

Garrison Capital Inc.  
Form 10-Q  
May 05, 2015  
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 March 31, 2015

OR

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

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

Commission File Number 814-00878

Garrison Capital Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

90-0900145  
(I.R.S. Employer  
Identification No.)

1290 Avenue of the Americas, Suite 914  
New York, New York 10104  
(Address of principal executive offices)

(212) 372-9590  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

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

As of May 1, 2015 the Registrant had 16,758,779 shares of common stock, \$0.001 par value, outstanding.

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Table of Contents

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	1
<u>Consolidated Statements of Financial Condition as of March 31, 2015 (unaudited) and December 31, 2014</u>	1
<u>Consolidated Schedule of Investments as of March 31, 2015 (unaudited) and December 31, 2014</u>	2
<u>Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2015 and March 31, 2014</u>	18
<u>Consolidated Statements of Changes in Net Assets (unaudited) for the three months ended March 31, 2015 and March 31, 2014</u>	19
<u>Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2015 and March 31, 2014</u>	20
<u>Notes to Consolidated Financial Statements</u>	21
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	50
<u>Item 3. Quantitative and Qualitative Information About Market Risk</u>	65
<u>Item 4. Controls and Procedures</u>	66
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	66
<u>Item 1A. Risk Factors</u>	66
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	66
<u>Item 3. Defaults Upon Senior Securities</u>	66
<u>Item 4. Mine Safety Disclosures</u>	66
<u>Item 5. Other Information</u>	66
<u>Item 6. Exhibits</u>	67

## Garrison Capital Inc. and Subsidiaries

## Consolidated Statements of Financial Condition

## Part I. Financial Information

## Item 1. Financial Statements

	March 31, 2015 (unaudited)	December 31, 2014
<b>Assets</b>		
Cash	\$20,355,036	\$13,651,269
Restricted cash	8,483,383	14,260,013
Due from counterparties	1,905,751	1,615,125
Investments, at fair value		
Non-control/Non-affiliate investments (amortized cost of \$456,357,386 and \$467,903,883, respectively)	452,011,406	467,769,463
Accrued interest receivable	3,721,785	3,506,456
Deferred debt issuance costs (net of accumulated amortization of \$2,336,177 and \$2,141,113, respectively)	4,223,171	4,418,235
Deferred offering costs	335,472	314,018
Prepaid administrator fee	-	74,455
Other assets	161,199	232,429
<b>Total assets</b>	<b>\$491,197,203</b>	<b>\$505,841,463</b>
<b>Liabilities</b>		
Due to counterparties	\$-	\$109,204
Incentive fee payable	2,465,722	2,816,310
Management fee payable	1,989,544	268,098
Administrator fee payable	167,192	-
GLC Trust 2013-2 Class A note (Note 7)	26,812,990	30,512,712
Senior secured revolving note (Note 7)	40,500,000	50,000,000
Senior secured term notes (Note 7)	159,763,805	159,746,787
Interest payable	636,259	689,610
Accrued expenses and other payables	653,123	596,674
<b>Total liabilities</b>	<b>\$232,988,635</b>	<b>\$244,739,395</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Net assets</b>		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 16,758,779 and 16,758,779 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	\$16,759	\$16,759
Paid-in-capital in excess of par	257,740,910	257,740,910
Underdistributed net investment income	1,816,484	-
Accumulated net realized gain from investments	2,989,043	3,478,818
Net unrealized (loss) from investments	(4,354,628 )	(134,419 )
<b>Total net assets</b>	<b>258,208,568</b>	<b>261,102,068</b>
<b>Total liabilities and net assets</b>	<b>\$491,197,203</b>	<b>\$505,841,463</b>

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Shares of common stock outstanding	16,758,779	16,758,779
Net asset value per share	\$15.41	\$15.58

See accompanying notes to consolidated financial statements.

1

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

March 31, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets	
<b>Non-Control/Non-Affiliate Investments</b>					
<b>Investments - United States</b>					
<b>Common Equity</b>					
<b>Apparel Products</b>					
Everyware Global, Inc., Warrant*	82,843	\$-	\$-	-	%
<b>Total Apparel Products</b>		-	-	-	
<b>Health Services</b>					
Juniper TGX Investment Partners, LLC, Common	3,146	670,623	966,288	0.37	
<b>Total Health Services</b>		670,623	966,288	0.37	
<b>Miscellaneous Manufacturing</b>					
Valterra Products Holdings, LLC, Common Class A	185,847	185,847	371,910	0.14	
Valterra Products Holdings, LLC, Common Class B	20,650	20,650	41,323	0.02	
<b>Total Miscellaneous Manufacturing</b>		206,497	413,233	0.16	
<b>Miscellaneous Retail</b>					
Provo Craft Holdings, LLC, Common	1,110	-	-	-	
<b>Total Miscellaneous Retail</b>		-	-	-	
<b>Transportation Services</b>					
EZE Trucking, LLC, Common	2,898	267,801	-	-	
<b>Total Transportation Services</b>		267,801	-	-	
<b>Total Common Equity</b>		\$1,144,921	\$1,379,521	0.53	%
<b>Preferred Equity</b>					
<b>Consumer Finance Services</b>					
Prosper Marketplace Series B Preferred Stock(1)(2)	261,912	\$789,962	\$6,512,540	2.52	%
<b>Total Consumer Finance Services</b>		789,962	6,512,540	2.52	
<b>Total Preferred Equity</b>		\$789,962	\$6,512,540	2.52	%

See accompanying notes to consolidated financial statements.



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## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

March 31, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments (continued)</b>				
<b>Investments - United States (continued)</b>				
<b>Debt Investments</b>				
<b>Apparel Products</b>				
Joe's Jeans Inc., Term Loan*				
Libor ("L") + 12.75%, 1.25% L Floor, 9/30/2018	10,486,963	\$ 10,340,168	\$ 10,340,053	4.00 %
<b>Total Apparel Products</b>		<b>10,340,168</b>	<b>10,340,053</b>	<b>4.00</b>
<b>Automotive</b>				
CTC Casting Technologies, Inc. (Compass), Loan*				
L+ 6.75%, 0.75% L Floor, 3/28/2019	10,018,750	9,938,809	9,938,754	3.85
Penda Corporation, Term Loan(3)				
12.00% Cash, 2.00% PIK, 1/26/2019	7,398,141	7,298,170	7,398,141	2.87
<b>Total Automotive</b>		<b>17,236,979</b>	<b>17,336,895</b>	<b>6.72</b>
<b>Broadcasting &amp; Entertainment</b>				
CF Entertainment Inc. (Entertainment Studios), Term Loan*				
L+ 7.50%, 1.00% L Floor, 6/26/2019	9,910,604	9,826,641	9,826,554	3.81
<b>Total Broadcasting &amp; Entertainment</b>		<b>9,826,641</b>	<b>9,826,554</b>	<b>3.81</b>
<b>Building &amp; Real Estate</b>				
ShelterLogic Corp., Term Loan*				
L+ 10.50%, 1.00% L Floor, 7/30/2019	10,368,750	10,189,199	10,189,086	3.95
<b>Total Building &amp; Real Estate</b>		<b>10,189,199</b>	<b>10,189,086</b>	<b>3.95</b>
<b>Chemicals</b>				
Aristech Surfaces LLC, Term Loan B*				
L+ 8.00%, 1.00% L Floor, 10/17/2019	10,434,375	10,268,374	10,268,274	3.98
Galata Chemicals, LLC, Term Loan*				
L+ 8.00%, 1.00% L Floor, 2/28/2019	8,750,000	8,610,682	8,750,000	3.39
<b>Total Chemicals</b>		<b>18,879,056</b>	<b>19,018,274</b>	<b>7.37</b>
<b>Communications</b>				
HC Cable OpCo, LLC, Term Loan*				
L+ 8.50%, 1.00% L Floor, 7/17/2018	10,844,810	10,719,776	10,844,810	4.20
Sirva Worldwide, Loan*				
L+ 6.25%, 1.25% L Floor, 3/27/2019	4,900,000	4,835,024	4,875,500	1.89



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Total Communications		15,554,800	15,720,310	6.09
Consumer Finance Services				
PlanMember Financial Corporation, Term Loan*(1)				
L+ 8.50%, 1.50% L Floor, 2/14/2018	1,396,295	1,375,104	1,396,295	0.54
Project Sunshine IV Pty Ltd (Sensis), New Term Loans*(1)				
L+ 7.00%, 1.00% L Floor, 9/23/2019	8,146,951	8,074,118	8,146,951	3.16
Total Consumer Finance Services		9,449,222	9,543,246	3.70

See accompanying notes to consolidated financial statements.

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## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

March 31, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Electrical Equipment				
AbelConn, LLC (Atrenne Computing), Term Loan A*				
L+ 8.50%, 1.00% L Floor, 7/17/2019	10,500,000	\$ 10,319,671	\$ 10,319,556	3.99 %
AbelConn, LLC (Atrenne Computing), Term Loan B				
L+ 2.50%, 1.00% L Floor, 7/17/2019	20,497	20,145	20,144	0.01
Total Electrical Equipment		10,339,816	10,339,700	4.00
Food Stores - Retail				
Specialty Bakers LLC, Term Loan*				
L+ 7.25%, 1.00% L Floor, 8/7/2019	9,486,220	9,310,133	9,310,023	3.60
Sqwincher Corporation (The), Term Loan*				
L+ 10.00%, 1.50% L Floor, 8/3/2016	9,198,900	9,131,627	9,313,918	3.61
Total Food Stores - Retail		18,441,760	18,623,941	7.21
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan				
L+ 7.00%, 1.25% L Floor, 7/31/2019	329,707	329,707	327,620	0.13
Aurora Diagnostics, LLC, Term Loan*				
L+ 7.00%, 1.25% L Floor, 7/31/2019	5,608,414	5,556,315	5,556,282	2.15
Forest Park Medical Center at Fort Worth, LLC, Lease				
13.00%, 2/11/2020	9,246,161	9,084,580	8,321,545	3.22
Forest Park Medical Center at Fort Worth, LLC, Term Loan				
14.00%, on Demand	344,377	338,359	309,939	0.12
Forest Park Medical Center at San Antonio, LLC, Lease				
13.00%, 2/11/2020	8,981,658	8,817,855	8,083,492	3.13
Forest Park Medical Center at San Antonio, LLC, Term Loan				
14.00%, on Demand	1,951,092	1,915,509	1,755,983	0.68
SCG Capital Corporation (Radiation Therapy), Term Note				
12.00%, 5/1/2017	5,570,421	5,570,421	5,570,421	2.16
Theragenics Corporation, Term Loan**				
L+ 12.00%, 1.00% L Floor, 2/26/2020	6,573,784	6,444,473	6,444,401	2.50
Virtual Radiologic Corporation, Term Loan B*				
Base Rate+ 4.50%, 12/22/2016	4,812,500	4,797,585	3,874,063	1.50
Walnut Hill Physicians' Hospital, LLC, Acquisition Loan				
12.50%, on Demand	1,528,977	1,528,977	1,528,977	0.59

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Walnut Hill Physicians' Hospital, LLC, Term Loan

12.50%, 4/1/2019	7,168,786	7,168,786	7,168,786	2.78
Total Health Services		51,552,567	48,941,509	18.96

Insurance Agents

Affirmative Insurance Holdings, Inc., Term Loan\*

L+ 9.25%, 1.25% L Floor, 3/30/2016	5,877,169	5,759,803	5,730,239	2.22
Worley Claims Services, LLC, Term Loan*				
L+ 8.00%, 1.00% L Floor, 10/31/2020	10,473,750	10,376,275	10,376,288	4.01
Total Insurance Agents		16,136,078	16,106,467	6.23

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

March 31, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Miscellaneous Manufacturing				
Anchor Hocking, LLC (EveryWare Global), Initial Term Loan*(3)				
L+ 6.50% Cash, 1.75% PIK, 1.25% L Floor, 5/21/2020	6,959,423	\$6,872,767	\$3,592,802	1.39 %
AP Gaming I, LLC, Term B Loan*				
L+ 8.25%, 1.00% L Floor, 12/20/2020	4,937,500	4,816,523	4,906,641	1.90
A.S.V., Inc., Term Loan*				
L+ 9.50%, 1.00% L Floor, 12/19/2019	9,494,066	9,314,896	9,314,794	3.61
CR Brands, Inc., Term Loan*				
L+ 9.25%, 1.00% L Floor, 8/23/2017	10,500,000	10,332,092	10,331,977	4.00
Frontier Spinning Mills, Inc., Term Loan*				
L+ 6.50%, 1.00% L Floor, 12/19/2018	4,746,835	4,727,809	4,723,101	1.83
Kranos Acquisition Corp., Term Loan*(3)				
L+ 12.00% Cash, 1.00% PIK, 1.00% L Floor, 6/15/2017	10,049,346	9,961,697	9,979,614	3.87
Lexmark Carpet Mills, Inc., Term Loan*				
L+ 10.00%, 1.00% L Floor, 12/19/2019	10,500,000	10,252,307	10,252,163	3.97
NPI Holding Corp. (Nudo Products, Inc.), Term Loan*,**				
L+ 9.75%, 1.00% L Floor, 1/13/2020	10,500,000	10,298,970	10,298,855	3.99
Nursery Supplies, Inc., Term Loan*				
L+ 7.50%, 1.00% L Floor, 6/13/2018	10,650,938	10,616,844	10,672,531	4.13
PCCR USA, Inc., Term Loan A*				
L+ 8.00%, 1.00% L Floor, 12/1/2019	6,956,250	6,826,770	6,826,694	2.64
PCCR USA, Inc., Term Loan B*				
L+ 8.00%, 1.00% L Floor, 12/1/2019	3,478,125	3,397,200	3,397,152	1.32
Valterra Products Holdings, LLC, Term Loan*				
L+ 9.00%, 1.00% L Floor, 5/31/2018	8,299,584	8,194,499	8,396,817	3.25
Total Miscellaneous Manufacturing		95,612,374	92,693,141	35.90
Miscellaneous Retail				
Confluence Outdoor, LLC, Term Loan*				
L+ 7.00%, 1.00% L Floor, 4/18/2019	6,656,997	6,562,701	6,562,638	2.54
Confluence Outdoor, LLC, Delayed Draw Term Loan				
L+ 7.00%, 1.00% L Floor, 4/18/2019	998,549	998,549	984,396	0.38
PD Products, LLC, Term Loan*				

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L+ 13.00%, 1.50% L Floor, 10/4/2018	9,963,446	9,752,634	9,963,446	3.86
PD Products, LLC, Revolver				
L+ 13.00%, 1.50% L Floor, 10/4/2018	813,756	813,756	813,756	0.32
PSP Group, LLC, Term Loan*				
Base Rate+ 3.75%, 9/13/2016	4,347,706	4,331,073	4,347,706	1.68
Total Miscellaneous Retail		22,458,713	22,671,942	8.78

See accompanying notes to consolidated financial statements.

