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 August 31, 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)**

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

(212) 884-6200
(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 August 10, 2009 was 8,291,384.

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GSC Investment Corp.

Consolidated Balance Sheets

	As of August 31, 2009 (unaudited)	As of February 28, 2009
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of $132,206,257 and $137,020,449, respectively)	$ 86,689,407	$ 96,462,919
Control investments (cost of $29,233,097 and $29,905,194, respectively)	13,348,381	22,439,029
Affiliate investments (cost of $0 and $0, respectively)	318	10,527
Total investments at fair value (amortized cost of $161,439,354 and $166,925,643, respectively)	100,038,106	118,912,475
Cash and cash equivalents	6,643,998	6,356,225
Cash and cash equivalents, securitization accounts	434,918	1,178,201
Outstanding interest rate cap at fair value (cost of $131,000 and $131,000, respectively)	89,347	39,513
Interest receivable, net of reserve	2,514,815	3,087,668
Deferred credit facility financing costs, net	—	529,767
Management fee receivable	650,062	237,370
Other assets	596,870	321,260
Total assets	$ 110,968,116	$ 130,662,479
LIABILITIES		
Revolving credit facility	$ 49,580,451	$ 58,994,673
Management and incentive fees payable	3,135,958	2,880,667
Accounts payable and accrued expenses	547,739	700,537
Interest and credit facility fees payable	408,695	72,825
Due to manager	5,942	—
Total liabilities	$ 53,678,785	$ 62,648,702
STOCKHOLDERS' EQUITY		
Common stock, par value $.0001 per share, 100,000,000 common shares authorized, 8,291,384 and 8,291,384 common shares issued and outstanding, respectively	829	829
Capital in excess of par value	116,943,738	116,943,738
Accumulated undistributed net investment income	9,766,239	6,122,492
Accumulated undistributed net realized loss from investments and derivatives	(7,978,576)	(6,948,628)
Net unrealized depreciation on investments and derivatives	(61,442,899)	(48,104,654)
Total stockholders' equity	57,289,331	68,013,777
Total liabilities and stockholders' equity	$ 110,968,116	$ 130,662,479
NET ASSET VALUE PER SHARE	$ 6.91	$ 8.20

See accompanying notes to consolidated financial statements.

GSC Investment Corp.

Consolidated Statement of Operations

	For the three months ended August 31 2009 (unaudited)	For the three months ended August 31 2008 (unaudited)	For the six months ended August 31 2009 (unaudited)	For the six months ended August 31 2008 (unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-Control/Non-Affiliate investments	$ 2,654,665	$ 4,144,437	$ 5,973,505	$ 8,603,561
Control investments	449,485	1,111,003	1,317,714	1,746,389
Total interest income	3,104,150	5,255,440	7,291,219	10,349,950
Interest from cash and cash equivalents	6,991	36,008	20,182	102,697
Management fee income	516,939	489,148	1,037,931	1,011,887
Other income	57,278	54,279	100,412	82,494
Total investment income	3,685,358	5,834,875	8,449,744	11,547,028
EXPENSES				
Interest and credit facility financing expenses	1,405,548	623,611	2,048,441	1,456,809
Base management fees	505,314	705,532	1,053,058	1,454,031
Professional fees	341,998	315,130	681,778	660,589
Administrator expenses	171,861	260,946	343,722	509,344
Incentive management fees	—	407,027	322,183	747,134
Insurance	223,459	177,162	429,476	344,648
Directors fees and expenses	63,136	73,276	145,136	139,885
General & administrative	66,145	77,904	125,925	142,941
Expenses before manager expense waiver and reimbursement	2,777,461	2,640,588	5,149,719	5,455,381
Expense reimbursement	(171,861)	(260,946)	(343,722)	(559,059)
Total expenses net of expense waiver and reimbursement	2,605,600	2,379,642	4,805,997	4,896,322
NET INVESTMENT INCOME	1,079,758	3,455,233	3,643,747	6,650,706
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain (loss) from investments	(1,024,796)	173,681	(1,029,948)	(129,819)
Net realized gain from derivatives	—	14,364	—	30,454
Net unrealized depreciation on investments	(16,157,371)	(6,194,371)	(13,388,079)	(6,279,188)
Net unrealized appreciation (depreciation) on derivatives	14,147	(16,328)	49,834	(28,326)
Net loss on investments	(17,168,020)	(6,022,654)	(14,368,193)	(6,406,879)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (16,088,262)	$ (2,567,421)	$ (10,724,446)	$ 243,827
WEIGHTED AVERAGE — BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ (1.94)	$ (0.31)	$ (1.29)	$ 0.03
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING — BASIC AND DILUTED	8,291,384	8,291,384	8,291,384	8,291,384

See accompanying notes to consolidated financial statements.

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GSC Investment Corp.

Consolidated Schedule of Investments

August 31, 2009

(unaudited)

