092	5.3%
Bankruptcy Management Solutions, Inc. (d)	Financial Services	Second Lien Term Loan 6.70%, 7/31/2013	4,887,500	4,858,282	3,053,221	4.5%
Big Train, Inc. (d)	Food and Beverage	First Lien Term Loan 4.98%, 3/31/2012	2,478,660	1,671,647	1,706,557	2.5%
IDI Acquisition Corp. (d)	Healthcare Services	Senior Secured Notes 10.75%, 12/15/2011	3,800,000	3,623,605	2,428,580	3.6%
PRACS Institute, LTD (d)	Healthcare Services	Second Lien Term Loan 11.13%, 4/17/2013	4,093,750	4,047,419	3,581,213	5.3%
		Total Healthcare Services	7,893,750	7,671,024	6,009,793	8.9%
McMillin Companies LLC (d)	Homebuilding	Senior Secured Notes 9.53%, 4/30/2012	7,700,000	7,294,643	3,489,640	5.1%
Asurion Corporation (d)	Insurance	First Lien Term Loan 3.76%, 7/3/2014	2,000,000	1,704,665	1,493,400	2.2%
Worldwide Express Operations, LLC (d)	Logistics	First Lien Term Loan 6.95%, 6/30/2013	2,820,779	2,815,612	2,133,637	3.1%
Jason Incorporated (d)	Manufacturing	Unsecured Notes 13.00%, 11/1/2010	12,000,000	12,000,000	8,652,000	12.7%
Jason Incorporated (d)	Manufacturing	Unsecured Notes 13.00%, 11/1/2010	1,700,000	1,700,000	1,225,700	1.8%
Specialized Technology Resources, Inc. (d)	Manufacturing	Second Lien Term Loan 7.48%, 12/15/2014	5,000,000	4,769,304	4,602,000	6.8%
		Total Manufacturing	18,700,000	18,469,304	14,479,700	21.3%

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Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal Number of Shares	Cost	Fair Value	% of Stockholders' Equity
Blaze Recycling & Metals, LLC (d)	Metals	Senior Secured Notes 10.88%, 7/15/2012	$ 2,500,000	$ 2,494,342	$ 1,850,500	2.7%
Elyria Foundry Company, LLC (d)	Metals	Senior Secured Notes 13.00%, 3/1/2013	5,000,000	4,853,894	3,753,000	5.5%
Elyria Foundry Company, LLC	Metals	Warrants	—	—	89,610	0.1%
		Total Metals	7,500,000	7,348,236	5,693,110	8.3%
Abitibi-Consolidated Company of Canada (d, e)	Natural Resources	First Lien Term Loan 11.50%, 3/30/2009	2,948,640	2,940,073	2,081,740	3.1%
Grant U.S. Holdings LLP (d, e)	Natural Resources	Second Lien Term Loan 9.81%, 9/20/2013	6,139,928	6,139,764	2,388,432	3.5%
		Total Natural Resources	9,088,568	9,079,837	4,470,172	6.6%
Edgen Murray II, L.P. (d)	Oil and Gas	Second Lien Term Loan 7.24%, 5/11/2015	3,000,000	2,815,938	2,072,700	3.0%
Energy Alloys, LLC (d)	Oil and Gas	Second Lien Term Loan 11.75%, 10/5/2012	6,200,000	6,200,000	5,286,740	7.8%
		Total Oil and Gas	9,200,000	9,015,938	7,359,440	10.8%
Stronghaven, Inc. (d)	Packaging	Second Lien Term Loan 13.00%, 10/31/2010	2,500,000	2,500,000	2,375,500	3.5%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2009	4,850,000	4,846,976	3,575,420	5.3%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2009	5,087,250	5,084,820	3,750,321	5.5%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.02%, 6/15/2009	500,000	499,670	368,600	0.5%
		Total Packaging	12,937,250	12,931,466	10,069,841	14.8%
Custom Direct, Inc. (d)	Printing	First Lien Term Loan 4.21%, 12/31/2013	2,049,694	1,618,148	1,638,526	2.4%
Advanstar Communications Inc. (d)	Publishing	First Lien Term Loan 3.71%, 5/31/2014	1,970,000	1,553,133	807,700	1.2%
Affinity Group, Inc. (d)	Publishing	First Lien Term Loan 3.01%, 6/24/2009	476,261	468,285	418,872	0.6%
Affinity Group, Inc. (d)	Publishing	First Lien Term Loan 2.98%, 6/24/2009	511,811	503,239	450,137	0.7%
Brown Publishing Company (d)	Publishing	Second Lien Term Loan 8.76%, 9/19/2014	1,203,226	1,198,390	288,774	0.4%
Network Communications, Inc. (d)	Publishing	Unsecured Notes 10.75%, 12/1/2013	5,000,000	5,082,100	2,503,000	3.7%
Penton Media, Inc. (d)	Publishing	First Lien Term Loan 3.35%, 2/1/2013	4,897,651	3,723,761	2,008,037	3.0%
		Total Publishing	14,058,949	12,528,908	6,476,520	9.6%
GXS Worldwide, Inc. (d)	Software	Second Lien Term Loan 8.63%, 9/30/2013	1,000,000	887,940	773,299	1.2%
Sub Total Non-control/Non-affiliated investments				137,020,449	96,462,919	141.8%
Control investments — 33.0% (b)						
GSC Partners CDO GP III, LP (h)	Financial Services	100% General Partnership interest	—	—	98,412	0.1%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal Number of Shares	Cost	Fair Value	% of Stockholders' Equity
GSC Investment Corp. CLO 2007 LTD. (f, h)	Structured Finance Securities	Other/Structured Finance Securities 12.15%, 1/21/2020	$ 30,000,000	$ 29,905,194	$ 22,340,617	32.9%
Sub Total Control investments				29,905,194	22,439,029	33.0%
Affiliate investments — 0.0% (b)						
GSC Partners CDO GP III, LP (g)	Financial Services	6.24% Limited Partnership Interest	—	—	10,527	0.0%
Sub Total Affiliate investments				—	10,527	0.0%
TOTAL INVESTMENT ASSETS — 174.8% (b)				**$166,925,643**	**$ 118,912,475**	**174.8%**

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Stockholders' Equity
Interest rate cap	8.0%	2/9/2014	$ 40,000,000	$ 87,000	$ 27,682	0.0%
Interest rate cap	8.0%	11/30/2013	26,433,408	44,000	11,831	0.0%
Sub Total Outstanding interest rate cap				$ 131,000	$ 39,513	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 Abitibi-Consolidated Company of Canada, Grant U.S. Holdings LLP, GSC Investment Corp. CLO 2007, Terphane Holdings Corp., and GSC Partners CDO GP III, LP.

(b) Percentages are based on net assets of $68,013,777 as of February 28, 2009.

(c) Fair valued investment (see Note 4 to the consolidated financial statements).

(d) All or a portion of the securities are 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 Abitibi-Consolidated Company of Canada and Grant U.S. Holdings LLP is Canada.

(f) 12.15% represents the modeled effective interest rate that is expected to be earned over the life of the investment.

(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. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net unrealized gains/(losses)
GSC Partners CDO GP III, LP	$—	$—	$—	$—	$—	$—	$(5,706)

(h) 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 securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$—	$—	$—	$4,393,818	$2,049,717	$—	$ (6,479,722)
GSC Partners CDO GP III, LP	$—	$—	$—	$—	$—	$—	(61,741)

GSC Investment Corp.

Consolidated Statements of Changes in Net Assets

	For the nine months ended November 30, 2009 (unaudited)	For the nine months ended November 30, 2008 (unaudited)
OPERATIONS:		
Net investment income	$ 4,512,838	$ 10,537,985
Net realized loss from investments	(1,579,812)	(7,423,694)
Net realized gain from derivatives	—	30,454
Net unrealized depreciation on investments	(4,562,979)	(10,422,015)
Net unrealized appreciation/(depreciation) on derivatives	33,080	(29,745)
Net decrease in net assets from operations	(1,596,873)	(7,307,015)
SHAREHOLDER DISTRIBUTIONS:		
Distributions declared	(2,073,065)	(6,467,280)
Net decrease in net assets from shareholder distributions	(2,073,065)	(6,467,280)
Total decrease in net assets	(3,669,938)	(13,774,295)
Net assets at beginning of period	68,013,777	97,869,040
Net assets at end of period	$ 64,343,839	$ 84,094,745
Net asset value per common share	$ 3.80	$ 10.14
Common shares outstanding at end of period	16,940,109	8,291,384

See accompanying notes to consolidated financial statements.