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## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

March 31, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Miscellaneous Services				
Academi Holdings LLC, Second Lien Term Loan*				
L+ 10.00%, 1.00% L Floor, 7/25/2020	10,000,000	\$9,822,891	\$9,822,800	3.80 %
Global Traffic Technologies, LLC, Term Loan A*				
Base Rate+ 4.00%, 6/30/2015	318,433	301,859	318,433	0.12
Global Traffic Technologies, LLC, Term Loan B*				
Base Rate+ 4.00%, 6/30/2015	3,560,206	3,555,433	3,560,206	1.38
Midwest Technical Institute, Inc., Term Loan A*				
Base Rate+ 11.00%, 10/4/2017	7,145,870	7,145,870	5,002,109	1.94
Midwest Technical Institute, Inc., Revolver				
Base Rate+ 11.00%, 10/4/2017	998,550	998,550	698,985	0.27
NAP Asset Holdings Ltd., Canadian Term Loan*				
L+ 7.00%, 1.00% L Floor, 3/22/2018	2,452,368	2,437,613	2,452,368	0.95
NAP Asset Holdings Ltd., Term Loan*				
L+ 7.00%, 1.00% L Floor, 3/22/2018	5,488,632	5,455,609	5,488,632	2.13
SC Academy Holdings, Inc., Term Loan(4)				
L+ 14.00%, 7/16/2016	7,760,599	5,587,631	4,066,554	1.57
Speed Commerce, Inc., Term Loan*				
L+ 7.50%, 1.00% L Floor, 11/21/2019	10,500,000	10,306,393	10,342,500	4.01
Sprint Industrial Holdings, LLC, Term Loan (First Lien)*				
L+ 5.75%, 1.25% L Floor, 5/14/2019	4,860,755	4,834,530	4,544,806	1.76
Tecta America Corp., Term Loan*				
L+ 4.00%, 1.00% L Floor, 7/1/2018	4,019,019	3,865,125	3,818,068	1.48
YourMembership Holding Company, Term Loan A**				
L+ 7.00%, 1.00% L Floor, 9/12/2019	8,504,666	8,425,514	8,425,465	3.26
Total Miscellaneous Services		62,737,018	58,540,926	22.67
Printing & Publishing				
Dodge Data & Analytics LLC, Term Loan*				
L+ 8.75%, 1.00% L Floor, 10/31/2019	10,473,750	10,281,185	10,281,070	3.98
Total Printing & Publishing		10,281,185	10,281,070	3.98
Oil & Gas				
Gasco Production Company, Term Loan*				
L+ 8.50%, 1.00% L Floor, 8/18/2017	9,985,495	9,787,153	9,786,925	3.79

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Total Oil & Gas		9,787,153	9,786,925	3.79	
Restaurants					
Ted's Cafe Escondido Holdings, Inc., Term Loan A*					
L+ 8.00%, 1.50% L Floor, 12/31/2018	6,737,500	6,737,500	6,737,500	2.61	
Ted's Cafe Escondido Holdings, Inc., Revolver					
L+ 8.00%, 1.50% L Floor, 12/31/2018	250,000	250,000	250,000	0.10	
Total Restaurants		6,987,500	6,987,500	2.71	
Specialty Services					
Vistronix, LLC, Term Loan*					
L+ 8.00%, 0.50% L Floor, 12/4/2018	9,888,486	9,814,992	9,814,938	3.80	
Vistronix, LLC, Revolver					
L+ 8.00%, 0.50% L Floor, 12/4/2018	175,000	175,000	173,698	0.07	
Total Specialty Services		9,989,992	9,988,636	3.87	
Transportation Services					
Fleetgistics Holdings, Inc., Term Loan*					
L+ 6.13%, 2.00% L Floor, 12/31/2018	1,020,745	1,020,745	918,670	0.36	
MXD Group, Inc. (fka Exel Direct Inc.), Term Loan*					
L+ 13.00%, 1.00% L Floor, 5/31/2018	13,322,043	13,156,909	12,256,280	4.74	
Raymond Express International, LLC, Term Loan*					
L+ 7.75%, 1.75% L Floor, 2/28/2018	3,057,737	3,039,501	3,103,604	1.20	
Total Transportation Services		17,217,155	16,278,554	6.30	
Total Debt Investments		\$423,017,376	\$413,214,729	160.04	%

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

March 31, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets	
<b>Non-Control/Non-Affiliate Investments (continued)</b>					
<b>Investments - United States (continued)</b>					
<b>Financial Assets</b>					
<b>Consumer Finance Services</b>					
GLC Trust 2013-2 Consumer Loan Portfolio(1)(5)	31,776,450	\$31,776,450	\$31,245,706	12.10	%
<b>Total Consumer Finance Services</b>		<b>31,776,450</b>	<b>31,245,706</b>	<b>12.10</b>	
<b>Total Financial Assets</b>		<b>\$31,776,450</b>	<b>\$31,245,706</b>	<b>12.10</b>	<b>%</b>
<b>Total Non-Control/Non-Affiliate Investments</b>		<b>\$456,728,709</b>	<b>\$452,352,496</b>	<b>175.19</b>	<b>%</b>
<b>Unfunded Obligations</b>					
<b>Communications</b>					
HC Cable OpCo, LLC, Revolver 0.50%, 7/17/2018	954,784	\$(11,008)	\$-	-	%
<b>Total Communications</b>		<b>(11,008)</b>	<b>-</b>	<b>-</b>	
<b>Health Services</b>					
Aurora Diagnostics, LLC, Delayed Draw Term Loan(6) 0.00%, 7/31/2019	520,053	(4,996)	(3,291)	-	
Aurora Diagnostics, LLC, Revolver(6) 0.38%, 7/31/2019	1,019,712	(9,473)	(9,479)	(0.01)	
<b>Total Health Services</b>		<b>(14,469)</b>	<b>(12,770)</b>	<b>(0.01)</b>	
<b>Miscellaneous Manufacturing</b>					
Valterra Products Holdings, LLC, Revolver 0.50%, 5/31/2018	1,588,437	(20,112)	18,609	0.01	
<b>Total Miscellaneous Manufacturing</b>		<b>(20,112)</b>	<b>18,609</b>	<b>0.01</b>	
<b>Miscellaneous Retail</b>					
Confluence Outdoor, LLC, Delayed Draw Term Loan(6) 2.00%, 4/18/2019	2,329,949	(47,147)	(33,026)	(0.01)	
PD Products, LLC, Revolver 0.50%, 10/4/2018	826,869	(22,887)	-	-	
<b>Total Miscellaneous Retail</b>		<b>(70,034)</b>	<b>(33,026)</b>	<b>(0.01)</b>	



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<b>Miscellaneous Services</b>				
Global Traffic Technologies, LLC, Revolver				
0.50%, 6/30/2015	1,458,439	(1,955	) -	-
Tecta America Corp., Revolver(6)				
0.50%, 7/1/2018	6,268,988	(240,723	) (313,449	) (0.12
YourMembership Holding Company, Revolver(6)				
0.00%, 9/12/2019	355,844	(3,312	) (3,314	) -
Total Miscellaneous Services		(245,990	) (316,763	) (0.12
<b>Restaurants</b>				
Ted's Cafe Escondido Holdings, Inc., Revolver				
0.50%, 12/31/2018	250,000	-	-	-
Ted's Cafe Escondido Holdings, Inc., Delayed Draw Term Loan B				
1.00%, 12/31/2018	500,000	-	-	-
Total Restaurants		-	-	-
<b>Specialty Services</b>				
Vistronix, LLC, Revolver(6)				
0.50%, 12/4/2018	700,000	(6,503	) (5,206	) -
Total Specialty Services		(6,503	) (5,206	) -
<b>Transportation Services</b>				
Raymond Express International, LLC, Revolver				
0.50%, 2/28/2018	537,752	(3,207	) 8,066	-
Total Transportation Services		(3,207	) 8,066	-
<b>Total Unfunded Obligations</b>				
		\$(371,323	) \$(341,090	) (0.13
<b>Total Investments - United States</b>				
		\$456,357,386	\$452,011,406	175.06
				%

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

March 31, 2015 (unaudited)

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\* Denotes that all or a portion of the investment is held as collateral by the collateralized loan obligation (the “CLO”) (see Note 7).

\*\* Denotes that all or a portion of the loan is held by Garrison SBIC.

L = London Interbank Offered Rate.

- (1) Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company’s total assets.
- (2) Net of incentive fee payable to a third party equal to 20% of any distribution after the Company has received its full net capital investment plus a 12% preferred return in GLC Trust 2013-2 and Prosper Marketplace Series B Preferred Stock.
- (3) Coupon is payable in cash, and/or payment-in-kind (“PIK”), or a combination thereof.
- (4) Investment is currently in default, not income producing and placed on non-accrual status.
- (5) GLC Trust 2013-2 includes 3,438 small balance consumer loans with an average par of \$9,243, a weighted average rate of 15.6% and a weighted average maturity of February 21, 2018. See Note 4 for additional information. See exhibit 99.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 for detail on underlying loans.
- (6) The negative fair value is the result of the unfunded commitment being valued below par. These amounts may or may not be funded to the borrowing party currently or in the future.

All debt investments were income producing as of March 31, 2015, unless otherwise noted. Common and preferred equity investments are non income-producing unless otherwise noted.

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

December 31, 2014

Security Description, December 31, 2014	Par/Shares	Cost	Fair Value	% of Net Assets	
<b>Non-Control/Non-Affiliate Investments</b>					
<b>Investments – United States</b>					
<b>Common Equity</b>					
<b>Apparel Products</b>					
Everyware Global, Inc., Warrant*	82,843	\$—	\$—	—	%
Total Apparel Products		—	—		
<b>Health Services</b>					
Juniper TGX Investment Partners, LLC, Common	3,146	670,623	966,288	0.37	
Total Health Services		670,623	966,288	0.37	
<b>Miscellaneous Manufacturing</b>					
Valterra Products Holdings, LLC, Common Class A	185,847	185,847	371,910	0.14	
Valterra Products Holdings, LLC, Common Class B	20,650	20,650	41,323	0.02	
Total Miscellaneous Manufacturing		206,497	413,233	0.16	
<b>Miscellaneous Retail</b>					
Provo Craft Holdings, LLC, Common	1,110	—	—	—	
Total Miscellaneous Retail		—	—	—	
<b>Transportation Services</b>					
EZE Trucking, LLC, Common	2,898	267,801	—	—	
Total Transportation Services		267,801	—	—	
Total Common Equity		\$1,144,921	\$1,379,521	0.53	%
<b>Preferred Equity</b>					
<b>Consumer Finance Services</b>					
Prosper Marketplace Series B Preferred Stock (4) (7)	261,912	\$789,962	\$5,791,276	2.22	%
Total Consumer Finance Services		789,962	5,791,276	2.22	
Total Preferred Equity		\$789,962	\$5,791,276	2.22	%

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments				
Apparel Products				
Joe's Jeans Inc., Term Loan*				
Libor ("L") + 12.75%, 1.25% L Floor, 9/30/2018	10,486,963	\$ 10,329,830	\$ 10,329,715	3.96 %
Total Apparel Products		10,329,830	10,329,715	3.96
Automotive				
CTC Casting Technologies, Inc. (Compass), Loan*				
L+ 6.75%, 0.75% L Floor, 3/28/2019	10,150,000	10,064,008	10,063,953	3.85
Penda Corporation, Term Loan (5)				
L+ 12.00% Cash, 2.00% PIK, 1/26/2019	7,361,334	7,254,936	7,361,334	2.82
Total Automotive		17,318,944	17,425,287	6.67
Broadcasting & Entertainment				
CF Entertainment Inc. (Entertainment Studios), Term Loan*				
L+ 7.50%, 1.00% L Floor, 6/26/2019	9,935,568	9,846,496	9,846,420	3.77
Total Broadcasting & Entertainment		9,846,496	9,846,420	3.77
Building & Real Estate				
ShelterLogic Corp., Term Loan*				
L+ 8.50%, 1.00% L Floor, 7/30/2019	10,368,750	10,178,978	10,178,864	3.90
Total Building & Real Estate		10,178,978	10,178,864	3.90
Chemicals				
Aristech Surfaces LLC, Term Loan B*				
L+ 8.00%, 1.00% L Floor, 10/17/2019	10,500,000	10,323,898	10,323,797	3.96
Galata Chemicals, LLC, Term Loan*				
L+ 8.00%, 1.00% L Floor, 2/28/2019	8,750,000	8,601,908	8,750,000	3.35
Total Chemicals		18,925,806	19,073,797	7.31

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Communications				
HC Cable OpCo, LLC, Term Loan*				
L+ 8.50%, 1.00% L Floor, 7/17/2018	10,873,005	\$ 10,738,269	\$ 10,900,188	4.17%
Sirva Worldwide, Loan*				
L+ 6.25%, 1.25% L Floor, 3/27/2019	4,912,500	4,843,331	4,863,375	1.86
Total Communications		15,581,600	15,763,563	6.03
Consumer Finance Services				
PlanMember Financial Corporation, Term Loan* (4)				
L+ 8.50%, 1.50% L Floor, 2/14/2018	1,411,295	1,388,053	1,411,295	0.54
Project Sunshine IV Pty Ltd (Sensis), New Term Loans* (4)				
L+ 7.00%, 1.00% L Floor, 9/23/2019	9,185,514	9,098,879	9,047,731	3.47
Total Consumer Finance Services		10,486,932	10,459,026	4.01
Electrical Equipment				
AbelConn, LLC (SIE Computing), Term Loan A*				
L+ 8.50%, 1.00% L Floor, 7/17/2019	10,500,000	10,309,321	10,309,206	3.95
AbelConn, LLC (SIE Computing), Term Loan B				
L+ 2.50%, 1.00% L Floor, 7/17/2019	70,659	69,376	69,375	0.03
Total Electrical Equipment		10,378,697	10,378,581	3.98
Food Stores – Retail				
Specialty Bakers LLC, Term Loan*				
L+ 7.25%, 1.00% L Floor, 8/7/2019	9,486,220	9,300,160	9,300,049	3.56
Sqwincher Corporation (The), Term Loan*				
L+ 10.00%, 1.50% L Floor, 8/3/2016	9,336,400	9,255,951	9,336,400	3.58
Total Food Stores – Retail		18,556,111	18,636,449	7.14

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan				
L+ 7.00%, 1.25% L Floor, 7/31/2019	329,707	\$ 329,707	\$ 327,620	0.13%
Aurora Diagnostics, LLC, Term Loan*				
L+ 7.00%, 1.25% L Floor, 7/31/2019	5,608,414	5,553,351	5,553,318	2.13
Forest Park Medical Center at Fort Worth, LLC, Term Loan				
L+ 14.00%, 7/16/2019	9,590,539	9,436,062	9,436,062	3.61
Forest Park Medical Center at San Antonio, LLC, Term Loan				
L+ 14.00%, 7/16/2019	11,409,461	11,225,686	11,225,686	4.29
Virtual Radiologic Corporation, Term Loan B*				
L+ 5.50%, 1.75% L Floor, 12/22/2016	4,825,000	4,807,913	3,860,000	1.48
SCG Capital Corporation (Radiation Therapy), Term Note				
L+ 12.00%, 5/1/2017	6,171,317	6,171,317	6,171,317	2.36
Walnut Hill Physicians' Hospital, LLC, Acquisition Loan				
12.50%, on Demand	1,528,977	1,528,977	1,528,977	0.59
Walnut Hill Physicians' Hospital, LLC, Term Loan				
12.50%, 4/1/2019	7,481,576	7,481,576	7,481,576	2.87
Total Health Services		46,534,589	45,584,556	17.46
Insurance Agents				
Affirmative Insurance Holdings, Inc., Term Loan*				
L+ 9.25%, 1.25% L Floor, 3/30/2016	5,733,823	5,587,414	5,590,478	2.14
Worley Claims Services, LLC, Term Loan*				
L+ 8.00%, 1.00% L Floor, 10/31/2020	10,500,000	10,397,970	10,397,922	3.98
Total Insurance Agents		15,985,384	15,988,400	6.12

See accompanying notes to consolidated financial statements.