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
Non-control/Non-affiliated investments — 151.3% (b)						
GFSI Inc (d)	Apparel	Senior Secured Notes 11.00%, 6/1/2011	$ 7,082,000	$ 7,082,000	$ 6,157,091	10.7%
Legacy Cabinets, Inc. (d, i)	Building Products	First Lien Term Loan 6.06%, 8/18/2012	1,430,183	1,415,955	1,029,017	1.8%
Legacy Cabinets, Inc. (d, i)	Building Products	Second Lien Term Loan 10.06%, 8/18/2013	1,862,420	1,830,455	603,983	1.1%
		Total Building Products	3,292,603	3,246,410	1,633,000	2.9%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 3.77%, 12/20/2013	32,381	27,281	15,624	0.0%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 3.77%, 12/20/2013	75,218	63,371	36,293	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 4.02%, 12/20/2014	92,962	78,320	44,854	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 4.02%, 12/20/2014	92,962	78,320	44,854	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 4.02%, 12/20/2014	92,962	78,320	44,854	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 3.77%, 12/20/2013	121,428	102,303	58,589	0.1%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 3.77%, 12/20/2013	231,354	194,916	111,628	0.2%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 7.00%, 12/20/2014	403,388	339,854	194,635	0.3%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 7.00%, 12/20/2014	403,388	339,854	194,635	0.3%
Lyondell Chemical Company (d)	Chemicals	First Lien Term Loan 7.00%, 12/20/2014	403,388	339,854	194,635	0.3%
		Total Chemicals	1,949,431	1,642,393	940,601	1.6%
Hopkins Manufacturing Corporation (d)	Consumer Products	Second Lien Term Loan 7.72%, 1/26/2012	3,250,000	3,247,413	2,834,000	5.0%
Targus Group International, Inc. (d)	Consumer Products	First Lien Term Loan 5.75%, 11/22/2012	3,122,942	2,921,837	2,353,449	4.1%
Targus Group International, Inc. (d, i)	Consumer Products	Second Lien Term Loan 10.75%, 5/22/2013	5,000,000	4,796,109	2,060,000	3.6%
		Total Consumer Products	11,372,942	10,965,359	7,247,449	12.7%
CFF Acquisition LLC (d)	Consumer Services	First Lien Term Loan 7.50%, 7/31/2013	308,324	308,324	273,298	0.5%
M/C Communications, LLC (d)	Education	First Lien Term Loan 6.75%, 12/31/2012	822,857	822,857	510,583	0.9%
M/C Communications, LLC (d, i)	Education	Class A Common Stock	—	30,241	59,878	0.1%
		Total Education	822,857	853,098	570,461	1.0%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
Advanced Lighting Technologies, Inc. (d)	Electronics	Second Lien Term Loan 6.28%, 6/1/2014	$ 2,000,000	$ 1,793,382	$ 1,620,000	2.8%
Group Dekko (d)	Electronics	Second Lien Term Loan 10.50%, 1/20/2012	6,773,662	6,773,662	4,375,785	7.6%
IPC Systems, Inc. (d)	Electronics	First Lien Term Loan 2.72%, 3/31/2014	4,000	3,692	3,220	0.1%
		Total Electronics	8,777,662	8,570,736	5,999,005	10.5%
USS Mergerco, Inc. (d, i)	Environmental	Second Lien Term Loan 4.85%, 6/29/2013	5,960,000	5,857,562	3,047,348	5.3%
Bankruptcy Management Solutions, Inc. (d)	Financial Services	Second Lien Term Loan 6.51%, 7/31/2013	4,862,500	4,836,460	2,706,954	4.7%
Big Train, Inc. (d)	Food and Beverage	First Lien Term Loan 7.75%, 3/31/2012	2,039,615	1,459,386	1,608,848	2.8%
IDI Acquisition Corp. (d)	Healthcare Services	Senior Secured Notes 10.75%, 12/15/2011	3,800,000	3,650,683	3,465,980	6.0%
PRACS Institute, LTD (d)	Healthcare Services	Second Lien Term Loan 11.13%, 4/17/2013	4,093,750	4,053,072	3,482,553	6.1%
		Total Healthcare Services	7,893,750	7,703,755	6,948,533	12.1%
McMillin Companies LLC (d)	Homebuilding	Senior Secured Notes 9.53%, 10/31/2013	7,700,000	7,293,704	4,260,410	7.4%
Worldwide Express Operations, LLC (d)	Logistics	First Lien Term Loan 10.00%, 6/30/2013	2,785,561	2,781,059	1,753,232	3.1%
Jason Incorporated (d, i)	Manufacturing	Unsecured Notes 13.00%, 11/1/2010	12,000,000	12,000,000	4,472,400	7.8%
Jason Incorporated (d, i)	Manufacturing	Unsecured Notes 13.00%, 11/1/2010	1,700,000	1,700,000	633,590	1.1%
Specialized Technology Resources, Inc. (d)	Manufacturing	Second Lien Term Loan 7.26%, 12/15/2014	5,000,000	4,784,206	4,352,500	7.6%
		Total Manufacturing	18,700,000	18,484,206	9,458,490	16.5%
Elyria Foundry Company, LLC (d)	Metals	Senior Secured Notes 13.00%, 3/1/2013	5,000,000	4,868,140	4,241,500	7.4%
Elyria Foundry Company, LLC (i)	Metals	Warrants	—	—	130,260	0.2%
		Total Metals	5,000,000	4,868,140	4,371,760	7.6%
Abitibi-Consolidated Company of Canada (d, e)	Natural Resources	First Lien Term Loan 11.00%, 3/30/2009	2,948,639	2,948,640	2,294,926	4.0%
Grant U.S. Holdings LLP (d, e)	Natural Resources	Second Lien Term Loan 10.25%, 9/20/2013	6,345,253	6,344,794	408,000	0.7%
		Total Natural Resources	9,293,892	9,293,434	2,702,926	4.7%