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GSC Investment Corp.

Consolidated Statements of Cash Flows

	For the nine months ended November 30, 2009 (unaudited)	For the nine months ended November 30, 2008 (unaudited)
Operating activities		
NET DECREASE IN NET ASSETS FROM OPERATIONS	$ (1,596,873)	$ (7,307,015)
ADJUSTMENTS TO RECONCILE NET DECREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Paid-in-kind interest income	(701,348)	(623,724)
Net accretion of discount on investments	(747,058)	(1,012,971)
Amortization of deferred credit facility financing costs	633,349	132,858
Net realized loss from investments	1,579,812	7,423,694
Net unrealized depreciation on investments	4,562,979	10,422,015
Unrealized (appreciation) depreciation on derivatives	(33,080)	29,745
Proceeds from sale and redemption of investments	10,948,348	48,713,273
Purchase of investments	—	(28,259,995)
(Increase) decrease in operating assets:		
Cash and cash equivalents, securitization accounts	338,911	7,255,273
Interest receivable	(35,096)	(876,033)
Due from manager	—	940,903
Management fee receivable	(821,491)	(20,535)
Other assets	208,110	(165,392)
Receivable from unsettled trades	(600,036)	(1,600,000)
Increase (decrease) in operating liabilities:		
Payable for unsettled trades	—	(11,329,150)
Management and incentive fees payable	212,733	1,556,508
Accounts payable and accrued expenses	127,170	131,012
Interest and credit facility fees payable	284,630	(71,800)
Due to manager	—	(11,048)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,361,060	25,327,618
Financing activities		
Borrowings on debt	—	7,800,000
Paydowns on debt	(15,153,923)	(20,000,000)
Credit facility financing cost	(103,582)	—
Payments of cash dividends	—	(9,700,920)
NET CASH USED BY FINANCING ACTIVITIES	(15,257,505)	(21,900,920)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(896,445)	3,426,698
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,356,225	1,072,641
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5,459,780	$ 4,499,339
Supplemental Information:		
Interest paid during the period	$ 2,256,624	$ 2,089,581
Supplemental non-cash information		
Paid-in-kind interest income	$ 701,348	$ 623,724
Net accretion of discount on investments	$ 747,058	$ 1,012,971
Amortization of deferred credit facility financing costs	$ 633,349	$ 132,858

See accompanying notes to consolidated financial statements.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2009

(unaudited)

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. We have elected to be treated as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code (the "Code"). 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. On March 21, 2007, the Company was incorporated 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 ("GAAP") 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 encompass 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 income, gains (losses) 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 include 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 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

The fair value of the Company's assets and liabilities which qualify as financial instruments under Accounting Standards Codification ("ASC") 825 (previously Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments"), approximates the carrying amounts presented in the consolidated balance sheets.

Investments for which market quotations are readily available are fair 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 or conditions 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, market 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; 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 the 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 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 these 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 and such differences could be material.

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 may ultimately realize upon the disposal of such investments.

We account for derivative financial instruments in accordance with ASC 815 (previously, Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities”). ASC 815 requires recognizing all derivative instruments as either assets or liabilities on the consolidated balance sheets 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.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. A reserve for accrued interest is generally made when a loan is placed on non-accrual status. However, the Company may also establish a reserve against accrued interest on currently performing loans if there is doubt regarding future collectability. For the nine months ended November 30, 2009, the Company established a reserve against accrued interest of $1.9 million. Interest payments received on non-accrual loans may be recognized as principal depending upon management’s judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management’s judgment, are likely to remain current. The Company may make exceptions to this if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in GSCIC CLO is recorded using the effective interest method in accordance with the provision of ASC 325 (previously, 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.

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 principal 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.

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. For the nine months ended November 30, 2009, the Company amortized $0.6 million of deferred financing costs of which $0.5 million related to the write off of all remaining deferred credit facility financing costs due to the default of Company's revolving credit 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 has filed an election 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 excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

The Company accounts for income taxes in accordance with the provisions of ASC 740, including accounting for uncertain tax positions (previously, FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109"). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements 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. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

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. 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 May 2009, the FASB issued ASC 855 (previously Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events"), which addresses accounting and disclosure requirements related to subsequent events. ASC 855 requires management to evaluate subsequent events through the date the financial statements are either issued or available to be issued, depending on the Company's expectation of whether it will widely distribute its financial statements to its shareholders and other financial statement users. Companies are required to disclose the date through which subsequent events have been evaluated. ASC 855 is effective for interim or annual financial periods ending after June 15, 2009 and should be applied prospectively. The adoption of ASC 855 did not have a material effect on our financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140", ("SFAS No. 166") which amends the derecognition guidance in SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", eliminates the concept of a "qualifying special-purpose entity" ("QSPE") and requires more information about transfers of financial assets, including securitization transactions as well as a company's continuing exposure to the risks related to transferred financial assets. SFAS No. 166 has not yet been codified and in accordance with ASC 105, remains authoritative guidance until such time that it is integrated in the FASB ASC. SFAS No. 166 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009 and early adoption is prohibited. The Company is currently evaluating the impact on our interim consolidated financial statements of adopting SFAS No. 166.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46)" ("SFAS No. 167"), which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities—an interpretation of ARB No. 51, which is codified in FASB ASC 810, Consolidation" ("ASC 810"), and change the way entities account for securitizations and special purpose entities as a result of the elimination of the QSPE concept in SFAS No. 166. SFAS No. 167 does not amend the ASC 810 exception that investments accounted for at fair value in accordance with the specialized accounting guidance in the AICPA Audit And Accounting Guide, Investment Companies, codified in FASB ASC 946, "Financial Services— Investment Companies" ("ASC 946"), are not subject to the requirements of ASC 810. SFAS No. 167 has not yet been codified and in accordance with ASC 105, remains authoritative guidance until such time that it is integrated in the FASB ASC. SFAS No. 167 is effective as of the beginning of the first fiscal year that begins after November 15, 2009 and early adoption is prohibited. The Company is currently evaluating the impact on our interim consolidated financial statements of adopting SFAS No. 167.

In June 2009, the FASB issued ASC 105, (previously SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162") ASC 105 establishes the Codification as the source of authoritative GAAP in the United States (the "GAAP hierarchy") to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Once the Codification is in effect, all of its content will carry the same level of authority and the GAAP hierarchy will be modified to include only two levels of GAAP, authoritative and non-authoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. This adoption by the Company has changed the Company's references to U.S. GAAP accounting standards but did not impact any of the Company's significant accounting policies or its results of operations or financial position.

Note 3. Going Concern

As of November 30, 2009, the Company remained in default on its Revolving Facility (see Note 7) and as a result of the default, our lender has the right to accelerate repayment of the outstanding indebtedness and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral would have a material adverse effect on our liquidity, financial condition and operations. The deleveraging of the Company may significantly impair the Company's ability to effectively operate. There is no assurance that we will have sufficient funds available to pay in full the total amount of obligations that

would become due as a result of such acceleration or that we will be able to obtain additional or alternative financing to pay or refinance any such accelerated obligations.

However, we continue to believe that we will have adequate liquidity to continue to fund our operations and the interest payments on our outstanding debt, including any default interest. We continue to have discussions with our lender regarding resolutions of the default. The Company is also working with the investment banking firm Stifel, Nicolaus & Company, which it retained to evaluate strategic transaction opportunities and consider alternatives. We are focused on resolving the default and continuing to exist as a going concern.

A fundamental principle of the preparation of financial statements in accordance with GAAP is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realization of assets and settlement of liabilities occurring in the ordinary course of business. This principle is applicable to all entities except for entities in liquidation or entities for which liquidation appears imminent. In accordance with this requirement, our policy is to prepare our consolidated financial statements on a going concern basis unless we intend to liquidate or have no other alternative but to liquidate. Our interim consolidated financial statements have been prepared on a going concern basis and do not reflect any adjustments that might specifically result from the outcome of this uncertainty or our debt restructuring activities.