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## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Miscellaneous Manufacturing				
Anchor Hocking, LLC (EveryWare Global), Initial Term Loan* (5)				
L+ 6.50% Cash, 1.75% PIK, 1.25% L Floor, 5/21/2020	6,946,532	\$ 6,855,500	\$ 4,098,454	1.57%
AP Gaming I, LLC, Term B Loan*				
L+ 8.25%, 1.00% L Floor, 12/20/2020	4,950,000	4,823,494	4,925,250	1.89
A.S.V., Inc., Term Loan*				
L+ 9.50%, 1.00% L Floor, 12/19/2019	9,494,066	9,305,537	9,305,435	3.56
CR Brands, Inc., Term Loan*				
L+ 7.25%, 1.00% L Floor, 3/31/2019	10,500,000	10,321,742	10,321,627	3.95
Frontier Spinning Mills, Inc., Term Loan*				
L+ 6.50%, 1.00% L Floor, 12/19/2018	4,810,127	4,789,569	4,786,076	1.83
Kranos Acquisition Corp., Term Loan* (5)				
L+ 11.00% Cash, 1.00% PIK, 1.00% L Floor, 6/15/2017	10,157,739	10,059,658	10,079,394	3.86
Lexmark Carpet Mills, Inc., Term Loan*				
L+ 10.00%, 1.00% L Floor, 12/19/2019	10,500,000	10,239,369	10,239,225	3.92
Nursery Supplies, Inc., Term Loan*				
L+ 7.50%, 1.00% L Floor, 6/13/2018	10,794,375	10,757,162	10,842,876	4.15
PCCR USA, Inc., Term Loan A*				
L+ 8.00%, 1.00% L Floor, 12/1/2019	7,000,000	6,862,828	6,862,751	2.63
PCCR USA, Inc., Term Loan B*				
L+ 8.00%, 1.00% L Floor, 12/1/2019	3,500,000	3,414,267	3,414,219	1.31
Valterra Products Holdings, LLC, Term Loan*				
L+ 9.00%, 1.00% L Floor, 5/31/2018	8,408,789	8,294,032	8,528,016	3.27
Total Miscellaneous Manufacturing		85,723,158	83,403,323	31.94
Miscellaneous Retail				
Confluence Outdoor, LLC, Term Loan*				
L+ 7.00%, 1.00% L Floor, 4/18/2019	6,656,997	6,556,959	6,556,896	2.51
Confluence Outdoor, LLC, Delayed Draw Term Loan				
L+ 7.00%, 1.00% L Floor, 4/18/2019	998,550	998,550	948,499	0.36
PD Products, LLC, Term Loan*				
L+ 10.50%, 1.50% L Floor, 10/4/2018	9,969,032	9,819,062	9,969,032	3.82
PD Products, LLC, Revolver				
L+ 10.50%, 1.50% L Floor, 10/4/2018	803,873	803,873	803,873	0.31



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PSP Group, LLC, Term Loan*				
L+ 4.75%, 1.50% L Floor, 9/13/2016	4,360,206	4,340,698	4,273,002	1.64
Total Miscellaneous Retail		22,519,142	22,551,302	8.64

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Miscellaneous Services				
Academi Holdings LLC, Second Lien Term Loan*				
L+ 10.00%, 1.00% L Floor, 7/25/2020	10,000,000	\$ 9,814,683	\$ 9,814,592	3.76%
Dorsey School of Business Holdings, Inc., Term Loan*				
L+ 8.00%, 1.50% L Floor, 6/28/2018	4,500,000	4,500,000	4,500,000	1.72
Global Traffic Technologies, LLC, Term Loan A*				
L+ 5.25%, 1.25% L Floor, 6/30/2015	380,563	363,395	380,563	0.15
Global Traffic Technologies, LLC, Term Loan B*				
L+ 5.25%, 1.25% L Floor, 6/30/2015	3,560,206	3,550,659	3,560,206	1.36
Midwest Technical Institute, Inc., Term Loan A*				
L+ 10.00%, 1.50% L Floor, 10/4/2017	7,145,870	7,145,870	7,145,870	2.74
Midwest Technical Institute, Inc., Revolver				
L+ 10.00%, 1.50% L Floor, 10/4/2017	998,550	998,550	998,550	0.38
NAP Asset Holdings Ltd., Canadian Term Loan*				
L+ 7.00%, 1.00% L Floor, 3/22/2018	2,485,508	2,469,314	2,485,508	0.95
NAP Asset Holdings Ltd., Term Loan*				
L+ 7.00%, 1.00% L Floor, 3/22/2018	5,562,803	5,526,560	5,562,803	2.13
SC Academy Holdings, Inc., Term Loan (3)				
L+ 14.00%, 7/16/2016	7,760,599	5,587,631	4,066,554	1.56
Speed Commerce, Inc., Term Loan*				
L+ 7.50%, 1.00% L Floor, 11/21/2019	10,500,000	10,296,113	10,342,500	3.96
Sprint Industrial Holdings, LLC, Term Loan (First Lien)*				
L+ 5.75%, 1.25% L Floor, 5/14/2019	4,873,123	4,845,239	4,605,101	1.76
Tecta America Corp., Term Loan*				
L+ 4.00%, 1.00% L Floor, 7/1/2018	4,039,525	3,873,166	3,837,548	1.47
YourMembership Holding Company, Term Loan A**				
L+ 7.00%, 1.00% L Floor, 9/12/2019	8,504,666	8,421,130	8,421,081	3.23
Total Miscellaneous Services		67,392,310	65,720,876	25.17
Printing & Publishing				
Dodge Data & Analytics LLC, Term Loan*	10,500,000	10,296,573	10,296,458	3.94

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L+ 8.75%, 1.00% L Floor, 10/31/2019				
Total Printing & Publishing		10,296,573	10,296,458	3.94
Oil & Gas				
Gasco Production Company, Term Loan*				
L+ 8.50%, 1.00% L Floor, 8/18/2017	9,985,495	9,766,635	9,766,407	3.74
Total Oil & Gas		9,766,635	9,766,407	3.74

See accompanying notes to consolidated financial statements.

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Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate				
Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Restaurants				
Rita's Water Ice Franchise Company, LLC, Term Loan B*				
L+ 12.50%, 1.50% L Floor, 11/30/2016	4,687,500	\$ 4,687,500	\$ 4,687,500	1.80%
Ted's Cafe Escondido Holdings, Inc., Term Loan A*				
L+ 8.00%, 1.50% L Floor, 12/31/2018	6,825,000	6,825,000	6,825,000	2.61
Ted's Cafe Escondido Holdings, Inc., Revolver				
L+ 8.00%, 1.50% L Floor, 12/31/2018	100,000	100,000	100,000	0.04
Total Restaurants		11,612,500	11,612,500	4.45
Specialty Services				
Vistrionix, LLC, Term Loan*				
L+ 8.00%, 0.50% L Floor, 12/4/2018	10,014,814	9,935,393	9,935,338	3.81
Total Specialty Services		9,935,393	9,935,338	3.81
Transportation Services				
EZE Trucking, LLC, Term Loan* (5)				
L+ 10.75% Cash, 1.00% PIK, 0.25% L Floor, 7/31/2018	10,499,014	10,230,145	10,604,004	4.06
Fleetgistics Holdings, Inc., Term Loan*				
L+ 6.13%, 2.00% L Floor, 12/31/2018	1,020,745	1,020,745	918,670	0.35
MXD Group, Inc. (fka Exel Direct Inc.), Term Loan*				
L+ 13.00%, 1.00% L Floor, 5/31/2018	13,212,500	13,029,870	12,155,500	4.66
Raymond Express International, LLC, Term Loan*				
L+ 7.75%, 1.75% L Floor, 2/28/2018	3,896,631	3,871,427	3,946,433	1.51
Total Transportation Services		28,152,187	27,624,607	10.58
Total Debt Investments		\$ 429,521,265	\$ 424,575,469	162.62%

## Garrison Capital Inc. and Subsidiaries

## Consolidated Schedule of Investments – (continued)

December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Financial Assets				
Consumer Finance Services				
GLC Trust 2013-2 Consumer Loan Portfolio (1) (4) (6)	36,842,119	\$ 36,842,119	\$ 36,329,807	13.91 %
Total Consumer Finance Services		36,842,119	36,329,807	13.91
Total Financial Assets		\$ 36,842,119	\$ 36,329,807	13.91 %
Total Non-Control/Non-Affiliate Investments		\$ 468,298,267	\$ 468,076,073	179.28 %
Unfunded Obligations				
Communications				
HC Cable OpCo, LLC, Revolver 0.50%, 7/17/2018	489,362	\$ (6,064)	\$ —	—
Total Communications		(6,064)	—	—
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan (2) 0.00%, 7/31/2019	520,053	(5,280)	(3,291)	—
Aurora Diagnostics, LLC, Revolver (2) 0.38%, 7/31/2019	1,019,712	(10,012)	(10,017)	(0.01)
Total Health Services		(15,292)	(13,308)	(0.01)
Miscellaneous Manufacturing				
Valterra Products Holdings, LLC, Revolver 0.50%, 5/31/2018	1,588,437	(21,678)	22,522	0.01
Total Miscellaneous Manufacturing		(21,678)	22,522	0.01
Miscellaneous Retail				
Confluence Outdoor, LLC, Delayed Draw Term Loan 2.00%, 4/18/2019	2,329,949	(50,019)	—	—
PD Products, LLC, Revolver 0.50%, 10/4/2018	836,752	(24,654)	—	—
Total Miscellaneous Retail		(74,673)	—	—
Miscellaneous Services				
Dorsey School of Business Holdings, Inc., Revolver 0.50%, 6/28/2018	1,000,000	—	—	—
Global Traffic Technologies, LLC, Revolver 0.50%, 6/30/2015	1,458,439	(3,911)	—	—
Tecta America Corp., Revolver (2)	6,268,988	(258,853)	(313,449)	(0.12)

0.50%, 7/1/2018				
YourMembership Holding Company, Revolver (2) **				
0.00%, 9/12/2019	355,844	(3,495)	(3,497)	—
Total Miscellaneous Services		(266,259)	(316,946)	(0.12)

16

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Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Unfunded Obligations – (continued)				
Restaurants				
Ted's Cafe Escondido Holdings, Inc., Revolver				
0.50%, 12/31/2018	400,000	\$ —	\$ —	—%
Ted's Cafe Escondido Holdings, Inc., Delayed Draw Term Loan B				
1.00%, 12/31/2018	500,000	—	—	—
Total Restaurants				
Specialty Services				
Vistrionix, LLC, Revolver (2)				
0.50%, 12/4/2018	875,000	(6,939)	(6,944)	—
Total Specialty Services				
Transportation Services				
Raymond Express International, LLC, Revolver				
0.50%, 2/28/2018	537,752	(3,479)	8,066	—
Total Transportation Services				
Total Unfunded Obligations				
Total Investments – United States				
		\$ (394,384)	\$ (306,610)	(0.12)%
		\$ 467,903,883	\$ 467,769,463	179.16%

\* Denotes that all or a portion of the investment is held as collateral by the CLO (see Note 7).

\*\* Denotes that all or a portion of the loan is held by Garrison SBIC.

(1) GLC Trust 2013-2 includes 3,731 small balance consumer loans with an average par of \$9,875, a weighted average rate of 15.6% and a weighted average maturity of February 6, 2018. See Note 4 for additional information.

(2) The negative fair value is the result of the unfunded commitment being valued below par. These amounts may or may not be funded to the borrowing party currently or in the future.

(3) Investment is currently in default, not income producing and placed on non-accrual status.

(4) Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(5) Coupon is payable in cash and/or PIK, or a combination thereof.

(6) See exhibit 99.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for detail on underlying loans.

(7)

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Net of incentive fee payable to a third party equal to 20% of any distribution after the Company has received its full net capital investment plus a 12% preferred return in GLC Trust 2013-2 and Prosper Marketplace Series B Preferred Stock.

All debt investments were income producing as of December 31, 2014, unless otherwise noted. Common and preferred equity investments are non-income producing unless otherwise noted.

See accompanying notes to consolidated financial statements.