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Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
Edgen Murray II, L.P. (d)	Oil and Gas	Second Lien Term Loan 6.46%, 5/11/2015	$ 3,000,000	$ 2,825,573	$ 2,127,300	3.7%
Energy Alloys, LLC (d, i)	Oil and Gas	Second Lien Term Loan 13.25%, 10/5/2012	6,200,000	6,200,000	3,095,660	5.4%
		Total Oil and Gas	9,200,000	9,025,573	5,222,960	9.1%
Stronghaven, Inc. (d)	Packaging	Second Lien Term Loan 13.00%, 10/31/2010	2,500,000	2,500,000	2,454,000	4.3%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2010	4,850,000	4,850,000	4,194,765	7.3%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 12.50%, 6/15/2010	5,087,250	5,087,250	4,399,962	7.6%
Terphane Holdings Corp. (d, e)	Packaging	Senior Secured Notes 10.92%, 6/15/2010	500,000	500,000	432,450	0.8%
		Total Packaging	12,937,250	12,937,250	11,481,177	20.0%
Custom Direct, Inc. (d)	Printing	First Lien Term Loan 3.35%, 12/31/2013	2,039,293	1,642,949	1,734,419	3.0%
Advanstar Communications Inc. (d)	Publishing	First Lien Term Loan 2.85%, 5/31/2014	1,960,000	1,573,444	1,094,268	1.9%
Affinity Group, Inc. (d)	Publishing	First Lien Term Loan 10.75%, 3/31/2010	387,594	380,491	325,579	0.6%
Affinity Group, Inc. (d)	Publishing	First Lien Term Loan 10.75%, 3/31/2010	415,844	408,231	349,309	0.6%
Brown Publishing Company (d, i)	Publishing	Second Lien Term Loan 8.76%, 9/19/2014	1,203,226	1,198,829	225,244	0.4%
Network Communications, Inc. (d)	Publishing	Unsecured Notes 10.75%, 12/1/2013	5,000,000	5,075,041	2,548,500	4.4%
Penton Media, Inc. (d)	Publishing	First Lien Term Loan 2.73%, 2/1/2013	4,872,727	3,818,165	3,118,545	5.5%
		Total Publishing	13,839,391	12,454,201	7,661,445	13.4%
GXS Worldwide, Inc. (d)	Software	Second Lien Term Loan 13.75%, 9/30/2013	1,000,000	900,258	910,000	1.7%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
Sub Total Non-control/Non-affiliated investments				$ 132,206,257	$ 86,689,407	151.3%
Control investments — 23.2% (b)						
GSC Partners CDO GP III, LP (h)	Financial Services	100% General Partnership Interest	—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD. (f, h)	Structured Finance Securities	Other/Structured Finance Securities 0.09%, 1/21/2020	30,000,000	29,233,097	13,348,381	23.2%
Sub Total Control investments				29,233,097	13,348,381	23.2%
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 — 174.6% (b)				**$161,439,354**	**$100,038,106**	**174.6%**

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	$ 60,937	0.1%
Interest rate cap	8.0%	11/30/2013	26,433,408	44,000	28,410	0.1%
Sub Total Outstanding interest rate cap				$ 131,000	$ 89,347	0.2%

(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 $57,289,331 as of August 31, 2009.

(c) Fair valued investment (see Note 2 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 6 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) 0.09% 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 August 31, 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.	$ —	$ —	$ —	$1,317,714	$1,037,931	$ —	$ (8,320,140)
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	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%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
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%
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%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
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%

Company (a, c)	Industry	Investment Interest Rate/Maturity	Principal	Cost	Fair Value	% of Stockholders' Equity
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%
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 2 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 6 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 six months ended August 31, 2009 (unaudited)	For the six months ended August 31, 2008 (unaudited)
OPERATIONS:		
Net investment income	$ 3,643,747	$ 6,650,706
Net realized loss from investments	(1,029,948)	(129,819)
Net realized gain from derivatives	—	30,454
Net unrealized depreciation on investments	(13,388,079)	(6,279,188)
Net unrealized appreciation/(depreciation) on derivatives	49,834	(28,326)
Net increase (decrease) in net assets from operations	(10,724,446)	243,827
SHAREHOLDER DISTRIBUTIONS:		
Distributions declared	—	(6,467,280)
Net decrease in net assets from shareholder distributions	—	(6,467,280)
Total decrease in net assets	(10,724,446)	(6,223,453)
Net assets at beginning of period	68,013,777	97,869,040
Net assets at end of period	$ 57,289,331	$ 91,645,587
Net asset value per common share	$ 6.91	$ 11.05
Common shares outstanding at end of period	8,291,384	8,291,384

See accompanying notes to consolidated financial statements.

GSC Investment Corp.

Consolidated Statements of Cash Flows

	For the six months ended August 31, 2009 (unaudited)	For the six months ended August 31, 2008 (unaudited)
Operating activities		
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (10,724,446)	$ 243,827
ADJUSTMENTS TO RECONCILE NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Paid-in-kind interest income	(493,984)	(457,904)
Net accretion of discount on investments	(544,036)	(598,369)
Amortization of deferred credit facility financing costs	633,349	88,894
Net realized loss from investments	1,029,948	129,819
Net unrealized depreciation on investments	13,388,079	6,279,188
Unrealized (appreciation) depreciation on derivatives	(49,834)	28,326
Proceeds from sale and redemption of investments	5,494,362	38,930,458
Purchase of investments	—	(25,219,996)
(Increase) decrease in operating assets and liabilities:		
Cash and cash equivalents, securitization accounts	743,283	8,316,587
Interest receivable	572,853	(530,026)
Due from manager	—	940,903
Management fee receivable	(412,692)	(13,822)
Other assets	(275,610)	(95,701)
Payable for unsettled trades	—	(6,661,412)
Management and incentive fees payable	255,291	1,065,814
Accounts payable and accrued expenses	(152,798)	108,204
Interest and credit facility fees payable	335,870	(94,097)
Due to manager	5,942	(7,066)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,805,577	22,453,627
Financing activities		
Borrowings on debt	—	7,800,000
Paydowns on debt	(9,414,222)	(20,000,000)
Credit facility financing cost	(103,582)	—
Payments of cash dividends	—	(6,467,280)
NET CASH USED BY FINANCING ACTIVITIES	(9,517,804)	(18,667,280)
NET INCREASE IN CASH AND CASH EQUIVALENTS	287,773	3,786,347
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,356,225	1,072,641
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,643,998	$ 4,858,988
Supplemental Information:		
Interest paid during the period	$ 1,079,222	$ 1,462,013
Supplemental non-cash information		
Paid-in-kind interest income	$ 493,984	$ 457,904
Net accretion of discount on investments	$ 544,036	$ 598,369
Amortization of deferred credit facility financing costs	$ 633,349	$ 88,894

See accompanying notes to consolidated financial statements.