Note 4. Investments

The Company values all investments in accordance with ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820") (previously, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements"). ASC 820 requires enhanced disclosures about investments that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques the Company is required to provide the fair value information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 – Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value may require significant management judgment or estimation. Even if observable-market data is available, such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level III information, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, we continue to employ the valuation policy approved by our board of directors that is consistent with ASC 820 (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The following table presents fair value measurements of investments as of November 30, 2009 (dollars in thousands):

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Non-control/non-affiliate	$ —	$ —	$ 81,805	$ 81,805
Control investments	—	—	21,464	21,464
Affiliate investments	—	—	1	1
Total investments at fair value	$ —	$ —	$ 103,270	$ 103,270

The following table presents fair value measurements of investments as of February 28, 2009 (dollars in thousands):

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Non-control/non-affiliate	$ —	$ —	$ 96,463	$ 96,463
Control investments	—	—	22,439	22,439
Affiliate investments	—	—	10	10
Total investments at fair value	$ —	$ —	$ 118,912	$ 118,912

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended November 30, 2009 (dollars in thousands):

	Level 3
Balance as of February 28, 2009	$ 118,912
Net unrealized losses	(4,563)
Purchases and other adjustments to cost	1,449
Sales and redemptions	(10,948)
Net realized loss from investments	(1,580)
Net transfers in and/or out	—
Balance as of November 30, 2009	$ 103,270

The change in unrealized depreciation on securities still held at November 30, 2009 was $8.4 million, which is included in the related net change in unrealized appreciation/depreciation on the Consolidated Statement of Operations.

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion of discount, and amortization of premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received.

Net transfers in and/or out represent existing investments that were either previously categorized as another level and the inputs to the model became unobservable or investments that were previously classified as level 3 and such input became observable during the period. Transfers to/from level 3 are shown at their end of period fair values.

The composition of our investments as of November 30, 2009, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 18,931	$ 15,922	15.4%
Second lien term loans	55,506	30,084	29.1
Senior secured notes	33,373	28,431	27.5
Unsecured notes	18,773	7,309	7.1
Structured finance securities	29,233	21,464	20.8
Equity/limited partnership interest	30	60	0.1
Total	$ 155,846	$ 103,270	100.0%

The composition of our investments as of February 28, 2009, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 24,901	$ 17,117	14.4%
Second lien term loans	57,558	41,043	34.5
Senior secured notes	35,780	25,832	21.7
Unsecured notes	18,782	12,381	10.4
Structured finance securities	29,905	22,341	18.8
Equity/limited partnership interest	—	198	0.2
Total	$ 166,926	$ 118,912	100.0%

Note 5. 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 three and nine months ended November 30, 2009, we accrued $0.5 and $1.5 million in management fees and $0.4 and $1.7 million in interest income, respectively. For the three and nine months ended November 30, 2008, we accrued $0.5 and $1.5 million in management fees and $1.5 and $3.2 million in interest income, respectively. We did not earn any amounts related to the incentive management fee as the 12% hurdle rate has not yet been achieved.

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.

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.

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full fiscal quarter period 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) (before taking into account any incentive fees payable during that period) is less than 7.5% of our net assets at the beginning of such period. These calculations will be appropriately pro rated for the first three fiscal quarters of operation and adjusted for any share issuances or repurchases during the applicable period. Such incentive fee will become payable on the next date on which such test has been satisfied for the most recent four full fiscal quarters or upon certain terminations of the Management Agreement.

For the three and nine months ended November 30, 2009 we incurred $0.5 and $1.5 million in base management fees, respectively. For the three months ended November 30, 2009, we incurred no incentive management fees related to pre-incentive fee net investment income. For the nine months ended November 30, 2009 we incurred $0.3 million in incentive fees related to pre-incentive fee net investment income. For the three and nine months ended November 30, 2009 we incurred no incentive management fees related to net realized capital gains. As of November 30, 2009, $0.5 million of base management fees and $2.6 million of incentive fees were unpaid and included in management and incentive fees payable in the accompanying consolidated balance sheet.

For the three and nine months ended November 30, 2008, we incurred $0.7 and $2.1 million in base management fees and $0.5 and $1.3 million in incentive fees related to pre-incentive fee net investment income. For the three and nine months ended November 30, 2008, we incurred no incentive management fees related to net realized capital gains.

As of November 30, 2009, the end of the third quarter of fiscal year 2010, the sum of our aggregate distributions to our stockholders and our change in net assets (defined as total assets less liabilities) (before taking into account any incentive fees payable during that period) was less than 7.5% of our net assets at the beginning of the third fiscal quarter of fiscal year 2009. Accordingly, the payment of the incentive fee for the quarter ended November 30, 2009 was deferred. The total deferred incentive fee payable at November 30, 2009 is $2.6 million.

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 three and nine months ended November 30, 2009 we incurred $0.2 and $0.5 million of administrator expenses, respectively, 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. For the three and nine months ended November 30, 2008 we incurred $0.2 and $0.8 million of administrator expenses, respectively. 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 three and nine months ended November 30, 2009 we have recorded $0.2 and $0.5 million in expense waiver reimbursement, respectively, under the Administration Agreement in the accompanying consolidated statements of operations. For the three and nine months ended November 30, 2008 we have recorded $0.2 and $0.8 million in expense waiver and reimbursement, respectively.

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 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 month period thereafter unless otherwise

agreed by the Manager and the Company. 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. As of November 30, 2009, there was $43.8 million outstanding under the Revolving Facility. As of February 28, 2009, there was $59.0 million outstanding under the Revolving Facility. For the three and nine months ended November 30, 2009, we recorded $1.1 and $2.6 million of interest expense, respectively. For the nine months ended November 30, 2009, we recorded $0.6 million of amortization of deferred financing costs related to the Revolving Facility, and the interest rates during the quarter on the outstanding borrowings was 9.25%. For the three and nine months ended November 30, 2008, we recorded $0.6 and $2.0 million of interest expense and $43,964 and $132,858 of amortization of deferred financing costs related to the Revolving Facility, respectively, and the interest rates during the quarter on the outstanding borrowings ranged from 3.34% to 5.22%.

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.

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 March 2009, we amended the Revolving Credit Facility to increase the portion of the portfolio that can be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization. As a result of these transactions, it was expected that we would have additional cushion under our Borrowing Base (as defined below) that would allow us to better manage our capital in times of declining asset prices and market dislocation. If we continue to be unable to obtain new sources of financing, however, we expect our portfolio will gradually de-lever as principal payments are received, which may negatively impact our net investment income and ability to pay dividends.

At November 30, 2009 and February 28, 2009, we had $43.8 million and $59.0 million in borrowings under the Revolving Facility, respectively. The actual amount that may be outstanding at any given time (the "Borrowing Base") is dependent upon the amount and quality of the collateral securing the Revolving Facility. Our Borrowing Base was $12.1 million at November 30, 2009 versus $59.9 million at February 28, 2009. The decline in our Borrowing Base during this period is mainly attributable to the decline in the value of the pledged collateral and the downgrade of certain public ratings or private credit estimates of the pledged collateral.

For purposes of determining the Borrowing Base, most assets are assigned the values set forth in our most recent quarterly report filed with the SEC. Accordingly, the November 30, 2009 Borrowing Base relies upon the valuations set forth in the August 31, 2009

quarterly report. The valuations presented in this quarterly report will not be incorporated into the Borrowing Base until after this report is filed with the SEC.

On July 30, 2009 we exceeded the permissible borrowing limit for 30 consecutive days, resulting in an event of default under our Revolving Facility that is continuing. As a result of this event of default, our lender has the right to accelerate repayment of the outstanding indebtedness under and Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral would have a material adverse effect on our liquidity, financial condition and operations. As a result of the continuing default, the Company may be forced to sell its investments to raise funds to repay outstanding amounts. Such forced sales may result in values that could be less than carrying values reported in these financial statements. The deleveraging of the Company may significantly impair the Company's ability to effectively operate. Please see Part II, Item 1A. "Risk Factors—An event of default under the Revolving Facility may lead to a forced liquidation of the pledged assets that may yield less than the fair value of the assets" in the quarterly report on form 10-Q for the quarterly period ended May 31, 2009 for more information. Our lender has elected not to accelerate the obligation to date, but has reserved the right to do so. We continue to discuss possible solutions to the event of default with our lender.

During the continuance of an event of default, the interest rate on the Revolving Facility is increased from the commercial paper rate plus 4.00% to the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market is unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%.