## Garrison Capital Inc. and Subsidiaries

## Consolidated Statements of Operations (unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Investment income		
Interest income		
Non-Control/Non-Affiliate investments	\$ 12,958,057	\$ 10,098,080
Other income	520,776	335,998
Affiliate investments	-	462,080
Dividend income		
Affiliate investments	-	385,765
Total investment income	13,478,833	11,281,923
Expenses		
Interest expense	1,850,313	1,748,523
Management fee	1,989,544	1,957,781
Incentive fee	694,981	3,606,333
Professional fees	315,754	399,558
Directors' fees	106,236	93,205
Administrator expenses	241,647	205,235
Other expenses	552,801	382,712
Total expenses	5,751,276	8,393,347
Net investment income before excise taxes	7,727,557	2,888,576
Excise tax expense	(45,500 )	-
Net investment income	7,682,057	2,888,576
Realized and unrealized (loss)/gain on investments		
Net realized (loss)/gain from investments		
Non-Control/Non-Affiliate investments	(489,775 )	770,621
Affiliate investments	-	8,126,034
Net change in unrealized (loss)/gain from investments		
Non-Control/Non-Affiliate investments	(4,220,209 )	729,990
Affiliate investments	-	(1,838,734 )
Net realized and unrealized (loss)/gain on investments	(4,709,984 )	7,787,911
Net increase in net assets resulting from operations	\$ 2,972,073	\$ 10,676,487
Net investment income per common share	\$ 0.46	\$ 0.17
Net increase in net assets resulting from operations per common share	\$ 0.18	\$ 0.64
Basic weighted average common shares outstanding	16,758,779	16,758,779
Dividends and distributions declared per common share (1)	\$ 0.35	\$ 0.35

(1) Calculated using basic weighted average common shares outstanding.

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Statements of Changes in Net Assets (unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Increase in net assets from operations:		
Net investment income	\$7,682,057	\$2,888,576
Net realized (loss)/gain from investments	(489,775 )	8,896,655
Net change in unrealized (loss) on investments	(4,220,209 )	(1,108,744 )
Net increase in net assets from operations:	2,972,073	10,676,487
Dividends and distributions to stockholders:		
From net investment income (1)	(5,865,573 )	(5,865,573 )
Total dividends and distributions to stockholders	(5,865,573 )	(5,865,573 )
Total (decrease)/increase in net assets	(2,893,500 )	4,810,914
Net assets at beginning of period	261,102,068	254,080,598
Net assets at end of period	\$258,208,568	\$258,891,512
Net asset value per common share	\$15.41	\$15.45
Common shares outstanding at end of period	16,758,779	16,758,779
Undistributed net investment income included in net assets	\$1,816,484	\$(2,976,997 )

(1) Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal income tax regulations, which may differ from those amounts determined in accordance with U.S. GAAP.

See accompanying notes to consolidated financial statements.

## Garrison Capital Inc. and Subsidiaries

## Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations	\$2,972,073	\$10,676,487
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net accretion of discounts on investments	(437,070 )	(503,310 )
Net realized loss/(gain) from investments	489,775	(8,896,655 )
Amortization of discount on senior secured notes payable	78,504	17,019
Amortization of deferred debt issuance costs	195,064	169,525
Net change in unrealized loss on investments	4,220,209	1,108,744
Payment-in-kind interest	(431,753 )	(133,960 )
Purchases of investments	(35,755,729 )	(109,846,942 )
Paydowns of investments	47,672,625	67,607,521
Sales of investments	-	24,576,759
Changes in operating assets and liabilities:		
Decrease in cash and cash equivalents, restricted	5,776,630	15,537,117
(Increase) decrease in due from counterparties	(290,626 )	3,021,980
(Increase) in accrued interest receivable	(215,329 )	(117,528 )
(Increase) in deferred offering costs	(21,454 )	(60,348 )
Decrease in prepaid administrator fee	74,455	-
Decrease in other assets	71,230	73,718
(Decrease) increase in due to counterparties	(109,204 )	10,475,846
Increase in payables to affiliates	1,538,050	1,484,989
(Decrease) in interest payable on notes payable	(53,351 )	(875,185 )
Increase (decrease) in accrued expenses and other payables	56,449	(135,040 )
Net cash provided by operating activities	25,830,548	14,180,737
<b>Cash flows from financing activities</b>		
Distributions paid to stockholders	(5,865,573 )	(5,865,573 )
Repayment of senior secured revolving note	(9,500,000 )	-
Repayment of GLC Trust 2013-2 Class A Notes	(3,761,208 )	-
Net proceeds from GLC Trust 2013-2 revolving note	-	4,423,350
Net cash provided by (used in) financing activities	(19,126,781 )	(1,442,223 )
Net increase in cash and cash equivalents	6,703,767	12,738,514
Cash and cash equivalents at beginning of period	13,651,269	13,664,583
Cash and cash equivalents at end of period	\$20,355,036	\$26,403,097
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest expense	\$1,630,096	\$2,649,178

See accompanying notes to consolidated financial statements.



Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

1. Organization

Garrison Capital Inc. (“GARS” and, collectively with its subsidiaries, the “Company”, “we” or “our”) is a Delaware corporation and is an externally managed, closed-end, non-diversified management investment company that has filed an election to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, for tax purposes, GARS has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), for the period beginning October 9, 2012 and intends to qualify annually thereafter.

Garrison Capital LLC, a Delaware limited liability company, commenced operations on December 17, 2010. On October 9, 2012, Garrison Capital LLC converted from a Delaware limited liability company to a Delaware corporation (the “Conversion”). In this Conversion, Garrison Capital Inc. succeeded to the business of Garrison Capital LLC and its subsidiaries, and the members of Garrison Capital LLC became stockholders of GARS. An aggregate of 10,707,221 shares of common stock, par value \$0.001 per share, were issued to the members of GARS in this Conversion in accordance with their respective pro-rata membership interests in Garrison Capital LLC. As a result of a reverse stock split on February 25, 2013, which resulted in the conversion of one share of common stock into 0.9805106 shares of common stock (the “Reverse Stock Split”), all amounts related to shares/units, share/unit prices, earnings per share/per unit and distributions per share/unit have been retroactively restated for all periods presented. As a result, the 10,707,221 shares of common stock issued in the Conversion have been retroactively restated to 10,498,544.

GARS priced its initial public offering (“IPO”) on March 26, 2013, which closed on April 2, 2013, selling 6,133,334 shares, including 800,000 shares issued pursuant to the underwriters’ exercise of the over-allotment option, at a public offering price of \$15.00 per share. Concurrent with the closing of the IPO, the Company’s directors, officers, employees and an affiliate of Garrison Capital Advisers LLC, a Delaware limited liability company (the “Investment Adviser”), purchased an additional 126,901 shares through a private placement transaction (the “Concurrent Private Placement”) exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), at a price of \$15.00 per share. GARS’ shares trade on the NASDAQ Global Select Market, or NASDAQ, under the symbol “GARS”.

The Company invests or provides direct lending in (1) first lien senior secured loans, (2) second lien senior secured loans, (3) “one-stop” senior secured loans or “unitranche” loans, (4) subordinated or mezzanine loans, (5) unsecured consumer loans and (6) to a lesser extent, selected equity co-investments in middle-market companies. The term “one-stop” or “unitranche” refers to a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans. The term “mezzanine” refers to a loan that ranks senior only to a borrower’s equity securities and ranks junior in right of payment to all of such borrower’s other indebtedness. The Company’s investment objective is to generate current income and capital appreciation by investing primarily in secured loans to middle-market companies and minority equity investments in middle-market companies. The Company intends to generate risk-adjusted net returns by assembling a broad portfolio of investments.

The Company’s business and affairs are managed and controlled by the Company’s board of directors (the “Board”), of which a majority of the members are independent of the Company and the Investment Adviser and its affiliates.

On April 19, 2012, GARS formed Garrison Funding 2012-1 Manager LLC, a Delaware limited liability company (“GF 2012-1 Manager”). This entity is a wholly owned consolidated subsidiary of GARS created for the purpose of

acquiring and holding an investment in Garrison Funding 2012-1 LLC, a Delaware limited liability company (“GF 2012-1”). GARS formed GF 2012-1 for the purpose of acquiring or participating in U.S. dollar-denominated senior secured or second lien corporate loans and to acquire up to \$150,000,000 in financing. On September 23, 2013, in anticipation of refinancing the credit facility of GF 2012-1, GF 2012-1 Manager effectuated a name change to Garrison Funding 2013-2 Manager LLC (“GF 2013-2 Manager”).

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

1. Organization – (continued)

On May 21, 2012, GF 2012-1 entered into a \$150,000,000 credit facility (the “Credit Facility”), consisting of \$125,000,000 of term loans (“Class A-T Loans”) and \$25,000,000 of revolving loans (“Class A-R Loans”), which was utilized to refinance the GF 2010-1 Notes (as defined in Note 7).

On May 17, 2013, GARS formed GLC Trust 2013-2, a Delaware statutory trust (“GLC Trust 2013-2”). This entity is a wholly owned subsidiary of GARS created for the purpose of investing in a portfolio of small balance consumer loans. GLC Trust 2013-2 is 100% owned by GARS. GLC Trust 2013-2 closed on a \$10,000,000 revolving facility with Capital One Bank, N.A. on December 6, 2013 (“GLC Trust 2013-2 Revolver”). The GLC Trust 2013-2 Revolver included an accordion feature, such that GLC Trust 2013-2 was permitted to increase the total commitment up to \$15,000,000 under the terms of the loan agreement. GARS exercised this option on December 20, 2013.

On July 24, 2013, GARS formed Garrison Funding 2013-2 Ltd. (“GF 2013-2”), a Cayman Islands exempted company, for the purpose of refinancing the Credit Facility. On September 25, 2013 (the “Refinancing Date”), under Part XVI of the Cayman Islands Companies Law (2012 Revision), GF 2013-2 and GF 2012-1 merged with GF 2013-2 remaining as the surviving entity (the “Merger”). On the effective date of the Merger, all of the rights, the property, and the business, undertaking, goodwill, benefits, immunities and privileges of each individual company immediately vested in the surviving company.

On the Refinancing Date, GF 2013-2 completed a \$350,000,000 collateralized loan obligation (the “CLO”) through a private placement, the proceeds of which were utilized, along with cash on hand, to refinance the existing Credit Facility (see Note 7). Immediately following the completion of the CLO, GF 2013-2 Manager owned 100% of the Subordinated Notes (as defined below). GF 2013-2 Manager serves as collateral manager to GF 2013-2 and has entered into a sub-collateral management agreement with the Investment Adviser.

On July 11, 2014, GARS increased the GLC Trust 2013-2 Revolver total commitment by \$15,000,000, for a total commitment of \$30,000,000. On July 18, 2014, GARS completed a \$39,167,000 term debt securitization (“GLC Trust 2013-2 Notes”) collateralized by the GLC Trust 2013-2 consumer loan portfolio, to refinance the GLC Trust 2013-2 Revolver (see Note 7).

On August 15, 2013, Walnut Hill II LLC was formed for the purpose of holding a first lien equipment loan. Walnut Hill II LLC is 100% owned by GARS.

On May 29, 2014, Garrison Capital SBIC LP, which has an investment objective substantially similar to GARS was formed in accordance with SBIC regulations and to acquire up to \$150,000,000 in financing.

On July 7, 2014, Forest Park II LLC was formed for the purpose of holding first lien equipment loans. Forest Park II LLC is 100% owned by GARS.

GARS will periodically form limited liability companies for the purpose of holding minority equity investments (the “GARS Equity Holdings Entities”). GARS intends to form a new GARS Equity Holding Entity for each minority equity investment in order to provide specific tax treatment for individual investments. The GARS Equity Holdings Entities are 100% owned by GARS.



American Stock Transfer & Trust Company, LLC (“AST”) serves as the transfer and dividend paying agent and registrar to GARS.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

1. Organization – (continued)

GARS entered into an administration agreement, which was effective as of October 9, 2012 (the “Administration Agreement”), with Garrison Capital Administrator LLC, a Delaware limited liability company (the “GARS Administrator”).

GARS entered into an investment advisory agreement with the Investment Adviser, which was effective as of October 9, 2012, and subsequently amended and restated on May 6, 2014 (the “Investment Advisory Agreement”). The Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis subject to the supervision of the Board. The Investment Adviser was organized in November 2010 and is a registered Investment Adviser under the Investment Advisers Act of 1940, as amended. The Investment Adviser is an affiliate of Garrison Investment Group LP (the “Investment Manager”), which is also the investment manager of various stockholders of the Company.

GLC Trust 2013-2 has entered into agreements with Prosper Funding LLC, U.S. Bank National Association, Wilmington Trust, National Association and Manufacturers and Traders Trust Company to act as servicer, securities administrator, indenture trustee and custodian, respectively, for GLC Trust 2013-2.

2. Significant Accounting Policies and Recent Updates

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and the instructions to Form 10-Q and Articles 6 or 10 of Regulation S-X. The consolidated financial statements, including the notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments, consisting of only normal recurring items, so that the consolidated financial statements are presented fairly and that estimates made in preparing its consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related management’s discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The accounts of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Certain reclassifications have been made for previous periods in order to conform to the current period’s presentation.

Basis for Consolidation

Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, codified in Financial Accounting Standards

Board (“FASB”) Accounting Standards Codification, as amended (“ASC”), Topic 946, Financial Services — Investment Companies, the Company is precluded from consolidating any entity other than another investment company.

The Company generally consolidates any investment company when it owns 100% of its partners’ or members’ capital or equity units. ASC Topic 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

2. Significant Accounting Policies and Recent Updates – (continued)

GF 2013-2 Manager owns a 100% interest in GF 2013-2, which is an investment company for accounting purposes, and also provides collateral management services solely to GF 2013-2. As such, GARS has consolidated the accounts of these entities into these consolidated financial statements. As a result of this consolidation, the amounts outstanding under the CLO are treated as the Company's indebtedness.

The GARS Equity Holdings Entities, Walnut Hill II LLC, Forest Park II LLC and GLC Trust 2013-2 are 100% owned investment companies for accounting purposes. As such, GARS has consolidated the accounts of these entities into these consolidated financial statements. As a result of this consolidation, the amounts outstanding under the GLC Trust 2013-2 Notes are treated as the Company's indebtedness.

Investment Classification

As required by the 1940 Act, investments are classified by level of control. "Control Investments" are investments in those companies that the Company is deemed to control as defined in the 1940 Act. "Affiliate Investments" are investments in those companies that are affiliated companies, as defined in the 1940 Act, other than Control Investments. "Non-Control/Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments.

Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if it owns more than 25% of the voting securities of such company. The Company is deemed to be an affiliate of a company in which it has invested if it owns 5% or more of the voting securities of such company. As of both March 31, 2015 and December 31, 2014, all of the Company's investments were Non-Control/Non-Affiliate investments.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the consolidated financial statements, including the estimated fair values of investments and the amount of income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company defines cash equivalents as highly liquid financial instruments with original maturities of three months or less, including those held in overnight sweep bank deposit accounts. As of March 31, 2015 and December 31, 2014, cash held in designated bank accounts with its custodian was \$17,538,842 and \$7,635,552, respectively. As of March 31, 2015 and December 31, 2014, cash held in designated bank accounts with other major financial institutions was \$2,816,194 and \$6,015,717, respectively. At times, these balances may exceed federally insured limits and this potentially subjects the Company to a concentration of credit risk. The Company believes it is not exposed to any significant credit risk associated with its cash custodian.

As of both March 31, 2015 and December 31, 2014, the Company held no cash equivalents.

Cash and Cash Equivalents, Restricted

Restricted cash as of March 31, 2015 and December 31, 2014 included cash of \$6,558,092 and \$12,559,986, respectively, held by GF 2013-2 in designated bank accounts with its Custodian. GF 2013-2 is required to use a portion of these amounts to pay interest expense, reduce borrowings at the end of the investment period and to pay other amounts in accordance with the terms of the indenture of the CLO. Funds held by GF 2013-2 are not available for general use by the Company. Restricted cash as of March 31, 2015 and December 31, 2014 also included cash of \$1,925,291 and \$1,700,027, respectively, held by GLC Trust 2013-2 in designated restricted bank accounts. GLC Trust 2013-2 is required to use a portion of these amounts to make principal payments and pay interest expense in accordance with the terms of the indenture governing the GLC Trust 2013-2 Notes.

As of both March 31, 2015 and December 31, 2014, the Company held no restricted cash equivalents.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

Investment Transactions and Related Investment Income and Expense

The Company records its investment transactions on a trade date basis, which is the date when management has determined that all material legal terms have been contractually defined for the transactions. These transactions could possibly settle on a subsequent date depending on the transaction type. All related revenue and expenses attributable to these transactions are reflected on the consolidated statements of operations commencing on the trade date unless otherwise specified by the transaction documents. Realized gains and losses on investment transactions are recorded using the specific identification method.

The Company accrues interest income if it expects that ultimately it will be able to collect such income. Generally, when a payment default occurs on a loan in the portfolio, or if management otherwise believes that the issuer of the loan will not be able to make contractual interest payments or principal payments, the Investment Adviser will place the loan on non-accrual status and will cease recognizing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed to be collectible. However, the Company remains contractually entitled to this interest.

The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. For consumer loans, any loan that is 120 days past due is considered defaulted and 100% of the principal is charged off with no expected recovery or sale of defaulted receivables. For the three months ended March 31, 2015 and March 31, 2014, the Company had recognized \$769,758 and \$96,047, respectively, in charge offs in realized losses from investments for consumer loans held by GLC Trust 2013-2. The Company had no investments placed on non-accrual status as of March 31, 2015 and had one investment that was placed on non-accrual status as of December 31, 2014.

Any original issue discounts, as well as any other purchase discounts or premiums on debt investments, are accreted or amortized and included in interest income, over the maturity periods of the investments. If a loan is placed on non-accrual status, the Company will cease recognizing amortization of original issue discount and purchase discount until all principal and interest is current through payment or until a restructuring occurs, such that the income is deemed to be collectible.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected.

Interest Expense

Interest expense is recorded on an accrual basis and is adjusted for amortization of deferred debt issuance costs and any original issue discount.

Expenses

Expenses related to, but not limited to, ratings fees, due diligence, valuation expenses and independent collateral appraisals may arise when the Company makes certain investments. These expenses are recognized as incurred in the consolidated statements of operations within ratings fees and other expenses.



Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

2. Significant Accounting Policies and Recent Updates – (continued)

Loan Origination, Facility, Commitment and Amendment Fees

The Company may receive loan origination, prepayment, facility, commitment, and amendment fees in addition to interest income during the life of the investment. The Company may receive origination fees upon the origination of an investment.

Origination fees received by the Company are initially deferred and reduced from the cost basis of the investment and subsequently accreted into interest income over the remaining stated term of the loan.

Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts. Facility fees, sometimes referred to as asset management fees, are accrued as a percentage periodic fee on the base amount (either the funded facility amount or the committed principal amount). Commitment fees are based upon the undrawn portion committed by the Company and are accrued over the life of the loan.

Amendment fees are paid in connection with loan amendments and waivers and are recognized upon completion of the amendments or waivers, generally when such fees are receivable. Any such fees are included in interest income on the consolidated statements of operations.

Valuation of Investments

The Company values its investments in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, “ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value.

ASC 820’s definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value.

The Company’s portfolio consists of primarily debt investments and unsecured consumer loans. The fair value of the Company’s investments is initially determined by investment professionals of the Investment Adviser and ultimately determined by the Board on a quarterly basis. In valuing the Company’s debt investments, the Investment Adviser generally uses various approaches, including proprietary models that consider the analyses of independent valuation agents as well as credit risk, liquidity, market credit spreads, other applicable factors for similar transactions, bid quotations obtained from other financial institutions that trade in similar investments or based on bid prices provided by independent third-party pricing services.

The types of factors that the Board may take into account when reviewing the fair value initially derived by the Investment Adviser and determining the fair value of the Company’s debt investments generally include, as appropriate, comparison to publicly traded securities, including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors.



In valuing the Company's unsecured consumer loans, the Investment Adviser generally uses a discounted cash flow methodology based upon a set of assumptions. The primary assumptions used to value the unsecured consumer loans include prepayment and default rates derived from historical performance, actual performance as compared to historical projections and discount rate. The types of factors that the Board may take into account when reviewing the fair value initially derived by the Investment Adviser and determining the fair value of the Company's consumer loan investments generally include, as appropriate, prepayment and default rates derived from historical performance, actual performance as compared to historical projections and discount rates.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

2. Significant Accounting Policies and Recent Updates – (continued)

The Board has retained several independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period. To the extent a security is reviewed in a particular quarter, it is reviewed and valued by only one service provider.

However, the Board does not intend to have de minimis investments of less than 0.5% of the Company's total assets (up to an aggregate of 10.0% of the Company's total assets) independently reviewed.

The Board is responsible for determining the fair value of the Company's assets in good faith using a documented valuation policy and consistently applied valuation process.

Due to the nature of the Company's strategy, the Company's portfolio is primarily comprised of relatively illiquid investments that are privately held. Inputs into the determination of fair value of the Company's portfolio investments require significant management judgment or estimation. This means that the Company's portfolio valuations are based on unobservable inputs and the Investment Adviser's own assumptions about how market participants would price the asset or liability in question. Valuations of privately held investments are inherently uncertain and they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by the Board may differ materially from the values that would have been used if a ready market for these investments existed.

The valuation process is conducted at the end of each fiscal quarter, with a portion of the Company's valuations of portfolio companies without market quotations subject to review by the independent valuation firms each quarter. When an external event with respect to one of the Company's portfolio companies, such as a purchase transaction, public offering or subsequent equity sale occurs, we expect to use the pricing indicated by the external event to corroborate our valuation.

With respect to investments for which market quotations are not readily available, our Board will undertake a multi-step valuation process each quarter, as described below:

- The Company's valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Investment Adviser responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with our senior management and the Investment Adviser.
- The valuation committee of the Board reviews these preliminary valuations.
- At least once annually, the valuation for each portfolio investment that does not have a readily available quotation is reviewed by an independent valuation firm, subject to the de minimis exception described above.
- The Board discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith.

Net assets could be materially affected if the determinations regarding the fair value of the investments were materially higher or lower than the values that are ultimately realized upon the disposal of such investments.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

2. Significant Accounting Policies and Recent Updates – (continued)

Offering Costs

Deferred offering costs consist of fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity or debt offerings and are charged against proceeds from the offerings when received. As of March 31, 2015, \$335,472 of expenses associated with the shelf registration statement initially filed on April 3, 2014 (“Registration Statement”) were deferred and included in deferred offering costs. These amounts will be charged against proceeds from offerings of securities when received.

Dividends and Distributions

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

The Company adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if the Board authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not ‘opted out’ of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock acquired by AST through open-market purchases, rather than receiving the cash distribution. As of March 31, 2015, no new shares have been issued to fulfill the dividend reinvestment plan.

No action is required on the part of a registered stockholder to have its cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying AST in writing so that such notice is received by AST no later than the record date for distributions to stockholders. AST will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, AST will, instead of crediting shares to the participant’s account, issue a certificate registered in the participant’s name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends and other distributions in cash by notifying their broker or other financial intermediary of their election.

Income Taxes

Prior to the Conversion, Garrison Capital LLC was treated as a partnership for U.S. federal, state and local income tax purposes and, therefore, no provision has been made in the accompanying consolidated financial statements for federal, state or local income taxes. In accordance with the partnership tax law requirements, each partner would include their respective components of Garrison Capital LLC’s taxable profits or losses, as shown on their Schedule K-1s in their respective tax or information returns. GF 2013-2, GF 2013-2 Manager, the GARS Equity Holdings Entities, Walnut Hill II LLC and Forest Park II LLC are disregarded entities for tax purposes. GLC Trust 2013-2 is a

grantor trust for U.S. taxable income purposes, whereby the income reverts to GARS.

As discussed in Note 1, for tax purposes, GARS elected to be treated as a RIC under Subchapter M of the Code, for the period from the date of the Conversion, beginning October 9, 2012, and intends to qualify each taxable year for such treatment. Such election was made upon the filing of the Company's first tax return.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

2. Significant Accounting Policies and Recent Updates – (continued)

Accordingly, no provision for federal income tax was made in the consolidated financial statements for the three months ended March 31, 2015 or the year ended December 31, 2014.

Each taxable year, GARS intends to comply with all RIC qualification provisions contained in the Code including certain source-of-income and asset diversification requirements, as well as distribution requirements to our stockholders equal to at least 90% of “investment company taxable income”. “Investment company taxable income” is generally defined as net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses. As a RIC, GARS generally does not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that it distributes to its stockholders in a timely manner. However, GARS is subject to U.S. federal income taxes at regular corporate tax rates on any net ordinary income or net capital gain not distributed to its stockholders assuming at least 90% of its investment company taxable income is distributed timely.

Depending on the level of taxable income earned in a tax year, the Company may choose to retain taxable income in excess of current year dividend distributions, and would distribute such taxable income in the next tax year. The Company would then pay a 4% excise tax on such taxable income, as required. To the extent that the Company determines that its estimated current year annual taxable income, determined on a calendar basis, could exceed estimated current calendar year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three months ended March 31, 2015, \$45,500 was recorded for U.S. federal excise tax.

In addition, GARS has certain wholly-owned taxable subsidiaries (the “Taxable Subsidiaries”), each of which holds a portion of one or more of our portfolio investments that are listed on the Consolidated Schedule of Investments. The Taxable Subsidiaries are consolidated for financial reporting purposes in accordance with GAAP, so that our consolidated financial statements reflect our investments in the portfolio companies owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is, among other things, to permit GARS to hold certain interests in portfolio companies that are organized as limited liability companies (“LLCs”) (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90.0% of the RIC’s gross income for federal income tax purposes must consist of qualifying investment income. Absent the Taxable Subsidiaries, a proportionate amount of any gross income of an LLC (or other pass-through entity) portfolio investment would flow through directly to the RIC. To the extent that such income did not consist of investment income, it could jeopardize GARS ability to qualify as a RIC and therefore cause GARS to incur significant amounts of corporate-level U.S. federal income taxes. Where interests in LLCs (or other pass-through entities) are owned by the Taxable Subsidiaries, however, the income from such interests is taxed to the Taxable Subsidiaries and does not flow through to the RIC, thereby helping GARS preserve its RIC status and resultant tax advantages. The Taxable Subsidiaries are not consolidated for U.S. federal income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies.

Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal tax regulations, which may differ from amounts determined in accordance with U.S. GAAP and those differences could be material. These book-to-tax differences are either temporary or permanent in nature. Reclassifications due to permanent differences have no impact on net assets. The below were reclassifications made due to permanent differences for the tax year ended December 31, 2014:

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Accumulated Net Investment Income/(Loss)	\$ (1,101,785)
Accumulated Net Realized Gain/(Loss)	1,165,035
Paid-In Capital	\$ (63,250)

The permanent book-to-tax differences arose primarily due to the tax classification of certain short-term capital losses and the accrual of nondeductible U.S. federal excise taxes.

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 2. Significant Accounting Policies and Recent Updates – (continued)

Taxable income differs from the net increase (decrease) in net assets resulting from operations primarily due to the exclusion of unrealized gain (loss) on investments from taxable income until they are realized, book-to-tax temporary differences related to the deductibility of accrued Incentive Fees payable to the Investment Adviser attributable to unrealized gain (loss) on investments, book-to-tax temporary differences on taxable income inclusions of investment income earned on certain securities that was accrued for tax but not for U.S. GAAP, and book-to-tax temporary differences related to utilization of net capital gain loss carryforwards from prior years.

The following table reconciles net increase in net assets resulting from operations to taxable income for tax year ended December 31, 2014:

	December 31, 2014
Net Increase in Net Assets Resulting from Operations	\$ 30,483,760
Net Change in Unrealized Gain/(Loss) on Investments	2,227,448
Permanent Book-to-Tax Differences	63,250
Temporary Book-to-Tax Differences	(3,663,853)
Taxable Income Before Deductions for Distribution	\$ 29,110,605

As of December 31, 2014, the accumulated earnings/(deficit) on a tax basis is:

	December 31, 2014
Undistributed ordinary income	\$ 5,648,315
Accumulated capital gain and other gains/(losses)	—
Unrealized (loss) on investments	(2,303,915)
Total accumulated earnings/(deficit)	\$ 3,344,400

The tax character of all distributions paid for the year ended December 31, 2014 in the amount of \$23,462,290 was ordinary income. As of December 31, 2014, the components of accumulated losses on a tax basis, as detailed below, differ from the amounts reflected per GARS' consolidated statement of assets and liabilities by temporary book-to-tax differences arising from book-to-tax differences related to the deductibility of accrued Incentive Fees payable to the Investment Adviser attributable to unrealized gain (loss) on investments and book-to-tax differences on taxable income inclusions of investment income earned on certain securities that was accrued for tax but not for U.S. GAAP.