GSC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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. 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 encompassing of these consolidated subsidiaries, except as stated otherwise.

Note 2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

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

Cash and cash equivalents, Securitization Accounts

Cash and cash equivalents, securitization accounts 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 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 Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("FAS 133") as amended. FAS 133 requires recognizing all derivative instruments as either assets or liabilities on the consolidated balance 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 six months ended August 31, 2009, the Company established a reserve against accrued interest of $1.3 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 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 investment balance that is generally due at maturity. We stop accruing PIK if we do not expect the issuer to be able to pay all principal and interest when due.

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 three months ended August 31, 2009, the Company wrote off the remaining deferred credit facility financing costs of $0.5 million related to the 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 has adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB No. 109, Accounting for Income Taxes, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In May 2007, the FASB issued Staff Position, FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48" ("FSP FIN 48-1"), which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective with the initial adoption of FIN 48. The adoption of FIN 48 and FSP FIN 48-1 did not have a material impact on our consolidated financial statements.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the board of directors. 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 March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). The objective of FAS 161 is to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. FAS 161 improves transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under FAS 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. FAS 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of this pronouncement did not have a material impact on the reporting of the Company's derivatives.

In April 2009, the FASB issued FASB Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4). FSP 157-4 provides additional guidance for estimating fair value under Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" when there is an inactive market or the market is not orderly. This FSP is effective for interim and annual periods ending after June 15, 2009. The Company's adoption of FSP 157-4 did not have a significant impact on the Company's financial statements.

In May 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events", or ("SFAS 165", which addresses accounting and disclosure requirements related to subsequent events. SFAS 165 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. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009 and should be applied prospectively. The adoption of SFAS 165 did not have a material effect on our financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("SFAS No. 168"). SFAS No. 168 establishes the Codification as the source of authoritative GAAP in the United States (the "GAAP hierarchy") recognized by the FASB 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 nonauthoritative. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management is currently evaluating the impact on our consolidated financial statements of adopting SFAS No. 168.

Note 3. Investments

The Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157") as of March 1, 2008, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. As defined in FAS 157, 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. FAS 157 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability 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 FAS 157 (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 August 31, 2009 (dollars in thousands):

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Non-control/non-affiliate	$ —	$ —	$ 86,689	$ 86,689
Control investments	—	—	13,348	13,348
Affiliate investments	—	—	1	1
Total investments at fair value	$ —	$ —	$ 100,038	$ 100,038

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended August 31, 2009 (dollars in thousands):

	Level 3
Balance as of February 28, 2009	$ 118,912
Net unrealized losses	(13,388)
Purchases and other adjustments to cost	8
Sales and redemptions	(5,494)
Net transfers in and/or out	—
Balance as of August 31, 2009	$ 100,038

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

Sale and redemptions represent net proceeds received and realized gains and losses from investments sold during the period.

Net transfers in and/or out represent existing investments that were either previously categorized as a higher level and the inputs to the model became unobservable or investments that were previously classified as the lowest significant input became observable during the period. These investments are recorded at their end of period fair values.

The composition of our investments as of August 31, 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	$ 22,127	$ 17,389	17.4%
Second lien term loans	57,942	34,303	34.3
Senior secured notes	33,332	27,152	27.1
Unsecured notes	18,775	7,655	7.7
Structured finance securities	29,233	13,349	13.3
Equity/limited partnership interest	30	190	0.2
Total	$ 161,439	$ 100,038	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 4. Investment in GSC Investment Corp. CLO 2007, Ltd.

On January 22, 2008, we invested $30 million in all of the outstanding subordinated notes of GSC Investment Corp. CLO 2007, Ltd., (the “GSCIC CLO”), a $400 million CLO managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with GSCIC CLO pursuant to which we will act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of GSCIC CLO’s assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the GSCIC CLO subordinated notes receive an internal rate of return equal to or greater than 12%. For the three and six months ended August 31, 2009, we accrued $0.5 and $1.0 million in management fees and $0.4 and $1.3 million in interest income, respectively. For the three and six months ended August 31, 2008, we accrued $0.5 and $1.0 million in management fees and $1.1 and $1.7 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 5. 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 investment advisory and management agreement.

For the three and six months ended August 31, 2009 we incurred $0.5 and $1.1 million in base management fees, respectively. For the three months ended August 31, 2009, we incurred no incentive management fees related to pre-incentive fee net investment income. For the six months ended August 31, 2009 we incurred $0.3 million in incentive fees related to pre-incentive fee net investment income. For the three and six months ended August 31, 2009 we incurred no incentive management fees related to net realized capital gains. As of August 31, 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 six months ended August 31, 2008, we incurred $0.7 and $1.5 million in base management fees and $0.4 and $0.7 million in incentive fees related to pre-incentive fee net investment income. For the three and six months ended August 31, 2008, we incurred no incentive management fees related to net realized capital gains.

As of August 31, 2009, the end of the second 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 second fiscal quarter of fiscal year 2009. Accordingly, the payment of the incentive fee for the quarter ended August 31, 2009 was deferred. The total deferred incentive fee payable at August 31, 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 six months ended August 31, 2009 we incurred $0.2 and $0.3 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 six months ended August 31, 2008 we incurred $0.3 and $0.5 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 six months ended August 31, 2009 we have recorded $0.2 and $0.3 million in expense waiver and reimbursement, respectively, under the Administration Agreement in the accompanying consolidated statements of operations. For the three and six months ended August 31, 2008 we have recorded $0.3 and $0.6 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 6. 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 August 31, 2009, there was $49.6 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 six months ended August 31, 2009, we recorded $0.8 and $1.4 million of interest expense and $0.6 and $0.6 million 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 4.37% to 9.25%. For the three and six months ended August 31, 2008, we recorded $0.6 and $1.4 million of interest expense and $44,447 and $88,894 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 3.31% to 4.44%.