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 $34.0 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 $34.0 million to $40.0 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 ASC 815 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 November 30, 2009, we did not receive any such payments as the LIBOR has not exceeded 8%. At November 30, 2009, the total notional outstanding for the interest rate caps was $66.4 million with an aggregate fair value of $0.07 million, which is recorded in outstanding interest cap at fair value on the Company's consolidated balance sheet. For the three and nine months ended November 30, 2009, the Company recorded $0.02 million of unrealized depreciation and $0.03 million of unrealized appreciation, respectively, 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 November 30, 2009 (dollars in thousands):

Instrument	Type	Notional	Interest Rate Cap	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 40,000	8.0%	Feb 2014	$ 51
Interest Rate Cap	Free Standing Derivative	26,433	8.0	Nov 2013	22
	Net fair value				$ 73

The table below summarizes our interest rate cap agreements as of February 28, 2009 (dollars in thousands):

Instrument	Type	Notional	Interest Rate Cap	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 40,000	8.0%	Feb 2014	$ 28
Interest Rate Cap	Free Standing Derivative	26,433	8.0	Nov 2013	12
	Net fair value				$ 40

Note 9. 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. 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 three and nine months ended November 30, 2009, we accrued $0.07 and $0.2 million for directors fees expense. As of November 30, 2009, we had not issued any common stock to our directors as compensation for their services.

Note 10. 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 11. Earnings Per Share

In accordance with the provisions of FASB ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

On November 13, 2009, we declared a dividend of $1.825 per share payable on December 31, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $0.25 per share.

Based on shareholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $1.5099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009. The financial statements for the period ended November 30, 2009 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

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 nine months ended November 30, 2009, and November 30, 2008 (dollars in thousands except share and per share amounts):

Basic and diluted	November 30, 2009	November 30, 2008
Net decrease in net assets from operations	$ (1,597)	$ (7,307)
Weighted average common shares outstanding	8,542,983	8,291,384
Loss per common share-basic and diluted	$ (0.19)	$ (0.88)

Note 12. Dividend

The following tables summarize dividends declared during the three months ended November 30, 2009 and November 30, 2008 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share *	Total Amount
November 13, 2009	November 25, 2009	December 31, 2009	$1.825	$15,132
Total dividends declared			$1.825	$15,132

Date Declared	Record Date	Payment Date	Amount Per Share *	Total Amount
May 22, 2008	May 30, 2008	June 13, 2008	$0.39	$3,234
August 20, 2008	August 29, 2008	September 15, 2008	0.39	3,234
Total dividends declared			$0.78	$6,468

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

Note 13. Financial Highlights

The following is a schedule of financial highlights for the nine months ended November 30, 2009 and November 30, 2008:

	November 30, 2009	November 30, 2008
Per share data:		
Net asset value at beginning of period	$ 8.20	$ 11.80
Net investment income (1)	0.53	1.27
Net realized losses on investments and derivatives	(0.18)	(0.89)
Net unrealized depreciation on investments and derivatives	(0.53)	(1.26)
Net decrease in stockholders’ equity	(0.18)	(0.88)
Distributions declared from net investment income	(1.83)	(0.78)
Other (6)	(2.39)	—
Total distributions to stockholders	(4.22)	(0.78)
Net asset value at end of period	$ 3.80	$ 10.14
Net assets at end of period	$ 64,343,839	$ 84,094,745
Shares outstanding at end of period	16,940,109	8,291,384
Per share market value at end of period	$ 2.16	$ 1.55
Total return based on market value (2)	139.7%	(78.89)%
Total return based on net asset value (3)	(2.35)%	(7.46)%
Ratio/Supplemental data:		
Ratio of net investment income to average net assets (4) (5)	8.07%	13.93%
Ratio of operating expenses to average net assets (4) (5)	9.05%	6.77%
Ratio of incentive management fees to average net assets (5)	0.65%	1.84%
Ratio of credit facility related expenses to average net assets (5)	6.41%	3.08%
Ratio of total expenses to average net assets (4) (5)	16.11%	11.69%

(1) Net investment income excluding expense waiver and reimbursement equals $0.47 and $1.17 per share for the nine months ended November 30, 2009 and November 30, 2008, respectively.

(2) Total return based on market value equals the change in market value of the Company's shares taking into the account dividend distribution of $1.825 and assumes such dividend is reinvested in accordance with the terms of the dividend reinvestment plan at a price of $1.5099 per share to be consistent with ASC 505-20-S50 as more fully described in Note 11. For the nine months ended November 30, 2008, the total return based on market value equals the decrease in market value at November 30, 2008, of $9.49 per share over the price per share at February 29, 2008, of $11.04, plus the declared cash dividends of $0.39 per share for stockholders of record on May 30, 2008, and $0.39 per share for stockholders of record on August 29, 2008, divided by the February 29, 2008 price per share. Total return based on market value is not annualized.

(3) For the nine months ended November 30, 2009, the total return based on net asset value equals the change in net asset value during the period plus the declared cash dividend of $2,073,066 for stockholders of record on November 25, 2009, divided by the beginning net asset value during the period. For the nine months ended November 30, 2008, the total return based on net asset value equals the change in net asset value during the period plus the declared cash dividends of $0.39 per share for stockholders of record on May 30, 2008, and $0.39 per share for stockholders of record on August 29, 2008, divided by the beginning net asset value during the period. Total return based on net asset value is not annualized.

(4) For the nine months ended November 30, 2009, incorporating the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 9.11%, 8.01%, and 15.07%, respectively. For the nine months ended November 30, 2008, incorporating the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 15.08%, 5.62%, and 10.54%, respectively.

(5) Annualized.

(6) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of period end.

Note 14. Related Party Transaction

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. As of November 30, 2009, the fair value of the general partnership interest and limited partnership interest is $318.

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 28, 2009, GSC Group received 35,911 of additional shares under the dividend reinvestment plan. As of November 30, 2009, 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 15. Subsequent Events

For the third quarter of 2009, the Company evaluated subsequent events through January 14, 2010, the date the financial statements were issued.

On December 7, 2009 the Company repaid $0.5 million of outstanding borrowings primarily from excess interest collections.

On December 23, 2009 the Company received full par redemptions of $3.0 million and $1.0 million related to Edgen Murray II, L.P. and GXS Worldwide, Inc., respectively. On January 7, 2010, the proceeds from these redemptions plus excess interest collections were used to make a repayment of $5.8 million of outstanding borrowings.

On December 31, 2009, we paid a dividend of $1.825 per share to shareholders of record as of the close of business on November 25, 2009. Shareholders had until December 17, 2009 to elect whether to receive the dividend in cash (up to an aggregate maximum cash amount of approximately $2.1 million or approximately 13.7% of the total dividend paid) or in shares of common stock. Due to the original terms of the dividend, shareholders who elected to receive cash received a combination of cash and common stock.

Based on shareholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $1.5099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009. As previously mentioned in Note 11 the financial statements for the period ended November 30, 2009 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend.

Shareholders who elected to receive the dividend solely in shares of common stock and shareholders who did not make an election will receive 1.209 shares of common stock for each share of common stock they owned on the record date. Holders of approximately 39% of the Company’s common stock elected to receive only stock or did not make an election.

Shareholders electing to receive the dividend in all cash, will receive cash in the amount of $0.411 per share or 22.5% of the $1.825 dividend and 0.936 shares of common stock or 77.5% of the total dividend for each share of common stock they owned on the record date. Cash in lieu of fractional shares will be issued, if applicable.

Item 2. 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 quarterly report. In addition to historical information, the following discussion and other parts of this quarterly 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 in Item 1A in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and Part II, Item 1A in our quarterly reports on Form 10-Q for the quarterly periods ended May 31, 2009.

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 quarterly report include 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;
- declines in the value of the investments we have made;
- 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;
- the ability of our investment adviser to locate suitable investments for us and to monitor and effectively administer our investments; and
- continued access to our Revolving Facility and the decision by our lender to accelerate repayment of our outstanding bank indebtedness.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this quarterly 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 quarterly report.

Overview

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"). Our investment objectives are to generate current income and capital

appreciation through debt and equity investments by primarily investing in middle market companies and select high yield bonds. We have elected to be treated as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code. 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 loan obligation ("CLO") fund managed by our investment adviser. We used borrowings under our credit facilities 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"), a collateralized debt obligation fund managed by our investment adviser. As of November 30, 2009, our portfolio consisted of $103.3 million of investments at fair value, in 29 portfolio companies and one CLO.

Our portfolio is comprised primarily of investments in first and second lien leveraged loans issued by middle market companies and high yield bonds. Our strategy has been 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 have been sourced in both the primary and secondary markets through a network of relationships with commercial and investment banks, commercial finance companies and financial sponsors. The leveraged loans and high yield bonds are generally used to finance buyouts, acquisitions, growth, recapitalizations and other types of transactions. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on 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 ("Moody's") 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." For purposes of this quarterly 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. Investments in middle market companies are generally less liquid than equivalent investments in companies with larger capitalizations.