Other temporary differences	\$ (2,169,496)
Unrealized (loss)	(134,419)
Total Components of Unrealized Income	\$ (2,303,915)

As of December 31, 2014, the federal income tax basis of investments was \$467,903,883 resulting in net unrealized loss of \$704,823.



The Company is required to determine whether a tax position of the Company is more likely-than-not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that could negatively impact the Company's net assets.

U.S. GAAP provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

The Company has concluded that it was not necessary to record a liability for any such tax positions as of March 31, 2015 and December 31, 2014. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including ongoing analyses of, and changes to, tax laws, regulations and interpretations thereof.

The Company's activities from commencement of operations remain subject to examination by U.S. federal, state, and local tax authorities. No interest expense or penalties have been assessed as of March 31, 2015 and December 31, 2014.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

2. Significant Accounting Policies and Recent Updates – (continued)

If the Company were required to recognize interest and penalties, if any, related to unrecognized tax benefits this would be recognized as income tax expense in the consolidated statement of operations

As of December 31, 2014, the Company had post-enactment long-term capital loss carryforwards of \$0.

Recent Accounting Pronouncements

In January 2015, the FASB issued ASU 2015-01, Income Statement – Extraordinary and Unusual Items (Topic 225) which eliminates the concept of extraordinary items from GAAP. This guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect ASU 2015-01 to have a material impact on the Company's consolidated financial position or disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis containing new guidance for assessing whether to consolidate certain legal entities including limited partnerships and other similar legal entities. This guidance is effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted. The Company does not expect ASU 2015-02 to have a material impact on the Company's consolidated financial position or disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the new guidance. This guidance is effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the impact of ASU 2015-03 on the Company's consolidated financial position and disclosures.

3. Investments

The Company's investments include debt investments (both funded and unfunded, "Debt Investments"), preferred and minority equity investments ("Equity") of diversified companies and a portfolio of unsecured small balance consumer loans ("Financial Assets").

These financial instruments also may be purchased indirectly through an interest in a limited partnership or a limited liability company. Certain of the risks of investing in the financial instruments of a distressed borrower or a company are discussed herein.

The Company may invest in assets for which the underlying borrower or companies are experiencing various forms of financial, operational, legal, and/or other distress or impairment, including companies involved in bankruptcy or other reorganization or liquidation proceedings, and those which might become involved in such proceedings. Through investing in these assets, the Company is exposed to credit risk relating to whether the borrower will meet its obligation to pay when it comes due until the investments are sold or mature. Any investment in a distressed company

may involve special risks.

The Company's transactions in Debt Investments are normally secured financings that are collateralized by physical assets and/or the enterprise value of the borrower. This collateral, and the Company's rights to this collateral, are different depending on the specific transaction and are defined by the legal documents agreed to in the transaction.

The terms of the Debt Investments may require the Company to extend to a borrower additional credit or provide funding for any unfunded portion of such Debt Investments at the request of the borrower. This exposes the Company to potential liabilities that are not reflected on the consolidated statements of financial condition. As of March 31, 2015 and December 31, 2014, the Company had \$17,310,827 and \$18,180,287 of unfunded obligations with a fair value of \$(341,090) and \$(306,610), respectively. The negative fair value is the result of the unfunded commitment being valued below par. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of March 31, 2015 and December 31, 2014, respectively, subject to the terms of each loan's respective credit agreement.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

3. Investments – (continued)

There is no central clearinghouse for the Company's Debt Investments, Equity or Financial Assets, nor is there a central depository for custody of any such interests. The processes by which these interests are cleared, settled and held in custody are individually negotiated between the parties to the transaction. This subjects the Company to operational risk to the extent that there are delays and failures in these processes. The Custodian maintains records of the investments owned by the Company.

4. Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities which qualify as financial instruments approximate the carrying amounts presented in the consolidated statements of financial condition.

U.S. GAAP requires enhanced disclosures about investments that are measured and reported on a fair value basis. Under U.S. GAAP, 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.

Further, the guidance distinguishes between inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs). Various inputs are used in determining the values of the Company's investments and these inputs are categorized as of each valuation date.

The inputs are summarized in three broad hierarchies listed below:

- Level 1 — quoted unadjusted prices in active markets for identical investments as of the reporting date.
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.).
- Level 3 — significant unobservable inputs (including the reporting entity's own assumptions about the assumptions market participants would use in determining the fair values of investments or indicative bid prices from unaffiliated market makers or independent third party pricing services).

Fair value of publicly traded instruments is generally based on quoted market prices. Fair value of non-publicly traded instruments, and of publicly traded instruments for which quoted market prices are not readily available, may be determined based on other relevant factors, including bid quotations from unaffiliated market makers or independent third-party pricing services, the price activity of comparable instruments and valuation pricing models.

For those investments valued using quotations, the bid price is generally used, unless the Company determines that it is not representative of an exit price. To the extent observable market data is available, such information may be the

result of consensus pricing information or broker quotes. Due to the fact that the significant inputs used by the contributors of the consensus pricing source or the broker are unobservable and evidence with respect to trading levels is not available, any investments valued using indicative bid prices from unaffiliated market makers and independent third-party pricing services have been classified within Level 3.

Investments classified as Level 3 may be fair valued using the income and market approaches, using a market yield valuation methodology or enterprise value methodology.

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 4. Fair Value of Financial Instruments – (continued)

Factors that could affect fair value measurements of debt investments using the above referenced approaches include assumed growth rates, capitalization rates, discount rates, loan-to-value ratios, liquidation value, relative capital structure priority, market comparables, compliance with applicable loan, covenant and interest coverage performance, book value, market derived multiples, reserve valuation, assessment of credit ratings of an underlying borrower, review of ongoing performance, review of financial projections as compared to actual performance, review of interest rate and yield risk.

Factors that could affect fair value measurements of consumer loans using the above referenced approaches include prepayment rates, default rates, review of financial projections as compared to actual performance and discount rates.

Such factors may be given different weighting depending on management's assessment of the underlying investment, and management may analyze apparently comparable investments in different ways. The Company has used, and intends to continue to use, independent valuation firms to provide additional corroboration for estimating the fair values of investments. Valuations performed by the independent valuation firms may utilize proprietary models and inputs. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

All of the Company's investments (other than cash and cash equivalents) are classified as Level 3 under ASC 820.

The following table summarizes the valuation of the Company's investments measured at fair value based on the fair value hierarchy detailed above as of March 31, 2015 and December 31, 2014:

	As of March 31, 2015				Total
	Level 1	Level 2	Level 3		
Senior Secured (1)	\$ —	\$ —	\$ 387,768,074	\$ 387,768,074	
Second Lien	—	—	13,640,868	13,640,868	
Mezzanine	—	—	7,398,143	7,398,143	
Subordinated	—	—	4,066,554	4,066,554	
Preferred Equity Investments	—	—	6,512,540	6,512,540	
Common Equity Investments	—	—	1,379,521	1,379,521	
Financial Assets	—	—	31,245,706	31,245,706	
	\$ —	\$ —	\$ 452,011,406	\$ 452,011,406	

(1) Includes unfunded obligations with a fair value of \$(341,090).

	As of December 31, 2014			Total
	Level 1	Level 2	Level 3	
Senior Secured (1)	\$ —	\$ —	\$ 399,188,829	\$ 399,188,829
Second Lien	—	—	13,652,140	13,652,140
Mezzanine	—	—	7,361,336	7,361,336

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Subordinated	—	—	4,066,554	4,066,554
Preferred Equity Investments	—	—	5,791,276	5,791,276
Common Equity Investments	—	—	1,379,521	1,379,521
Financial Assets	—	—	36,329,807	36,329,807
	\$	—\$	—\$ 467,769,463	\$ 467,769,463

(1) Includes unfunded obligations with a fair value of \$(306,610).

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 4. Fair Value of Financial Instruments – (continued)

The net change in unrealized (loss)/gain for the three months ended March 31, 2015 and March 31, 2014 reported within the net change in unrealized (loss)/gain on investments in the Company's consolidated statements of operations attributable to the Company's Level 3 assets was \$(4,220,209) and \$(1,108,744), respectively.

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the three months ended March 31, 2015:

	Three Months Ended March 31, 2015							Total
	Senior Secured Investments	Second Lien Investments	Mezzanine Investments	Subordinated Investments	Preferred Equity Investments	Common Equity Investments	Financial Assets	
Fair value, beginning of period	\$399,188,829	\$13,652,140	\$7,361,336	\$4,066,554	\$5,791,276	\$1,379,521	\$36,329,807	\$467,375,413
Total net realized and unrealized gain/(loss) on investments	(4,625,192 )	(11,439 )	(6,427 )	-	721,264	-	(788,190 )	(4,709,734 )
Total net accretion of discounts on investments	409,971	20,672	6,427	-	-	-	-	437,070
Purchases/Issuances	36,150,675	-	36,807	-	-	-	-	36,187,482
Sales	-	-	-	-	-	-	-	-
Paydowns	(43,356,209 )	(20,505 )	-	-	-	-	(4,295,911 )	(47,952,625 )
Fair value, end of period	\$387,768,074	\$13,640,868	\$7,398,143	\$4,066,554	\$6,512,540	\$1,379,521	\$31,245,706	\$452,011,396
Net change in unrealized gain/(loss) on investments in our Consolidated Statement of Operations attributable to our Level 3 assets	\$(4,510,422 )	\$(11,439 )	\$(6,427 )	\$-	\$721,264	\$-	\$(18,431 )	\$(3,805,035 )

There were no transfers of investments between levels by the Company for the three months ended March 31, 2015.

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the three months ended March 31, 2014:

Senior	Three Months Ended March 31, 2014	
	Real Estate	



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	Secured Investments	Second Lien Investments	Mezzanine Investments	Loan Investments	Preferred Equity Investments	Common Equity Investments	Finan Asse
Fair value, beginning of period	\$ 382,888,163	\$ 13,680,535	\$ 7,080,998	\$ —	\$ 5,453,182	\$ 3,090,475	\$ 16,888,
Transfers into Level 3 (1)	—	4,916,653	—	—	—	—	—
Transfers out of Level 3 (1)	(4,916,653)	—	—	—	—	—	—
Total net realized and unrealized gain/(loss) on investments	1,386,275	166,656	126,512	(1,141)	429,434	5,844,699	(164,
Total net accretion of discounts on investments	451,857	14,088	6,427	30,939	—	—	—
Purchases/Issuances	85,910,767	5,022,942	36,070	9,834,722	—	—	9,176,
Sales	(11,756,903)	—	—	—	(4,882,616)	(7,937,240)	—
Paydowns	(65,939,312)	(6,750)	—	—	—	—	(1,661,
Fair value, end of period	\$ 388,024,194	\$ 23,794,124	\$ 7,250,007	9,864,520	\$ 1,000,000	\$ 997,934	\$ 24,238,
Net change in unrealized gain/(loss) on investments in our Consolidated Statement of Operations attributable to our Level 3 assets still held at reporting date	\$ 585,676	\$ 166,656	\$ 126,512	(1,141)	\$ —	\$ 45,238	\$ (68,

(1) Transfers into or out of Level 1, 2 or 3 are recognized at the reporting date. There were no transfers of investments between levels by the Company for the three months ended March 31, 2014.

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 4. Fair Value of Financial Instruments – (continued)

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value at March 31, 2015:

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at March 31, 2015	Valuation Technique	Unobservable Input	Range Low High	Weighted Average
Senior Secured Investments (1)	387,768,074	Comparable yield approach	Market rate (2)	3.9% 21.0%	11.0%
		Market comparable companies	EBITDA multiple (5)	1.9x 15.6x	6.1x
Second Lien Investments	13,640,868	Comparable yield approach	Market rate (2)	6.7% 11.4%	10.1%
		Market comparable companies	EBITDA multiple (5)	5.0x 9.3x	8.1x
Mezzanine Investments	7,398,143	Comparable yield approach	Market rate (2)	16.0% 16.0%	16.0%
		Market comparable companies	EBITDA multiple (5)	5.0x 5.0x	5.0x
Subordinated Investments	4,066,554	Market comparable companies	EBITDA multiple (5)	4.1x 4.1x	4.1x
Equity Investments (3)	7,892,061	Market comparable companies	EBITDA multiple (5)	5.0x 7.0x	5.6x
		Market comparable companies	Origination fees multiple	20.0x 20.0x	20.0x

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Financial Assets (4)	31,245,706	Discounted cash flows	Interest rate	10.3%	31.3%	15.7%
			Conditional prepayment rate ("CPR")	18.5%	83.6%	43.5%
			Constant default rate ("CDR")	6.5%	33.0%	14.7%
			Discount rate	8.3%	8.3%	8.3%
Total	\$ 452,011,406					

- (1) Includes total unfunded obligations with a fair value of \$(341,090).
- (2) Market rate is calculated based on the fair value of the investments and interest expected to be received using the current rate of interest at the balance sheet date to maturity, excluding the effects of future scheduled principal amortizations.
- (3) Includes preferred and common equity.
- (4) Financial Assets are aggregated by the level of risk associated with the underlying loan, measured by the estimated loss rate. The estimated loss rate is based on the historical performance of loans with similar characteristics, the borrower's credit score obtained from an official credit reporting agency at origination, debt-to-income ratios at origination, information from the borrower's credit report at origination, as well as the borrower's self-reported income range, occupation and employment status at origination. Financial Asset risk ratings are assigned on a scale from A through F, with A having the lowest level of risk and F having the highest level of risk. As of March 31, 2015, 25.9%, 30.7%, 31.9%, 7.6%, 3.5% and 0.4% of the total fair value of Financial Assets was comprised of A, B, C, D, E and F risk rated loans, respectively. See exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 for detail on underlying loans.
- (5) Excludes non-operating portfolio companies, which we define as those with loans collateralized by real estate or other hard assets.

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 4. Fair Value of Financial Instruments – (continued)

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value at December 31, 2014:

	Fair Value at December 31, 2014	Quantitative Information about Level 3 Fair Value Measurements		
		Valuation Technique	Unobservable Input	Lo
Senior Secured Investments (1)	\$ 399,188,829	Comparable yield approach	Market rate (2)	3.
		Market comparable companies	EBITDA multiple (4)	1
Second Lien Investments	13,652,140	Comparable yield approach	Market rate (2)	6.
		Market comparable companies	EBITDA multiple (4)	5
Mezzanine Investments	7,361,336	Comparable yield approach	Market rate (2)	14.
		Market comparable companies	EBITDA multiple (4)	5
Subordinated Investments	4,066,554	Market comparable companies	EBITDA multiple (4)	5
Equity Investments (2)	7,170,797	Market comparable companies	EBITDA multiple (4)	5
		Market comparable companies	Origination fees multiple	20
Financial Assets (3)	36,329,807	Discounted cash flows	Interest rate	10.
			Conditional prepayment rate (“CPR”)	18.
			Constant default rate (“CDR”)	6.
			Discount rate	8.
Total	\$ 467,769,463			

(1) Includes total unfunded obligations with fair value of \$(306,610).