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

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 increases 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 August 31, 2009 and February 28, 2009, we had $49.6 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 $35.1 million at August 31, 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 August 31, 2009 Borrowing Base relies upon the valuations set forth in the May 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 permissible borrowing limits for 30 consecutive days, resulting in an event of default under our credit 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 credit 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 7. 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 FAS 133 and are presented at their fair value on the consolidated balance sheet and changes in their fair value are included on the consolidated statement of operations.

The agreements provide for a payment to the Company in the event LIBOR exceeds 8%, mitigating our exposure to increases in LIBOR. With respect to calculating the payments under these agreements, the notional amount is determined based on a pre-determined schedule set forth in the respective agreements which provides for a reduction in the notional at specified dates until the maturity of the agreements. As of August 31, 2009, we did not receive any such payments as the LIBOR has not exceeded 8%. At August 31, 2009, the total notional outstanding for the interest rate caps was $66.4 million with an aggregate fair value of $0.09 million, which is recorded in outstanding interest cap at fair value on the Company's consolidated balance sheet. For the three and six months ended August 31, 2009, the Company recorded $0.01 and $0.05 million, respectively, of unrealized appreciation 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 August 31, 2009 (dollars in thousands):

Instrument	Type	Notional	Interest Rate	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 40,000	8.0%	Feb 2014	$ 61
Interest Rate Cap	Free Standing Derivative	26,433	8.0	Nov 2013	28
	Net fair value				$ 89

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

Instrument	Type	Notional	Interest Rate	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 8. 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 six months ended

August 31, 2009, we accrued $0.06 and $0.1 million for directors fees expense. As of August 31, 2009, we had not issued any common stock to our directors as compensation for their services.

Note 9. 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 10. Earnings Per Share

The following information sets forth the computation of the weighted average basic and diluted net decrease in net assets per share from operations for the six months ended August 31, 2009, and August 31, 2008 (dollars in thousands except share and per share amounts):

Basic and diluted	August 31, 2009	August 31, 2008
Net increase (decrease) in net assets from operations	$ (10,724)	$ 244
Weighted average common shares outstanding	8,291,384	8,291,384
Earnings (loss) per common share-basic and diluted	$ (1.29)	$ 0.03

Note 11. Dividend

The following table summarizes dividends declared during the three months ended August 31, 2009 and August 31, 2008 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share *	Total Amount
n/a	n/a	n/a	$—	$—
Total dividends declared			$—	$—

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 12. Financial Highlights

The following is a schedule of financial highlights for the six months ended August 31, 2009 and August 31, 2008:

	August 31, 2009	August 31, 2008
Per share data:		
Net asset value at beginning of period	$ 8.20	$ 11.80
Net investment income (1)	0.44	0.80
Net realized losses on investments and derivatives	(0.12)	(0.01)
Net unrealized appreciation (depreciation) on investments and derivatives	(1.61)	(0.76)
Net increase in stockholders' equity	(1.29)	0.03
Distributions declared from net investment income	—	(0.78)
Total distributions to stockholders	—	(0.78)
Net asset value at end of period	$ 6.91	$ 11.05
Net assets at end of period	$57,289,331	$91,645,587
Shares outstanding at end of period	8,291,384	8,291,384
Per share market value at end of period	$ 3.49	$ 10.80
Total return based on market value (2)	75.38%	4.89%
Total return based on net asset value (3)	(15.73)%	0.25%
Ratio/Supplemental data:		
Ratio of net investment income to average net assets (4) (5)	9.26%	12.63%
Ratio of operating expenses to average net assets (4) (5)	7.80%	6.74%
Ratio of incentive management fees to average net assets (5)	0.90%	1.55%
Ratio of credit facility related expenses to average net assets (5)	5.75%	3.02%
Ratio of total expenses to average net assets (4) (5)	14.45%	11.31%

(1) Net investment income excluding expense waiver and reimbursement equals $0.40 and $0.73 per share for the six months ended August 31, 2009 and August 31, 2008, respectively.

(2) For the six months ended August 31, 2009, the total return based on market value equals the market value at August 31, 2009, of $3.49 per share less the price per share at February 28, 2009, of $1.99, divided by the February 28, 2009 price per share. For the six months ended August 31, 2008, the total return based on market value equals the decrease in market value at August 31, 2008, of $0.24 per share over the price per share at February 29, 2008, of $11.04, plus the declared 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 six months ended August 31, 2009, the total return based on net asset value equals the change in net asset value during the period, divided by the beginning net asset value during the period. For the six months ended August 31, 2008, the total return based on net asset value equals the change in net asset value during the period plus the declared dividend 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 six months ended August 31, 2009, incorporating the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 10.22%, 6.83%, and 13.49%, respectively. For the six months ended August 31, 2008, incorporating the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 13.79%, 5.58%, and 10.15%, respectively.

(5) Annualized.

Note 13. 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 August 31, 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 August 31, 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.

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 report on Form 10-Q for the quarterly period 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;
- 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.

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 August 31, 2009, our portfolio consisted of $100.0 million of investments in 33 portfolio companies and one CLO.

Our portfolio is comprised primarily of investments in leveraged loans (comprised of both first and second lien term 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 August 31, 2009, our investment in the subordinated notes of GSC Investment Corp. CLO 2007, Ltd. ("GSCIC CLO"), a CLO we manage, constituted 12.0% of our total assets. We do not expect to manage and purchase all of the equity in another CLO transaction in the near future. We may, however, invest in CLO securities issued by other investment managers.

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.

Over the past year, due to unfavorable conditions in the credit market and 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 also 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 and financing 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 that is continuing. As a result of this event of default, our lender has the right to accelerate repayment of the outstanding indebtedness under our credit 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. 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.

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 August 31, 2009, the weighted average interest rate on the Revolving Facility was 6.07%.