While our primary focus is to generate current income and capital appreciation through investments in debt and equity securities of middle market companies and high yield bonds, we intend to invest up to 30% of our total 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 CLOs. Given our primary investment focus on first and second lien term loans issued by middle market companies and high yield bonds, we believe our opportunistic investments allow us to supplement our core investments with other investments that are within our investment adviser's expertise that we believe offer attractive yields and/or the potential for capital appreciation. As of November 30, 2009, our investment in the subordinated notes of GSC Investment Corp. CLO 2007, Ltd. ("GSCIC CLO"), a CLO we manage, constituted 18.7% of our total assets. We do not expect to manage and purchase all of the equity in another CLO transaction in the near future.

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 U.S. operating companies whose securities are not listed on a national securities exchange (i.e., New York Stock Exchange, American Stock Exchange and The NASDAQ Global Market), U.S. operating companies with listed securities that have market capitalizations of less than $250 million, 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.

Since the third quarter of fiscal year 2009 (November 30, 2008), due to constraints imposed by our Revolving Facility (as defined below), we have had limited investment activity in both the primary and secondary markets. The Company is working with the investment banking firm of Stifel, Nicolaus & Company, which it retained to evaluate strategic transaction opportunities and consider alternatives. There is no assurance that the exploration and evaluation of strategic opportunities and alternatives will result in any transaction.

On July 30, 2009, we exceeded permissible borrowing limits for 30 consecutive days, resulting in an event of default under our credit facility. During the continuance of an event of default, the interest rate on the Revolving Facility is increased from the

commercial paper rate plus 4.00% to the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market is unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%. Under this formula, for the three months ended November 30, 2009, the interest rate on the Revolving Facility was 9.25%.

Substantially all of our assets other than our investment in the subordinated notes of GSCIC CLO are held in a special purpose subsidiary and pledged under our Revolving Facility. We commenced the two year amortization period under the Revolving Facility in January 2009, during which time all principal proceeds from the pledged assets are used to repay the Revolving Facility. In addition, during the continuance of an event of default, all interest proceeds from the pledged assets are also used to repay the Revolving Facility. As a result, the Company is required to fund is operating expenses and dividends solely from cash on hand, management fees earned from, and the proceeds of the subordinated notes of, GSCIC CLO. Please see Part II, Item 1A. "Risk Factors—Continuance of an Event of Default under our Revolving Facility and/or deferral of payments from GSCIC CLO may result in a shortage of working capital" in this quarterly report for more information.

As of November 30, 2009, the Company remained in default on its Revolving Facility and as a result of the default, our lender has the right to accelerate repayment of the outstanding indebtedness and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral would have a material adverse effect on our liquidity, financial condition and operations. Please see Part II, Item 1A. "Risk Factors—An event of default under the Revolving Facility may lead to a forced liquidation of the pledged assets that may yield less than the fair value of the assets" in the quarterly report on form 10-Q for the quarterly period ended May 31, 2009 for more information. To date, our lender has not accelerated the debt, but has reserved the right to do so. The deleveraging of the Company may significantly impair the Company's ability to effectively operate. There is no assurance that we will have sufficient funds available to pay in full the total amount of obligations that would become due as a result of such acceleration or that we will be able to obtain additional or alternative financing to pay or refinance any such accelerated obligations.

However, we continue to believe that we will have adequate liquidity to continue to fund our operations and the interest payments on our outstanding debt, including any default interest. We continue to have discussions with our lender regarding resolutions of the default. The Company is also working with the investment banking firm Stifel, Nicolaus & Company, which it retained to evaluate strategic transaction opportunities and consider alternatives. We are focused on resolving the default and continuing to exist as a going concern.

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. Our debt investments, whether in the form of first and second lien term loans, mezzanine debt or high yield bonds, generally have terms of up to ten years, and bear interest at either a fixed or floating rate. Interest on debt is payable generally either quarterly or semi-annually. In some cases our debt investments may provide for a portion of the interest to be paid-in-kind ("PIK"). 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 or investment management services and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned. We may also invest in preferred equity securities that pay dividends on a current basis.

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 advisor to CDO Fund III.

On January 22, 2008, we entered into a collateral management agreement with GSCIC CLO pursuant to which we act as its collateral manager and receive 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, 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 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.

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 ratio of our total assets 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 that may relate to:

- organization;
- calculating our net asset value (including the costs 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 and listing fees;
- taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents with 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, for the current one-year term of the administration agreement (expiring March 21, 2010), GSC Group has waived our reimbursement obligation under the administration agreement until our total assets exceed $500 million.

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.

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full fiscal 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) (before taking into account any incentive fees payable during that period) is less than 7.5% of our net assets at the beginning of such period. These calculations will be appropriately pro rated for the first three fiscal quarters of operation and adjusted for any share issuances or repurchases during the applicable period. Such incentive fee will become payable on the next date on which such test has been satisfied for the most recent four full fiscal quarters or upon certain terminations of the investment advisory and management agreement. We commenced deferring cash payment of incentive fees during the quarterly period ended August 31, 2007, and have continued to defer such payments through the current quarterly period; we have recorded a payable in respect of such deferred fees in the amount of $2.6 million as of November 30, 2009.

To the extent that any of our leveraged 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.

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. GSC Group has not reimbursed us since that date and we do not expect to be reimbursed in the future.

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PORTFOLIO AND INVESTMENT ACTIVITY

Corporate Debt Portfolio Overview(1)

	At November 30, 2009	At February 28, 2009
	($ in millions)	
Number of investments	38	42
Number of portfolio companies	29	35
Average investment size	$ 2.2	$ 2.3
Weighted average maturity	2.8 years	3.3 years
Number of industries	20	22
Average investment per portfolio company	$ 2.8	$ 2.8
Non-Performing or delinquent investments	$ 21.8	$ 0.4
Fixed rate debt (% of interest bearing portfolio)	$35.3(43.2%)	$40.3(41.8%)
Weighted average current coupon	11.7%	11.7%
Floating rate debt (% of interest bearing portfolio)	$46.5(56.8%)	$56.2(58.2%)
Weighted average current spread over LIBOR	7.1%	5.9%

(1) Excludes our investment in the subordinated notes of GSCIC CLO and GSC Partners CDO GP III, LP.

During the nine months ended November 30, 2009, we made no investments in new or existing portfolio companies and had $10.9 million in aggregate amount of exits and repayments, resulting in net repayments of $10.9 million for the period. During the nine months ended November 30, 2008, we made 17 investments in an aggregate amount of $28.3 million consisting of $23.0 million in new portfolio companies and $5.3 million to existing portfolio companies and $48.7 million in aggregate amount of exits and repayments, resulting in net repayments of $20.4 million for the period.

During the three months ended November 30, 2009, we made no investments in new or existing portfolio companies and had $5.7 million in aggregate amount of exits and repayments, resulting in net repayments of $5.7 million for the period. During the three months ended November 30, 2008 we made 2 investments in an aggregate amount of $3.0 million consisting of $3.0 million in new portfolio companies and no investments in existing portfolio companies. Also during the three months ended November 30, 2008, we had $10.0 million in aggregate amount of exits and repayments, resulting in net repayments of $7.0 million in aggregate amount for the period.

Due to unfavorable conditions in the credit market and constraints imposed by our Revolving Facility, we do not expect to make any further investments unless and until we obtain a new source of financing in place of our Revolving Facility.

As of November 30, 2009, twelve investments in eight portfolio companies were non-performing or delinquent investments. Non-performing investments are investments in which the Company has stopped accruing interest income or for which the Company has established a partial or full reserve against the interest income accrual. Delinquent investments are investments that have missed a scheduled interest or maturity payment. Two of the delinquent investments did not make their respective maturity repayments, however, as of November 30, 2009, these two investments were performing and we accrued current interest income.