(2) Market rate is calculated based on the fair value of the investments and interest expected to be received using the current rate of interest at the balance sheet date to maturity, excluding the effects of future scheduled principal amortizations.

(3) Financial Assets are aggregated by the level of risk associated with the underlying loan, measured by the estimated loss rate. The estimated loss rate is based on the historical performance of loans with similar characteristics, the borrower’s credit score obtained from an official credit reporting agency at origination,

debt-to-income ratios at origination, information from the borrower's credit report at origination, as well as the borrower's self-reported income range, occupation and employment status at origination. Financial Asset risk ratings are assigned on a scale from A through F, with A having the lowest level of risk and F having the highest level of risk. As of December 31, 2014, 26.0%, 30.2%, 31.8%, 7.7%, 3.8% and 0.5% of the total fair value of Financial Assets was comprised of A, B, C, D, E and F risk rated loans, respectively. See exhibit 99.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for detail on underlying loans.

(4) Excludes non-operating portfolio companies, which we define as those with loans collateralized by real estate or other hard assets.

Significant unobservable inputs used in the fair value measurement of the reporting entity's Debt Investments include indicative bid quotations obtained from independent third party pricing services ("consensus pricing"), multiples of market comparable companies, and relative comparable yields

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 4. Fair Value of Financial Instruments – (continued)

Significant decreases (increases) in consensus pricing or market comparables could result in significantly lower (higher) fair value measurements. Significant increases (decreases) in comparable yields could result in significantly lower (higher) fair value measurements. Generally, a change in the assumption used for relative comparable yields is accompanied by a directionally opposite change in the assumptions used for pricing.

Significant unobservable inputs used in the fair value measurement of the reporting entity's Equity Investments include market comparables. Significant decreases (increases) in market comparables could result in significantly lower (higher) fair value measurements.

Significant unobservable inputs used in the fair value measurement of the reporting entity's Financial Assets include interest rate, prepayment rate, unit loss rate and discount rate.

Significant decreases (increases) in interest rates or prepayment rates could result in significantly lower (higher) fair value measurements. Significant increases (decreases) in unit loss rates or discount rates could result in significantly lower (higher) fair value measurements.

The composition of the Company's portfolio by industry at cost and fair value as of March 31, 2015 was as follows:

Industry	Cost of Investments		Fair Value of Investments		
Miscellaneous Manufacturing	\$95,798,759	21.1	% \$93,124,983	20.5	%
Miscellaneous Services	62,491,028	13.7	58,224,163	12.9	
Health Services	52,208,721	11.4	49,895,027	11.0	
Consumer Finance Services	42,015,634	9.2	47,301,492	10.5	
Miscellaneous Retail	22,388,679	4.9	22,638,916	5.0	
Chemicals	18,879,056	4.1	19,018,274	4.2	
Food Stores - Retail	18,441,760	4.0	18,623,941	4.1	
Automotive	17,236,979	3.8	17,336,895	3.8	
Transportation Services	17,481,749	3.8	16,286,620	3.6	
Insurance Agents	16,136,078	3.5	16,106,467	3.6	
Communications	15,543,792	3.4	15,720,310	3.5	
Apparel Products	10,340,168	2.3	10,340,053	2.3	
Electrical Equipment	10,339,816	2.3	10,339,700	2.3	
Printing & Publishing	10,281,185	2.3	10,281,070	2.3	
Building & Real Estate	10,189,199	2.2	10,189,086	2.3	
Specialty Services	9,983,489	2.2	9,983,430	2.2	
Broadcasting & Entertainment	9,826,641	2.2	9,826,554	2.2	
Oil & Gas	9,787,153	2.1	9,786,925	2.2	
Restaurants	6,987,500	1.5	6,987,500	1.5	
<b>Total</b>	<b>\$456,357,386</b>	<b>100.0</b>	<b>% \$452,011,406</b>	<b>100.0</b>	<b>%</b>

Refer to the consolidated schedule of investments for detailed disaggregation of the Company's investments.



## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 4. Fair Value of Financial Instruments – (continued)

The composition of the Company's portfolio by industry at cost and fair value as of December 31, 2014 was as follows:

Industry	Cost of Investments		Fair Value of Investments	
Miscellaneous Manufacturing	\$ 85,907,977	18.4%	\$ 83,839,078	17.9%
Miscellaneous Services	67,126,051	14.3	65,403,930	14.0
Consumer Finance Services	48,119,013	10.3	52,580,109	11.2
Health Services	47,189,920	10.1	46,537,536	9.9
Transportation Services	28,416,509	6.1	27,632,673	5.9
Miscellaneous Retail	22,444,469	4.8	22,551,302	4.8
Chemicals	18,925,806	4.0	19,073,797	4.1
Food Stores – Retail	18,556,111	4.0	18,636,449	4.0
Automotive	17,318,944	3.7	17,425,287	3.7
Insurance Agents	15,985,384	3.4	15,988,400	3.4
Communications	15,575,536	3.3	15,763,563	3.4
Restaurants	11,612,500	2.5	11,612,500	2.5
Electrical Equipment	10,378,697	2.2	10,378,581	2.2
Apparel Products	10,329,830	2.2	10,329,715	2.2
Printing & Publishing	10,296,573	2.2	10,296,458	2.2
Building & Real Estate	10,178,978	2.2	10,178,864	2.2
Specialty Services	9,928,454	2.1	9,928,394	2.1
Broadcasting & Entertainment	9,846,496	2.1	9,846,420	2.1
Oil & Gas	9,766,635	2.1	9,766,407	2.2
Total	\$ 467,903,883	100.0%	\$ 467,769,463	100.0%

Refer to the consolidated schedule of investments for detailed disaggregation of the Company's investments.

## 5. Indemnifications

In the normal course of business, the Company enters into certain contracts that provide a variety of indemnifications. The Company's maximum exposure under these indemnifications is unknown. However, no liabilities have arisen under these indemnifications in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, the Company does not consider it necessary to record a liability for any indemnifications under U.S. GAAP.

## 6. Due To and Due From Counterparties

The Company executes investment transactions with agents, brokers, investment companies, agent banks and other financial institutions. Due to and due from counterparties include amounts related to unsettled purchase and sale transactions of investments and principal paydowns receivable from the borrowers.



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Amounts due to counterparties were \$0 and \$109,204 as of March 31, 2015 and December 31, 2014, respectively. Amounts due from counterparties as of March 31, 2015 and December 31, 2014 were \$1,905,751 and \$1,615,125, respectively.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

7. Financing

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing (other than the SBA debentures of an SBIC subsidiary, as permitted by exemptive relief the Company has been granted by the SEC). As of March 31, 2015 and December 31, 2014, the Company's asset coverage for borrowed amounts was 212.9% and 207.8%, respectively.

On November 5, 2010, GF 2010-1 completed a \$300,000,000 collateralized loan securitization. GF 2010-1 was the borrower under a collateralized loan obligation facility (the "CLO Facility") which was refinanced, as further described below. The CLO Facility consisted of senior secured notes (collectively, the "GF 2010-1 Notes").

On May 21, 2012, GF 2012-1, the Company's wholly-owned indirect subsidiary, entered into the Credit Facility in an aggregate principal amount of \$150,000,000, consisting of \$125,000,000 of term loans Class A-T Loans and \$25,000,000 of revolving loans Class A-R Loans (collectively, the "GF 2012-1 Loans") which was utilized, along with cash on hand of GF 2010-1 and Garrison Capital LLC, to redeem the existing GF 2010-1 Notes. On June 5, 2013, GF 2012-1 entered into an agreement to increase the size of the Credit Facility from \$150,000,000 to \$175,000,000, consisting of \$125,000,000 of Class A-T loans and \$50,000,000 of Class A-R loans. All other terms of the Credit Facility remained unchanged.

In connection with the execution of the Credit Facility and the redemption of the GF 2010-1 Notes in accordance with the indenture governing such notes, a majority of the loans and other assets owned or financed under such indenture were sold or contributed to GF 2012-1 as collateral for the Credit Facility.

On the Refinancing Date, GF 2013-2 completed the CLO through a private placement of (1) \$50,000,000 of AAA(sf) rated Class A-1R revolving notes ("Class A-1R Notes"), which bear interest at either the CP Rate (as defined in the indenture governing the CLO) or the London Interbank Offered Rate ("LIBOR") plus 1.90%; (2) \$111,175,000 of AAA(sf) rated Class A-1T notes ("Class A-1T Notes"), which bear interest at three-month LIBOR plus 1.80%; (3) \$24,150,000 of AA(sf) rated Class A-2 notes ("Class A-2 Notes" and collectively with the Class A-1R Notes and the Class A-1T Notes, the "Class A Notes"), which bear interest at three-month LIBOR plus 3.40%; (4) \$25,025,000 of A(sf) rated Class B notes ("Class B Notes"), which bear interest at three-month LIBOR plus 4.65%; (5) \$13,650,000 of Class C notes (not rated) ("Class C Notes" and collectively with the Class A Notes and Class B Notes, the "Secured Notes"), which bear interest at three-month LIBOR plus 5.50%; and (6) \$126,000,000 of subordinated notes ("Subordinated Notes" and collectively with the Class A Notes, Class B Notes and Class C Notes, the "GF 2013-2 Notes"), which do not have a stated interest rate, the proceeds of which were utilized, along with cash on hand, to refinance the existing Credit Facility. All of the GF 2013-2 Notes are scheduled to mature on September 25, 2023. As of March 31, 2015, GARS had retained 100% of the Class C Notes, which are eliminated in consolidation. The Subordinated Notes represent the residual interest in GF 2013-2. Immediately following the completion of the CLO, GF 2013-2 Manager owned 100% of the Subordinated Notes, which are eliminated in consolidation.

GLC Trust 2013-2 entered into a \$10,000,000 revolving facility with Capital One Bank, NA on December 6, 2013. The revolving facility included an accordion feature, such that GLC Trust 2013-2 was permitted to increase the total commitment up to \$15,000,000 under the terms of the loan agreement. GLC Trust 2013-2 exercised this option on December 20, 2013.

On July 11, 2014, GARS increased the GLC Trust 2013-2 Revolver commitment by \$15,000,000, for a total commitment of \$30,000,000. On July 18, 2014, GARS completed a \$39,167,000 million term debt securitization collateralized by the GLC Trust 2013-2 consumer loan portfolio (“GLC Trust 2013-2 Securitization”).

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 7. Financing – (continued)

The notes offered in the GLC Trust 2013-2 Securitization were issued by GLC Trust 2013-2 and consisted of \$36,916,000 of Class A Notes (“GLC Trust 2013-2 Class A Notes”) and \$2,251,000 of Class B Notes (“GLC Trust 2013-2 Class B Notes”, and collectively with the GLC Trust 2013-2 Class A Notes, the “GLC Trust 2013-2 Notes”). As of December 31, 2014, GARS has retained all of the Class B Notes, which are eliminated in consolidation. The GLC Trust 2013-2 Class A Notes bear interest at 3.00% per annum and are scheduled to mature on July 15, 2021. The proceeds of the GLC Trust 2013-2 Notes were used to refinance the GLC Trust 2013-2 Revolver, which was fully paid down and terminated concurrent with the issuance of the GLC Trust 2013-2 Notes.

Fees paid as part of the execution of the Credit Facility, the refinance of the Credit Facility and the execution of the CLO in the amount of \$6,154,758 consisted of facility fees of \$4,280,250 and other costs of \$1,874,508, which included rating agency fees and legal fees. Fees paid as part of the execution of the GLC Trust 2013-2 Securitization in the amount of \$365,100 consisted of legal and other fees. These costs are included in deferred debt issuance costs on the consolidated statements of financial condition and will be amortized over the stated maturity of the respective loans, with \$4,223,171 and \$4,418,235 of deferred debt issuance costs remaining as of March 31, 2015 and December 31, 2014, respectively.

The table below shows the notes outstanding under the CLO and the GLC Trust 2013-2 Notes as of March 31, 2015:

March 31, 2015	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Stated Maturity
<b>Class A-1R Notes:</b>				
Class A-1R Notes	\$ 40,500,000	\$ 40,500,000	CP Rate or LIBOR + 1.90%	9/25/2023
<b>Class A-1T Notes:</b>				
Class A-1T Notes	110,797,516	111,175,000	LIBOR + 1.80%	9/25/2023
<b>Class A-2 Notes:</b>				
Class A-2 Notes	24,047,501	24,150,000	LIBOR + 3.40%	9/25/2023
<b>Class B Notes:</b>				
Class B Notes	24,918,788	25,025,000	LIBOR + 4.65%	9/25/2023
<b>GLC Trust 2013-2 Class A Notes:</b>				
Class A Notes	26,812,990	27,148,733	3.00%	7/15/2021
	\$ 227,076,795	\$ 227,998,733		

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 7. Financing – (continued)

The table below shows the notes outstanding under the CLO and the GLC Trust 2013-2 Notes as of December 31, 2014:

December 31, 2014	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Stated Maturity
<b>Class A-1R Notes:</b>				
Class A-1R Notes	\$ 50,000,000	\$ 50,000,000	CP Rate or LIBOR + 1.90%	9/25/2023
<b>Class A-1T Notes:</b>				
Class A-1T Notes	110,786,557	111,175,000	LIBOR + 1.80%	9/25/2023
<b>Class A-2 Notes:</b>				
Class A-2 Notes	24,044,526	24,150,000	LIBOR + 3.40%	9/25/2023
<b>Class B Notes:</b>				
Class B Notes	24,915,704	25,025,000	LIBOR + 4.65%	9/25/2023
<b>GLC Trust 2013-2 Class A Notes:</b>				
Class A Notes	30,512,712	30,909,941	3.00%	7/15/2021
	\$ 240,259,499	\$ 241,259,941		

At March 31, 2015 and December 31, 2014, \$9.5 million and \$0, respectively, of the Class A-1R Notes remained undrawn. The Class A-1R Notes bear a 1.00% annual fee on undrawn amounts.

The fair value of the GF 2013-2 Notes and GLC Trust 2013-2 Notes approximated the carrying value on the consolidated statements of financial condition as of March 31, 2015 and December 31, 2014, respectively.