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. We expect our debt investments, whether in the form of first and second lien term loans, mezzanine debt or high yield bonds, to have terms of up to ten years, and to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either quarterly or semi-annually. In some cases our debt investments may provide for a portion of the interest 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 August 31, 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.

Portfolio and Investment Activity

Corporate Debt Portfolio Overview(1)

	At August 31, 2009	At February 28, 2009
	($ in millions)	
Number of investments	41	42
Number of portfolio companies	33	35
Average investment size	$ 2.1	$ 2.3
Weighted average maturity	2.9 years	3.3 years
Number of industries	21	22
Average investment per portfolio company	$ 2.6	$ 2.8
Non-Performing or delinquent investments	$ 25.6	$ 0.4
Fixed rate debt (% of interest bearing portfolio)	$37.0 (42.7%)	$40.3 (41.8%)
Weighted average current coupon	11.7%	11.7%
Floating rate debt (% of interest bearing portfolio)	$49.7 (57.3%)	$56.2 (58.2%)
Weighted average current spread over LIBOR	6.8%	5.9%

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

During the six months ended August 31, 2009, we made no investments in new or existing portfolio companies and had $5.5 million in aggregate amount of exits and repayments, resulting in net repayments of $5.5 million for the period. During the six months ended August 31, 2008, we made 15 investments in an aggregate amount of $25.2 million consisting of $20.1 million in new portfolio companies and $5.1 million to existing portfolio companies and $38.9 million in aggregate amount of exits and repayments, resulting in net repayments of $13.7 million for the period.

During the three months ended August 31, 2009, we made no investments in new or existing portfolio companies and had $4.6 million in aggregate amount of exits and repayments, resulting in net repayments of $4.6 million for the period. During the three months ended August 31, 2008 we made 4 investments in an aggregate amount of $9.2 million consisting of $6.4 million in new portfolio companies and $2.8 million to existing portfolio companies and $6.0 million in aggregate amount of exits and repayments, resulting in net investments of $3.2 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.

Our portfolio composition at August 31, 2009 and February 28, 2009 was as follows:

Portfolio composition

	At August 31, 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	17.4%	7.4%	14.4%	6.8%
Second lien term loans	34.3	9.5	34.5	9.0
Senior secured notes	27.1	11.6	21.7	11.6
Unsecured notes	7.7	12.3	10.4	12.3
GSCIC CLO subordinated notes	13.3	0.1	18.8	12.2
Equity/limited partnership interests	0.2	N/A	0.2	N/A
Total	100.0%	8.2%	100.0%	10.2%

Our investment in the subordinated notes of GSCIC CLO represents a first loss position in a portfolio that, at August 31, 2009, was composed of $401.9 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 on our financial statements. Accordingly, the metrics below do not include the underlying GSCIC CLO portfolio investments. However, at August 31, 2009, 97.0% of the GSCIC CLO portfolio investments were performing and over 76.1% of the GSCIC CLO portfolio investments had a CMR (as defined below) numerical debt score of less than 2.99 and a corporate letter rating of A or B.

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

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

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

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

The CMR distribution of our investments at August 31, 2009 and February 28, 2009 were as follows:

Portfolio CMR distribution

Numerical Debt Score	At August 31, 2009 Investments at Fair Value	At August 31, 2009 Percentage of Total Portfolio	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	25,093	25.1	33,831	28.5
3.00 - 3.99	52,803	52.8	49,076	41.2
4.00 - 4.99	8,793	8.8	4,614	3.9
5.00	—	—	—	—
N/A(1)	13,349	13.3	22,450	18.9
Total	$ 100,038	100.0%	$ 118,912	100.0%

Corporate Letter Rating	At August 31, 2009 Investments at Fair Value	At August 31, 2009 Percentage of Total Portfolio	At February 28, 2009 Investments at Fair Value	At February 28, 2009 Percentage of Total Portfolio
	($ in thousands)			
A	$ 4,352	4.4%	$ 4,602	3.9%
B	13,644	13.6	36,818	30.9
C	55,108	55.1	42,700	35.9
D	13,585	13.6	11,668	9.8
E	—	—	674	0.6
F	—	—	—	—
N/A(1)	13,349	13.3	22,450	18.9
Total	$ 100,038	100.0%	$ 118,912	100.0%

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

The following table shows the portfolio composition by industry grouping at fair value at August 31, 2009 and February 28, 2009.

Portfolio composition by industry grouping at fair value

	At August 31, 2009 Investments at Fair Value	At August 31, 2009 Percentage of Total Portfolio	At February 28, 2009 Investments at Fair Value	At February 28, 2009 Percentage of Total Portfolio
	($ in thousands)			
Structured Finance Securities(1)	$ 13,348	13.3%	$ 22,341	18.8%
Packaging	11,481	11.5	10,070	8.5
Manufacturing	9,459	9.4	14,480	12.2
Publishing	7,662	7.7	6,477	5.4
Consumer Products	7,248	7.2	7,843	6.6
Healthcare Services	6,949	7.0	6,010	5.0
Apparel	6,157	6.2	6,616	5.5
Electronics	5,999	6.0	6,849	5.8
Oil and Gas	5,223	5.2	7,359	6.2
Metals	4,372	4.4	5,693	4.8
Homebuilding	4,260	4.3	3,490	2.9
Environmental	3,047	3.1	3,592	3.0
Financial Services	2,707	2.7	3,162	2.7
Natural Resources	2,703	2.7	4,470	3.8
Logistics	1,753	1.7	2,134	1.8
Printing	1,734	1.7	1,638	1.4
Building Products	1,633	1.6	1,426	1.2
Food and Beverage	1,609	1.6	1,707	1.4
Chemicals	941	0.9	371	0.3
Software	910	0.9	773	0.6
Education	570	0.6	674	0.6
Consumer Services	273	0.3	244	0.2
Insurance	—	—	1,493	1.3
Total	$ 100,038	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 August 31, 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 August 31, 2009		At February 28, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)			
Midwest	$ 26,424	26.4%	$ 31,716	26.7%
Southeast	18,035	18.0	23,094	19.4
West	16,729	16.7	16,137	13.6
Other(1)	13,349	13.4	22,449	18.9
Northeast	12,861	12.9	12,578	10.6
International	11,730	11.7	12,165	10.2
Mid-Atlantic	910	0.9	773	0.6
Total	$ 100,038	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 $3.7 million for the three months ended August 31, 2009 versus $5.8 million for the three months ended August 31, 2008, a decrease of $2.1 million or 36.8%. Total investment income was $8.4 million for the six months ended August 31, 2009 versus $11.5 million for the six months ended August 31, 2008, a decrease of $3.1 million or 26.8%. The composition of our investment income in each period was as follows:

Investment Income

	Three months ended		Six months ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
	($ in thousands)			
Interest from investments	$ 3,104	$ 5,255	$ 7,291	$ 10,350
Management of GSCIC CLO	517	489	1,038	1,012
Interest from cash and cash equivalents and other income	64	91	121	185
Total	$ 3,685	$ 5,835	$ 8,450	$ 11,547

The decline in interest from investments for the three months ended August 31, 2009 versus the three months ended August 31, 2008 was primarily due to an increase in the allowance for impaired loans and bonds of $1.3 million, a reduction in income from the GSCIC CLO of $0.7 million, and decrease in the LIBOR rate earned on floating rate investments between the periods.

For the three and six months ended August 31, 2009, total PIK income was $0.3 million and $0.5 million, respectively. For the equivalent periods in 2008, total PIK income was $0.2 million and $0.5 million, respectively.

Operating Expenses

Total operating expenses before manager expense waiver and reimbursement were $2.8 million for the three months ended August 31, 2009 versus $2.6 million for the three months ended August 31, 2008, an increase of $0.2 million, or 5.2%. Total operating expenses before manager expense waiver and reimbursement were $5.1 million for the six months ended August 31, 2009 versus $5.5 million for the six months ended August 31, 2008, a decrease of $0.4 million, or 5.6%. The composition of our operating expenses in each period was as follows:

Operating Expenses

	Three months ended August 31, 2009	Three months ended August 31, 2008	Six months ended August 31, 2009	Six months ended August 31, 2008
	($ in thousands)			
Interest and credit facility expense	$ 1,406	$ 624	$ 2,048	$ 1,457
Base management fees	505	706	1,053	1,454
Professional fees	342	315	682	660
Incentive management fees	—	407	322	747
Administrator expenses	172	261	344	509
Insurance expenses	223	177	430	345
Directors fees	63	73	145	140
General and administrative expenses	66	78	126	143
Total	$ 2,777	$ 2,641	$ 5,150	$ 5,455

The change in operating expenses between the two periods 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 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%, 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 six month periods ended August 31, 2009, the weighted average interest rate on the Revolving Facility was 6.07% and 4.92% respectively, compared to 3.62% and 3.85% for the same periods in the prior year. This increase was balanced by a decrease in base management fees for the three and six months ended August 31, 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 August 31, 2009.

For the three months ended August 31, 2009, we recorded $0.2 million in expense waiver and reimbursement from the administrator and Manager versus $0.3 million for the three months ended August 31, 2008. For the six months ended August 31, 2009, we recorded $0.3 million in expense waiver and reimbursement from the administrator and Manager versus $0.6 million for the six months ended August 31, 2008. The decline was due to the termination of the expense reimbursement agreement as of March 23, 2008, pursuant to which GSC Group had reimbursed the Company for operating expenses (other than investment advisory and management fees and interest and credit facility expenses) in excess of 1.55% of net assets attributable to common stock.

Net Realized Gains/Losses from Investments

For the three months ended August 31, 2009, the Company had $1.0 million of net realized losses versus $0.2 million of net realized gains for the three months ended August 31, 2008. For the six months ended August 31, 2009, the Company had $1.0 million of net realized losses versus $0.1 million of net realized losses for the six months ended August 31, 2008. The most significant gains and losses for the six months ended August 31, 2009 were the following:

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/(Loss)
		($ in thousands)		
Atlantis Plastics Films, Inc.	First Lien Term Loan	$ 463	$ —	$ 463
Asurion Corporation	First Lien Term Loan	1,930	(1,741)	189
Big Train, Inc.	First Lien Term Loan	439	(351)	88
Blaze Recycling & Metals, LLC	Senior Secured Notes	1,538	(2,495)	(957)
M/C Communications, LLC	First Lien Term Loan	853	(1,675)	(822)
IPC Systems, Inc.	First Lien Term Loan	30	(39)	(9)

Net Unrealized Appreciation/Depreciation on Investments

For the three months ended August 31, 2009, the Company's investments had an increase in net unrealized depreciation of $16.2 million versus an increase in net unrealized depreciation of $6.2 million for the three months ended August 31, 2008. For the six months ended August 31, 2009, the Company's investments had an increase in net unrealized depreciation of $13.4 million versus an increase in net unrealized depreciation of $6.3 million for the six months ended August 31, 2008. The most significant cumulative changes in unrealized appreciation and depreciation for the six months ended August 31, 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	$ 9,027	$ (1,410)	$ 1,327
Penton Media, Inc.	First Lien Term Loan	3,818	3,119	(699)	1,016
IDI Acquisition Corp.	Senior Secured Notes	3,651	3,466	(185)	1,010
McMillin Companies, LLC	Senior Secured Notes	7,294	4,260	(3,034)	772
GSCIC CLO	Other/Structured Finance Securities	29,233	13,348	(15,885)	(8,320)
Jason Incorporated	Unsecured notes	13,700	5,106	(8,594)	(4,772)
Energy Alloys, LLC	Second Lien Term Loan	6,200	3,096	(3,104)	(2,191)
Grant U.S. Holdings LLP	Second Lien Term Loan	6,345	408	(5,937)	(2,185)

The $8.3 million net unrealized depreciation in our investment in the GSCIC subordinated notes was due to an increase in the assumed portfolio default rate, a decrease in the assumed recovery rate, and a decrease in the assumed prepayment rate in our discounted cash flow model. These changes were made in accordance with current market practice for CLO equity investments and not as a result of any change in the underlying GSCIC portfolio. The 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 investment in Terphane Holdings Corp. was due to an improvement in the outlook for the company. The unrealized appreciation in our investments in Penton Media, Inc. and IDI Acquisition Corp. were driven by increases in the market value of the investments.