The non-performing or delinquent investments as of November 30, 2009 were as follows:

Portfolio Company	Asset	Fair Value	Percentage of Total Portfolio
		($ in thousands)	
Terphane Holdings Corp.	Senior secured notes	$ 9,356	9.1%
Jason Incorporated	Unsecured notes	4,461	4.3
USS Mergerco, Inc.	Second lien term loan	2,693	2.6
Abitibi-Consolidated	First lien term loan	2,565	2.5
Targus Group International	Second lien term loan	1,802	1.7
Legacy Cabinets, Inc.	First lien term loan	444	0.4
Grant U.S. Holdings	Second lien term loan	318	0.3
Legacy Cabinets, Inc.	Second lien term loan	97	0.1
Brown Publishing Company	Second lien term loan	35	0.1
Total		$21,771	21.1%

Our portfolio composition at November 30, 2009 and February 28, 2009 was as follows:

Portfolio composition

	At November 30, 2009		At February 28, 2009	
	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield
First lien term loans	15.4%	7.8%	14.4%	6.8%
Second lien term loans	29.1	8.0	34.5	9.0
Senior secured notes	27.5	11.6	21.7	11.6
Unsecured notes	7.1	12.3	10.4	12.3
Structured Finance Securities	20.8	11.0	18.8	12.2
Equity/limited partnership interests	0.1	N/A	0.2	N/A
Total	100.0%	9.8%	100.0%	10.2%

Our investment in the subordinated notes of GSCIC CLO represents a first loss position in a portfolio that, at November 30, 2009, was composed of $395.3 million in aggregate principal amount of predominantly senior secured first lien term loans. This investment is subject to unique 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” of our Annual Report on Form 10-K for the fiscal year ended February 28, 2009). We do not consolidate the GSCIC CLO portfolio in our financial statements. Accordingly, the metrics below do not include the underlying GSCIC CLO portfolio investments. However, at November 30, 2009, 97.7% of the GSCIC CLO portfolio investments were performing and over 92.5% of the GSCIC CLO portfolio investments had a CMR (as defined below) rating of Green or Yellow.

GSC Group normally grades all of our investments using an internally developed credit and monitoring rating system (“CMR”). Prior to November 30, 2009 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, second lien term loans, high-yield bonds and mezzanine debt will generally be assigned scores of 2.25 or higher.

The corporate letter rating is 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; and (F) equals restructured equity security.

Effective November 30, 2009, the CMR consisted of a single component: a color rating. The color rating is based on several criteria, including financial and operating strength, probability of default, and restructuring risk.. The color ratings range from (Green) through (Red) and are characterized as follows: (Green) — strong credit; (Yellow) — satisfactory credit; (Red) — payment default risk, in payment default and/or significant restructuring activity.

The CMR distribution of our investments at November 30, 2009 was as follows:

Portfolio CMR distribution

Color Score	At November 30, 2009 Investments at Fair Value	At November 30, 2009 Percentage of Total Portfolio
	($ in thousands)	
Green	$ 10,346	10.0%
Yellow	28,555	27.7
Red	42,904	41.5
N/A(1)	21,465	20.8
Total	$ 103,270	100.0%

(1) Predominantly comprised of our investment in the subordinated notes of GSCIC CLO.

The CMR distribution of our investments at February 28, 2009 was as follows:

Portfolio CMR distribution

Numerical Debt Score	At February 28, 2009 Investments at Fair Value	At February 28, 2009 Percentage of Total Portfolio
	($ in thousands)	
1.00 - 1.99	$ 8,941	7.5%
2.00 - 2.99	33,831	28.5
3.00 - 3.99	49,076	41.2
4.00 - 4.99	4,614	3.9
5.00	—	—
N/A(1)	22,450	18.9
Total	$ 118,912	100.0%

Corporate Letter Rating	At February 28, 2009 Investments at Fair Value	At February 28, 2009 Percentage of Total Portfolio
	($ in thousands)	
A	$ 4,602	3.9%
B	36,818	30.9
C	42,700	35.9
D	11,668	9.8
E	674	0.6
F	—	—
N/A(1)	22,450	18.9
Total	$ 118,912	100.0%

(1) Predominantly comprised of our investment in the subordinated notes of GSCIC CLO.

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The following table shows the portfolio composition by industry grouping at fair value at November 30, 2009 and February 28, 2009.

Portfolio composition by industry grouping at fair value

	At November 30, 2009		At February 28, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)			
Structured Finance Securities(1)	$ 21,464	20.8%	$ 22,341	18.8%
Packaging	9,356	9.1	10,070	8.5
Manufacturing	9,068	8.8	14,480	12.2
Consumer Products	7,196	7.0	7,843	6.6
Healthcare Services	7,101	6.9	6,010	5.0
Publishing	6,779	6.6	6,477	5.4
Apparel	6,464	6.3	6,616	5.5
Electronics	6,222	6.0	6,849	5.8
Homebuilding	4,895	4.7	3,490	2.9
Oil and Gas	4,648	4.5	7,359	6.2
Metals	4,151	4.0	5,693	4.8
Natural Resources	2,883	2.8	4,470	3.8
Environmental	2,693	2.6	3,592	3.0
Logistics	2,406	2.3	2,134	1.8
Financial Services	2,122	2.0	3,162	2.7
Food and Beverage	1,766	1.7	1,707	1.4
Printing	1,676	1.6	1,638	1.4
Software	953	0.9	773	0.6
Education	610	0.6	674	0.6
Building Products	541	0.5	1,426	1.2
Consumer Services	276	0.3	244	0.2
Chemicals	—	—	371	0.3
Insurance	—	—	1,493	1.3
Total	$ 103,270	100.0%	$ 118,912	100.0%

(1) Comprised of our investment in the subordinated notes of GSCIC CLO.

The following table shows the portfolio composition by geographic location at fair value at November 30, 2009 and February 28, 2009. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

Portfolio composition by geographic location at fair value

	At November 30, 2009		At February 28, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)			
Midwest	$ 26,060	25.2%	$ 31,716	26.7%
Other(1)	21,464	20.8	22,449	18.9
West	16,769	16.2	16,137	13.6
Southeast	13,978	13.6	23,094	19.4
International	12,239	11.9	12,165	10.2
Northeast	11,807	11.4	12,578	10.6
Mid-Atlantic	953	0.9	773	0.6
Total	$ 103,270	100.0%	$ 118,912	100.0%

(1) Predominantly comprised of our investment in the subordinated notes of GSCIC CLO.

Results of Operations

Investment Income

Total investment income was $3.5 million for the three months ended November 30, 2009 versus $6.4 million for the three months ended November 30, 2008, a decrease of $2.9 million or 44.5%. Total investment income was $12.0 million for the nine months ended November 30, 2009 versus $17.9 million for the nine months ended November 30, 2008, a decrease of $5.9 million or 33.1%. The composition of our investment income in each period was as follows:

Investment Income

	Three months ended		Nine months ended	
	November 30, 2009	November 30, 2008	November 30, 2009	November 30, 2008
	($ in thousands)			
Interest from investments	$ 2,961	$ 5,722	$ 10,253	$ 16,072
Management of GSCIC CLO	511	518	1,549	1,530
Interest from cash and cash equivalents and other income	58	121	178	306
Total	$ 3,530	$ 6,361	$ 11,980	$ 17,908

The decline in interest from investments for the three months ended November 30, 2009 versus the three months ended November 30, 2008 was primarily due to a reduction in income from the GSCIC CLO of $1.1 million, an increase in the allowance for impaired loans and bonds of $0.6 million, a reduction in income from investments that were sold of $0.3 million, and a decrease in market discount income and the LIBOR rate earned on floating rate investments between the periods of $0.6 million.

The decline in interest from investments for the nine months ended November 30, 2009 versus the nine months ended November 30, 2008 was primarily due to an increase in the allowance for impaired loans and bonds of $1.9 million, a reduction in income from investments that were sold of $1.6 million, a reduction in income from the GSCIC CLO of $1.5 million, and a decrease in market discount income and the LIBOR rate earned on floating rate investments between the periods of $0.8 million.

For the three and nine months ended November 30, 2009, total PIK income was $0.1 million and $0.7 million, respectively. For the equivalent periods in 2008, total PIK income was $0.2 million and $0.6 million, respectively.

Operating Expenses

Total operating expenses before manager expense waiver and reimbursement were $2.8 million for the three months ended November 30, 2009 versus $2.7 million for the three months ended November 30, 2008, an increase of $0.1 million, or 4.4%. Total operating expenses before manager expense waiver and reimbursement were $8.0 million for the nine months ended November 30, 2009 versus $8.2 million for the nine months ended November 30, 2008, a decrease of $0.2 million, or 2.3%. The composition of our operating expenses in each period was as follows:

Operating Expenses

	Three months ended		Nine months ended	
	November 30, 2009	November 30, 2008	November 30, 2009	November 30, 2008
	($ in thousands)			
Interest and credit facility expense	$ 1,126	$ 694	$ 3,175	$ 2,151
Base management fees	463	654	1,516	2,108
Professional fees	715	272	1,397	933
Incentive management fees	—	542	322	1,289
Administrator expenses	172	241	516	751
Insurance expenses	220	174	650	518
Directors fees	72	73	217	212
General and administrative expenses	65	65	190	208
Total	$ 2,833	$ 2,715	$ 7,983	$ 8,170

The change in operating expenses between the three months ended November 30, 2009 versus the three months ended November 30, 2008 was primarily attributable to the increase in interest and credit facility expense arising from an increase in the interest rate on our credit facility from the commercial paper rate plus 70 basis points to the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00%, and a one time non-cash charge of $0.5 million as a result of the write-off of deferred financing costs on our credit facility, in each case, as a result of our July 30 event of default (please see "—Financial Condition, Liquidity and Capital Resources" below for more information). For the three and nine month periods ended November 30, 2009, the weighted average interest rate on the Revolving Facility was 9.25% and 6.21% respectively, compared to 3.99 and 3.89% for the same periods in the prior year. We also incurred an additional $0.5 million of non-recurring legal and professional fees associated with the engagement of Stifel, Nicolaus & Company and the evaluation of strategic transaction opportunities. This increase was balanced by a decrease in base management fees for the three and nine months ended November 30, 2009, resulting from the decrease in the average value of our total net assets and an incentive management fee not being earned for the three months ended November 30, 2009.

For the three months ended November 30, 2009, we recorded $0.2 million in expense waiver and reimbursement from the administrator and Manager versus $0.2 million for the three months ended November 30, 2008. For the nine months ended November 30, 2009, we recorded $0.5 million in expense waiver and reimbursement from the administrator and Manager versus $0.8 million for the nine months ended November 30, 2008. The decline was due to a cost reduction initiative by the administrator which resulted in a smaller allocation of expenses.

Net Realized Gains/Losses from Investments

For the three months ended November 30, 2009, the Company had $0.5 million of net realized losses versus $7.3 million of net realized losses for the three months ended November 30, 2008. For the nine months ended November 30, 2009, the Company had $1.6 million of net realized losses versus $7.4 million of net realized losses for the nine months ended November 30, 2008. The most significant gains and losses for the nine months ended November 30, 2009 were the following:

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/(Loss)
			($ in thousands)	
Atlantis Plastics Films, Inc.(1)	First Lien Term Loan	$ 521	$ —	$ 482
Asurion Corporation	First Lien Term Loan	1,930	(1,725)	205
Big Train, Inc.	First Lien Term Loan	493	(405)	88
Blaze Recycling & Metals, LLC	Senior Secured Notes	1,538	(2,495)	(957)
M/C Communications, LLC	First Lien Term Loan	853	(1,670)	(817)
Lyondell Chemical Company	First Lien Term Loan	1,233	(1,644)	(411)

(1) The Company's investment in Atlantis Plastics Films, Inc. was fully realized as of February 28, 2009. The net realized gain of $0.5 million is the result of additional liquidation proceeds received during the period ended November 30, 2009.

Net Unrealized Appreciation/Depreciation on Investments

For the three months ended November 30, 2009, the Company's investments had an increase in net unrealized appreciation of $8.8 million versus an increase in net unrealized depreciation of $4.1 million for the three months ended November 30, 2008. For the nine months ended November 30, 2009, the Company's investments had an increase in net unrealized depreciation of $4.6 million versus an increase in net unrealized depreciation of $10.4 million for the nine months ended November 30, 2008. The most significant cumulative changes in unrealized appreciation and depreciation for the nine months ended November 30, 2009, were the following:

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Depreciation	YTD Change in Unrealized Appreciation/(Depreciation)
				($ in thousands)	
Terphane Holdings Corp.	Senior Secured Notes	$10,437	$9,356	$(1,081)	$1,656
McMillin Companies, LLC	Senior Secured Notes	7,315	4,895	(2,420)	1,385
Lyondell Chemical Company	First Lien Term Loan	—	—	—	1,273

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Depreciation	YTD Change in Unrealized Appreciation/(Depreciation)
				($ in thousands)	
IDI Acquisition Corp.	Senior Secured Notes	$ 3,666	$3,566	$ (100)	$ 1,095
Jason Incorporated	Unsecured notes	13,700	4,461	(9,239)	(5,417)
Energy Alloys, LLC	Second Lien Term Loan	6,200	2,422	(3,778)	(2,865)
Grant U.S. Holdings LLP	Second Lien Term Loan	6,349	317	(6,032)	(2,281)

The increase in unrealized depreciation in our investments in Jason Incorporated, Energy Alloy and Grant U.S. Holdings LLP were due to declining prospects for each of the companies. The unrealized appreciation in our investments in Terphane Holdings Corp., McMillin Companies, LLC and IDI Acquisition Corp. were due to an improvement in the outlook for these companies. The unrealized appreciation in our investment in Lyondell Chemical Company was due to the reversal of unrealized losses upon realization of this investment.

The reasons for changes in the fair value of other portfolio investments must be considered on a case-by-case basis. However, two factors that we believe have had a significant impact on our portfolio overall are the market wide decrease in interest yield as a result of risk re-pricing and the cessation of forced liquidations of loan portfolios. For example, the average yield on the Credit Suisse High Yield Index decreased from 17.85% to 9.27% from February 28, 2009 to November 30, 2009 and the average bid price on the Credit Suisse Leveraged Loan Index increased from 65.13% to 84.96% from February 27, 2009 to November 30, 2009. While we continue to believe that positive and negative market-wide movements are not necessarily indicative of any changes in the condition or prospects of our portfolio investments, our valuation process requires us to take account of such conditions in determining the fair value of our portfolio.

Net Unrealized Appreciation/Depreciation on Derivatives

For the three months ended November 30, 2009, changes in the value of the interest rate caps resulted in an unrealized depreciation of $16,754 versus an unrealized depreciation of $1,419 for the three months ended November 30, 2008. For the nine months ended November 30, 2009, changes in the value of the interest rate caps purchased pursuant to the credit facilities resulted in an unrealized appreciation of $33,080 versus an unrealized depreciation of $29,745 for the nine months ended November 30, 2008.

Changes in Net Asset Value from Operations

For the three months ended November 30, 2009, we recorded a net increase in net assets resulting from operations of $9.1 million versus a net decrease in net assets resulting from operations of $7.6 million for the three months ended November 30, 2008. The difference is attributable to an increase in unrealized appreciation and a decrease in realized losses, which outweighed the decrease in net investment income between the two periods. Based on 9,051,711 weighted average common shares outstanding as of November 30, 2009 and 8,291,384 weighted average common shares outstanding as of November 30, 2008, our per share net increase in net assets resulting from operations was $1.01 for the three months ended November 30, 2009 versus a per share net decrease of $0.91 for the three months ended November 30, 2008.

For the nine months ended November 30, 2009, we recorded a net decrease in net assets resulting from operations of $1.6 million versus a net decrease in net assets resulting from operations of $7.3 million for the nine months ended November 30, 2008. The difference is attributable to a decrease in unrealized depreciation and a decrease in realized losses, which outweighed the decrease in net investment income between the two periods. Based on 8,542,983 weighted average common shares outstanding as of November 30, 2009 and 8,291,384 weighted average common shares outstanding November 30, 2008, our per share net decrease in net assets resulting from operations was $0.19 for the nine months ended November 30, 2009 versus a per share net decrease in net assets resulting from operations of $0.88 for the nine months ended November 30, 2008.

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, 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 a revolving securitized credit facility (the "Revolving Facility"). In response to the market wide decline in financial asset prices, which has negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral will be used to repay outstanding borrowings. At the end of the two year amortization period, all advances will be due and payable. A significant percentage of our total investments has been pledged to secure our obligations under the Revolving Facility.

At November 30, 2009, we had $43.8 million in borrowings under the Revolving Facility versus $59.0 million in borrowings at February 28, 2009. The actual amount that we are permitted to borrow under the Revolving Facility at any given time (the "Borrowing Base") is dependent upon the amount and quality of the collateral securing the Revolving Facility. Our Borrowing Base was $12.1 million at November 30, 2009 versus $59.9 million at February 28, 2009. The decline in our Borrowing Base during this period is mainly attributable to the decline in the value of the pledged collateral and the downgrade of certain public ratings or private credit estimates of the pledged collateral.