Net Unrealized Appreciation/Depreciation on Derivatives

For the three months ended August 31, 2009, changes in the value of the interest rate caps resulted in an unrealized appreciation of $0.01 million versus an unrealized depreciation of $0.02 million for the three months ended August 31, 2008. For the six months ended August 31, 2009, changes in the value of the interest rate caps purchased pursuant to the credit facilities resulted in an unrealized appreciation of $0.05 million versus an unrealized depreciation of $0.03 million for the six months ended August 31, 2008.

Changes in Net Asset Value from Operations

For the three months ended August 31, 2009, we recorded a net decrease in net assets resulting from operations of $16.1 million versus a net decrease in net assets resulting from operations of $2.6 million for the three months ended August 31, 2008. The difference is attributable to increases in unrealized depreciation, increases in realized losses, and decreases in net investment income between the two periods. Based on 8,291,384 weighted average common shares outstanding as of August 31, 2009 and August 31, 2008, our per share net decrease in net assets resulting from operations was $1.94 for the three months ended August 31, 2009 versus a per share net decrease of $0.31 for the three months ended August 31, 2008.

For the six months ended August 31, 2009, we recorded a net decrease in net assets resulting from operations of $10.7 million versus a net increase in net assets resulting from operations of $0.2 million for the six months ended August 31, 2008. The difference is attributable to increases in unrealized depreciation, increases in realized losses, and decreases in net investment income between the two periods. Based on 8,291,384 weighted average common shares outstanding as of August 31, 2009 and August 31, 2008, our per share net decrease in net assets resulting from operations was $1.29 for the six months ended August 31, 2009 versus a per share net increase resulting from operations of $0.03 for the six months ended August 31, 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 affect 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 have been pledged to secure our obligations under the Revolving Facility.

At August 31, 2009, we had $49.6 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 $35.1 million at August 31, 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 weighted average interest rate during the three month period ended August 31, 2009 was 6.07%.

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 August 31, 2009 Borrowing Base relies upon the valuations set forth in the quarterly report for the quarter ended May 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 August 31, 2009 valuations were used to calculate the Borrowing Base at August 31, 2009, the Borrowing Base would have been $28.7 million versus $35.1 million when using the May 31, 2009 valuations.

Due to adverse portfolio events in GSCIC CLO, on the quarterly payment date occurring in October, all of the subordinated management fee will be deferred and funds that would otherwise have been used to pay the subordinated management fee and /or distributed to equity investors will instead be used to repay outstanding indebtedness. Neither the portfolio events nor the repayment of outstanding indebtedness constitute a default on the GSCIC CLO debt. Subordinated management fees will continue to accrue and will be payable in full (subject to available funds) when the adverse portfolio conditions are cured. Changes in the value of, or distributions on, the GSCIC CLO do not affect the Borrowing Base.

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 216% at August 31, 2009 versus 215% at February 28, 2009.

At August 31, 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 August 31, 2009		At February 28, 2009	
	Fair Value	Percent of Total	Fair Value	Percent of Total
	($ in thousands)			
Cash and cash equivalents	$ 6,644	6.2%	$ 6,356	5.0%
Cash and cash equivalents, securitization accounts	435	0.4	1,178	0.9
First lien term loans	17,389	16.2	17,118	13.5
Second lien term loans	34,303	32.0	41,043	32.5
Senior secured notes	27,152	25.3	25,832	20.4
Unsecured notes	7,654	7.2	12,381	9.8
Other/structured finance securities	13,349	12.5	22,341	17.7
Equity/limited partnership interests	191	0.2	198	0.2
Total	$ 107,117	100.0%	$ 126,447	100.0%

In order to better manage the Company's capital in light of continuing volatility in the credit markets, the Board determined that, beginning with the fourth quarter of fiscal year 2009, it would determine the amount and timing of dividends, if any, upon review of the financial results of the quarter. Accordingly, the Board determined not to pay a dividend in respect of the first quarter of fiscal year 2010 at its regularly scheduled July 2009 meeting. The Board will consider payment of a dividend in connection with the second quarter of fiscal year 2010 at its regularly scheduled October meeting. The timing and amount of dividends remains within the Board's discretion. Subject to certain conditions, for taxable years ending on or before December 31, 2009, we are permitted to make distributions to our stockholders in the form of shares of our common stock in lieu of cash distributions. The decision to make such distributions will be made by our Board of Directors.

Off-Balance Sheet Arrangements

At August 31, 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 August 31, 2009, we had $49.6 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 August 31, 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 August 31, 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 considerations made by our Board of Directors in determining the fair value of our investments at August 31, 2009:

	Fair Value	Percent of Total Investments
	($ in thousands)	
Market yield trend analysis and enterprise valuation	$ 42,612	42.6%
Third party independent valuation firm	35,041	35.0
Discounted cash flow model	13,348	13.3
Readily available market maker, broker quotes	9,036	9.0
Other	1	0.1
Total fair valued investments	$ 100,038	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 report on Form 10-Q for the quarterly period ended May 31, 2009.

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

None.

Item 6. Exhibits

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.

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: October 15, 2009

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: October 15, 2009

/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: October 15, 2009

/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: October 15, 2009

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

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