On July 30, 2009 an unremedied Borrowing Base violation became an event of default, which is currently continuing. As a result of this event of default, our lender has the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral would have a material adverse effect on our liquidity, financial condition and operations. As a result of the continuing default, the Company may be forced to sell its investments to raise funds to repay outstanding amounts. Such forced sales may result in values that could be less than carrying values reported in these financial statements. The deleveraging of the Company may significantly impair the Company's ability to effectively operate. Please see Part II, Item 1A. "Risk Factors- An event of default under the Revolving Facility may lead to a forced liquidation of the pledged assets that may yield less than the fair value of the assets" in the quarterly report on form 10-Q for the quarterly period ended May 31, 2009 for more information. To date, our lender has not accelerated the debt with respect to this event of default, but has reserved the right to do so. We continue to discuss possible solutions to the event of default with our lender.

During the continuance of an event of default, the interest rate on the Revolving Facility is increased from the commercial paper rate plus 4.00% to the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market is unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%. Under this formula, the interest rate during the three month period ended November 30, 2009 was 9.25%.

For purposes of determining the Borrowing Base, most assets are assigned the values set forth in our most recent quarterly report filed with the SEC. Accordingly, the November 30, 2009 Borrowing Base relies upon the valuations set forth in the quarterly report for the quarter ended August 31, 2009. The valuations presented in this quarterly report will not be incorporated into the Borrowing Base until after this report is filed with the SEC. If the November 30, 2009 valuations were used to calculate the Borrowing Base at November 30, 2009, the Borrowing Base would have been $11.9 million versus $12.1 million when using the August 31, 2009 valuations.

Substantially all of our assets other than our investment in the subordinated notes of GSCIC CLO are held in a special purpose subsidiary and pledged under our Revolving Facility. We commenced the two year amortization period under the Revolving Facility in January 2009, during which time all principal proceeds from the pledged assets are used to repay the Revolving Facility. In addition, during the continuance of an event of default, all interest proceeds from the pledged assets are also used to repay the Revolving Facility. As a result, the Company is required to fund its operating expenses and dividends solely from cash on hand, management fees earned from, and the proceeds of the subordinated notes of, GSCIC CLO. Please see Part II, Item 1A. "Risk Factors—Continuance of an Event of Default under our Revolving Facility and/or deferral of payments from GSCIC CLO may result in a shortage of working capital" in this quarterly report for more information.

In April 2009, our investment adviser withheld a scheduled principal amortization payment under its credit facility, resulting in a default thereunder. Since then, our investment adviser has been in discussions with its secured lenders regarding a consensual restructuring of its obligations under such credit facility. A material adverse change in the business, condition (financial or otherwise), operations or performance of our investment adviser could constitute a default under our Revolving Facility.

Our asset coverage ratio, as defined in the 1940 Act, was 247% at November 30, 2009 versus 215% at February 28, 2009.

At November 30, 2009 and February 28, 2009, the fair value of investments, cash and cash equivalents and cash and cash equivalents, securitization accounts were as follows:

	At November 30, 2009		At February 28, 2009	
	Fair Value	Percent of Total	Fair Value	Percent of Total
	($ in thousands)			
Cash and cash equivalents	$ 5,460	5.0%	$ 6,356	5.0%
Cash and cash equivalents, securitization accounts	839	0.8	1,178	0.9
First lien term loans	15,922	14.5	17,118	13.5
Second lien term loans	30,084	27.4	41,043	32.5
Senior secured notes	28,431	25.9	25,832	20.4
Unsecured notes	7,309	6.7	12,381	9.8
Other/structured finance securities	21,464	19.6	22,341	17.7
Equity/limited partnership interests	60	0.1	198	0.2
Total	$ 109,569	100.0%	$ 126,447	100.0%

On November 13, 2009, our Board of Directors declared a dividend of $1.825 per share payable on December 31, 2009, to common stockholders of record on November 25, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $0.25 per share.

Based on shareholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $1.5099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009.

Off-Balance Sheet Arrangements

At November 30, 2009 and February 28, 2009, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 3. 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 leveraged loans, high yield bonds and other debt investments and the value of our investment portfolio.

Our investment income is affected by fluctuations in various interest rates, including LIBOR and the prime rate. A large portion of our portfolio is, and we expect will continue to be, comprised of floating rate investments that utilize LIBOR. Our interest expense is affected by fluctuations in the commercial paper rate and our lender's prime rate or, if the commercial paper market is unavailable, LIBOR and our lender's prime rate. At November 30, 2009, we had $43.8 million of borrowings outstanding at a floating rate tied to the greater of the prevailing commercial paper rate and our lender's prime rate plus a margin of 4.00% plus a default rate of 2.00% (or, if the commercial paper market is unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%).

In April and May 2007, pursuant to the Revolving Facility, the Company entered into two interest rate cap agreements with notional amounts of $34.0 million (increased to $40.0 million in May 2007) 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 November 30, 2009, the aggregate interest rate cap agreement notional amount was $66.4 million.

We have analyzed the potential impact of changes in interest rates on interest income from investments net of interest expense on the Revolving Facility. Assuming that our investments at November 30, 2009 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 $0.3 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 fair 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. For investments that are thinly traded, we review the depth and quality of the available quotations to determine if market quotations are readily available. If the available quotations are indicative only, we may determine that market quotations are not readily available. 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, the markets in which the portfolio company does business, market 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 subordinated notes of GSCIC CLO is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions which are adjusted to reflect changes in historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar CLO subordinated notes or equity, when available.

The table below describes the primary inputs considered by our Board of Directors in determining the fair value of our investments at November 30, 2009:

	Fair Value	Percent of Total Investments
	($ in thousands)	
Third party independent valuation firm	$ 41,589	40.2%
Market yield trend analysis and enterprise valuation	32,424	31.4
Discounted cash flow model	21,464	20.8
Readily available market maker, broker quotes	7,733	7.5
Other	60	0.1
Total fair valued investments	$ 103,270	100.0%

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our CEO and CFO have 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 quarterly 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 quarterly 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 Rules 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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither we nor any of our subsidiaries are currently subject to any material legal proceedings, nor, to our knowledge, are any material legal proceedings threatened against us or our subsidiaries.

Item 1A. Risk Factors

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our common stock. For a discussion of these risks, please refer to Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and Part II, Item 1A. “Risk Factors” in our quarterly reports on Form 10-Q for the quarterly periods ended May 31, 2009 and August 31, 2009.

Continuance of an Event of Default under our Revolving Facility and/or deferral of payments from GSCIC CLO may result in a shortage of working capital.

During the continuance of an event of default, interest proceeds from the assets pledged under our Revolving Facility that would otherwise be available to pay dividends of the Company are diverted to repay amounts owing under the Revolving Facility. As a result, the Company has recourse only to cash on hand and management fees earned from, and the proceeds of the subordinated notes of, GSCIC CLO, to fund its operating expenses and dividends. Management fees and subordinated note distributions from GSCIC CLO are also subject to deferral depending on the performance of the GSCIC CLO portfolio. If the event of default under the Revolving Facility continues, and/or distributions from GSCIC CLO are deferred, the Company may find itself with insufficient working capital to fund its operating expenses and/or pay dividends sufficient to comply with its RIC requirements. If such an event were to occur, the ability of the Company to continue to operate and/or comply with its RIC requirements could be seriously impaired.

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

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

We did not purchase any shares of our equity securities during the period covered by this report.

Item 3. Defaults upon Senior Securities

None.

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

None.

Item 5. Other Information

In November 2009, our principal executive offices were changed from New York City to Florham Park, New Jersey as a result of our investment advisor’s consolidating its U.S. operations in New Jersey.

Item 6. Exhibits

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Exhibit Number	Description
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.

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SIGNATURES

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

GSC Investment CORP.

Date: January 14, 2010

By /s/ Seth M. Katzenstein

Seth M. Katzenstein
Chief Executive Officer and President, GSC Investment Corp.

By /s/ richard t. allorto, jr.

Richard T. Allorto, Jr.
Chief Financial Officer, GSC Investment Corp.

Exhibit 31.1

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

I, Seth M. Katzenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: January 14, 2010

/s/ Seth M. Katzenstein
Seth M. Katzenstein
Chief Executive Officer and President

Exhibit 31.2

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 Quarterly Report on Form 10-Q 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: January 14, 2010

/s/ Richard T. Allorto, Jr.
Richard T. Allorto, Jr.
Chief Financial Officer

Exhibit 32.1

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 Quarterly Report of GSC Investment Corp. on Form 10-Q (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.

Seth M. Katzenstein, the Chief Executive Officer and President 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: January 14, 2010

/s/ Seth M. Katzenstein
Seth M. Katzenstein
Chief Executive Officer and President

/s/ Richard T. Allorto, Jr.
Richard T. Allorto, Jr.
Chief Financial Officer