The ability of GF 2013-2 to draw under the Class A-1R Notes terminates on September 25, 2016, which is also the end of the extended reinvestment period, and the notes issued by the CLO mature on September 25, 2023. The Secured Notes are secured by all of the assets held by GF 2013-2.

The indenture governing the notes issued as part of the CLO provides that, to the extent cash is available from cash collections, the holders of the GF 2013-2 Notes are to receive quarterly interest payments on the 20th day or, if not a business day, the next succeeding business day of February, May, August and November of each year until the stated maturity.

Under the documents governing the CLO, there are two coverage tests applicable to the Secured Notes. The first test compares the amount of interest received on the collateral loans held by GF 2013-2 to the amount of interest payable on the Secured Notes under the CLO in respect of the amounts drawn and certain expenses. To meet this first test, at any time, the aggregate amount of interest received on the collateral loans must equal, after the payment of certain fees and expenses, at least 135.0% of the aggregate amount of interest payable on the Class A Notes, 125.0% of the interest payable on the Class A Notes and Class B Notes, taken together, and 115% of the interest payable on the Class A Notes, Class B Notes and Class C Notes, taken together.

The second test compares the aggregate principal amount of the collateral loans, as calculated in accordance with the indenture, to the aggregate outstanding principal amount of the Secured Notes in respect of the amounts drawn. To

meet this second test at any time, the aggregate principal amount of the collateral loans must equal at least 173.4% of the aggregate outstanding principal amount of the Class A Notes, 156.1% of the aggregate principal amount of the Class A Notes and Class B Notes, taken together, and 148.1% of the aggregate outstanding principal amount of the Class A Notes, Class B Notes and Class C Notes, taken together.

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 7. Financing – (continued)

If the coverage tests are not satisfied with respect to a quarterly payment date, GF 2013-2 will be required to apply available amounts to the repayment of interest on and principal of the GF 2013-2 Notes to the extent necessary to satisfy the applicable coverage tests and, as a result, there may be reduced funds available for GF 2013-2 to make additional investments or to make distributions on the Company's equity interests in GF 2013-2. Additionally, compliance is measured on each day collateral loans are purchased, originated or sold and in connection with monthly reporting to the note holder. Furthermore, if under the second coverage test the aggregate principal amount of the collateral loans equals 125.0% or less of the aggregate outstanding principal amount on the Class A-1 Notes and remains so for ten business days, an event of default will be deemed to have occurred. As of March 31, 2015 and December 31, 2014, the trustee for the CLO has asserted that all of the coverage tests were met.

The indenture governing the GLC Trust 2013-2 Notes provides that, to the extent cash is available from cash collections, the holders of the GLC Trust 2013-2 Notes are to receive monthly interest and principal payments on the 15th day or, if not a business day, the next succeeding business day, commencing in August 2014, until the stated maturity.

Under the indenture governing the GLC Trust 2013-2 Notes, there are two applicable monthly tests. The first test compares the principal balance of the underlying loans to the principal balance of the GLC Trust 2013-2 Notes. To meet this first test, the aggregate principal balance of the underlying loans less the aggregate principal balance of the GLC Trust 2013-2 Notes must equal, at least, the greater of (1) 13% of the aggregate principal balance of the underlying loans as of the end of the prior month and (2) 5.25% of the loan pool balance as of July 11, 2014. The second test compares the ratio of the dollar amount of cumulative defaults to the original principal balance of the underlying loans as of July 11, 2014 ("Cumulative Default Ratio") to the Cumulative Default Ratio trigger level, as stated in the indenture. To meet this second test, the Cumulative Default Ratio must not exceed the Cumulative Default Ratio trigger level.

If these tests are not satisfied with respect to a monthly payment date and are not cured within 45 days, an event of default will be deemed to have occurred and the GLC Trust 2013-2 Notes will become immediately due and payable, in accordance with the terms of the indenture. As of March 31, 2015, all of the coverage tests were met.

The table below shows the weighted average interest rates and weighted average effective interest rates of the GF 2013-2 Notes and the GLC Trust 2013-2 Notes as of March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
<b>Senior Secured Revolving Note:</b>		
Weighted average interest rate	2.16%	2.16%
Weighted average effective interest rate (1)	2.27	2.25
<b>Senior Secured Term Notes:</b>		
Weighted average interest rate	2.75	2.74
Weighted average effective interest rate (1)	3.15	3.15
<b>GLC Trust 2013-2 Class A Note:</b>		
Weighted average interest rate	3.00	3.00

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Weighted average effective interest rate (1)	3.36	4.01
Total		
Total Weighted average interest rate	2.67	2.73
Total Weighted average effective interest rate	3.00	3.03

(1) Includes the effects of deferred debt issuance costs.



Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

8. Related Party Transactions

Investment Advisory Agreement

GARS entered into the Investment Advisory Agreement with the Investment Adviser, which was effective as of October 9, 2012 and subsequently amended and restated on May 6, 2014. Under the Investment Advisory Agreement, the Investment Adviser is entitled to a base management fee for its services calculated at an annual rate of 1.75% of gross assets, excluding cash and cash equivalents, and cash and cash equivalents, restricted, but including assets purchased with borrowed funds. For purposes of the Investment Advisory Agreement, cash equivalents means U.S. government securities and commercial paper maturing within 270 days of purchase.

The Investment Adviser earned management fees under the Investment Advisory Agreement in the amount of \$1,989,544 and \$1,957,781, for the three months ended March 31, 2015, and March 31, 2014, respectively.

Management fees in the amount of \$1,989,544 and \$268,098 were payable as of March 31, 2015 and December 31, 2014, respectively, and are included in management fee payable on the consolidated statements of financial condition.

Under the Investment Advisory Agreement, the Investment Adviser is entitled to an incentive fee consisting of two components that are independent of each other, with the result that one component may be payable even if the other is not.

The first component, which is income-based and payable quarterly in arrears, equals 20% of the amount, if any, that the Company's pre-incentive fee net investment income exceeds a 2.00% quarterly (8.00% annualized) hurdle rate (the "Hurdle Rate"), subject to a "catch-up" provision measured at the end of each calendar quarter. The operation of the first component of the incentive fee for each quarter is as follows:

- no incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's pre-incentive fee net investment income does not exceed the Hurdle Rate;
- 100% of the Company's pre-incentive fee net investment income with respect to that portion of the Company's pre-incentive fee net investment income, if any, that exceeds the Hurdle Rate but is less than 2.50% in any calendar quarter (10.00% annualized). We refer to this portion of the Company's pre-incentive fee net investment income (which exceeds the Hurdle Rate but is less than 2.50%) as the "catch-up". The effect of the "catch-up" provision is that, if the Company's pre-incentive fee net investment income exceeds 2.50% in any calendar quarter, the Investment Adviser will receive 20% of such pre-incentive fee net investment income as if the Hurdle Rate did not apply; and
- 20% of the amount of the Company's pre-incentive fee net investment income, if any, that exceeds 2.50% in any calendar quarter (10.00% annualized) (once the Hurdle Rate is reached and the catch-up is achieved).



Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

8. Related Party Transactions – (continued)

The portion of such incentive fee that is attributable to deferred interest (such as PIK interest or original issue discount) will be paid to the Investment Adviser, together with any other interest accrued on the loan from the date of deferral to the date of payment, only if and to the extent the Company actually receives such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. Any reversal of such amounts would reduce net income for the quarter by the net amount of the reversal (after taking into account the reversal of incentive fees payable) and would result in a reduction and possible elimination of the incentive fees for such quarter. For the avoidance of doubt, no incentive fee will be paid to the Investment Adviser on amounts accrued and not paid in respect of deferred interest. For the three months ended March 31, 2015 and March 31, 2014, the Investment Adviser earned an income-based incentive fee on pre-incentive fee net investment income, as calculated under the Investment Advisory Agreement, of \$1,675,408 and \$1,298,982, respectively.

The second component, which is capital gains-based, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and equals 20% of the Company's cumulative aggregate realized capital gains through the end of such year, computed net of the Company's aggregate cumulative realized capital losses and aggregate cumulative unrealized capital loss through the end of such year, less the aggregate amount of any previously paid capital gains incentive fees and subject to the Incentive Fee Cap and Deferral Mechanism described below. The capital-gains component of the incentive fee excludes any portion of realized gains (losses) that are associated with the reversal of any portion of unrealized gain/(loss) attributable to periods prior to April 1, 2013. The capital gains component of the incentive fee is not subject to any minimum return to stockholders. For the three months ended March 31, 2015 the Investment Adviser reversed previously accrued capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$(846,720). For the three months ended March 31, 2014, the Investment Adviser accrued a capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$1,424,454.

Under U.S. GAAP, we are required to accrue a capital gains incentive fee based upon the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital gain and loss on investments held at the end of each period. If such amount is positive at the end of a period, then the Company will record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period.

The Investment Advisory Agreement does not permit unrealized capital gains for purposes of calculating the amount payable to the Investment Adviser. Amounts due related to unrealized capital gains, if any, will not be paid to the Investment Adviser until realized under the terms of the Investment Advisory Agreement (as described above). For the three months ended March 31, 2015 the Investment Adviser reversed previously accrued capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$(133,707). For the three months ended March 31, 2014, the Investment Adviser accrued a capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$882,897.

Incentive Fee Cap and Deferral Mechanism

We have structured the calculation of these incentive fees to include a fee limitation such that no incentive fee will be paid to our Investment Adviser for any fiscal quarter if, after such payment, the cumulative incentive fees paid to our Investment Adviser for the period that includes such fiscal quarter and the 11 full preceding fiscal quarters (the “Incentive Fee Look-back Period”), would exceed 20.0% of our cumulative pre-incentive fee net return during the applicable Incentive Fee Look-back Period. The Incentive Fee Look-back Period commenced on April 1, 2013. Prior to April 1, 2016, the Incentive Fee Look-back Period will consist of fewer than 12 full fiscal quarters.

Incentive fees in the amount of \$694,981 and \$3,606,333 were earned for the three months ended March 31, 2015 and March 31, 2014, respectively. Incentive fees in the amount of \$2,465,722 and \$2,816,310 were payable as of March 31, 2015 and December 31, 2014, respectively, and are included in incentive fee payable on the consolidated statements of financial condition.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

8. Related Party Transactions – (continued)

Administration Agreement

As discussed in Note 1, GARS entered into the Administration Agreement with GARS Administrator. Under the Administration Agreement, the GARS Administrator provides the Company with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the GARS Administrator, subject to review by the Board, from time to time determines to be necessary or useful to perform its obligations under the Administration Agreement. The GARS Administrator is responsible for the financial and other records that the Company is required to maintain and prepare reports to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the “SEC”). The GARS Administrator provides on the Company’s behalf significant managerial assistance to those portfolio companies to which the Company is required to provide such assistance. No managerial assistance was provided to any portfolio companies for the three months ended March 31, 2015 and March 31, 2014.

In addition, the GARS Administrator assists the Company in determining and publishing the Company’s net asset value, overseeing the preparation and filing of the Company’s tax returns, and the printing and dissemination of reports to stockholders of the Company, and generally oversees the payment of the Company’s expenses and the performance of administrative and professional services rendered to the Company by others. The Company reimburses the GARS Administrator for the costs and expenses incurred by the GARS Administrator in performing its obligations and providing personnel and facilities as described.

Administrator charges for the three months ended March 31, 2015 and March 31, 2014 were \$241,647 and \$205,235, respectively. Administration fees of \$167,192 were payable to the GARS Administrator as of March 31, 2015 and \$74,455 were prepaid as of December 31, 2014, respectively.

Directors’ Fees

The Company’s independent directors each receive an annual fee of \$75,000. They also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each in-person 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 \$10,000, the chairman of the valuation committee receives an annual fee of \$10,000 and each chairman of any other committee receives an annual fee of \$5,000 for their additional services in these capacities (all such fees and reimbursements collectively, “Directors’ Fees”). No compensation is paid to directors who are not independent of the Company and the Investment Adviser.

Independent directors earned Directors’ Fees of \$106,236 and \$93,205 for the three months ended March 31, 2015 and March 31, 2014, respectively. No directors’ fees were payable as of March 31, 2015 and March 31, 2014.



Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

8. Related Party Transactions – (continued)

Affiliated Stockholders

GSOFF LLC, GSOFF 2014 LLC, GSOFF-SP LLC, GSOFF-SP 2014 LLC, GSOFF-SP II LLC, GSOFF-SP 2014 II LLC, GSOFF-SP DB LLC (subsidiaries of Garrison Special Opportunities Fund LP), GSOIF Corporate Loan Pools Ltd. (a subsidiary of Garrison Special Opportunities Institutional Fund LP), GCOH SubCo 2014-1 LLC (a subsidiary of Garrison Credit Opportunities Holdings L.P.), GCOH SubCo 2014-2 LLC (a subsidiary of Garrison Credit Opportunities Holdings L.P.), Garrison Capital Fairchild I Ltd. (a subsidiary of Fairchild Offshore Fund L.P.), Garrison Capital Fairchild II Ltd. (a subsidiary of Fairchild Offshore Fund II L.P.) and Garrison Capital Adviser Holdings MM LLC (collectively, the “Garrison Funds”) are all entities that are owned by funds that are managed by the Investment Manager.

As of December 31, 2014, the Garrison Funds owned an aggregate of 2,024,372 or 12.1%, of the total outstanding common shares of GARS, and the officers and directors of the Company directly owned an aggregate of 73,032, or 0.4%, of the total outstanding common shares of GARS. On March 19, 2015, GSOFF LLC, GSOFF-SP LLC, GSOFF-SP II LLC, GSOFF-SP DB LLC, GSOIF Corporate Loan Pools Ltd., and GCOH SubCo 2014-1 LLC. (collectively, the “Garrison Offering Funds”) sold an aggregate 884,990 shares of GARS common stock in a secondary offering. In connection with this sale, the Garrison Offering Funds agreed to reimburse the Company for certain fees and expenses in the amount of \$18,654 incurred in connection with the filing of the Company’s Registration Statement. On March 23, 2015, the Garrison Offering Funds sold an aggregate of 125,000 shares of GARS common stock in a private offering. As of March 31, 2015, the Garrison Offering Funds held zero shares of GARS common stock.

As of March 31, 2015, GSOFF 2014 LLC, GSOFF-SP 2014 LLC, GSOFF-SP 2014 II LLC, GCOH SubCo 2014-2 LLC, Garrison Capital Fairchild I Ltd., Garrison Capital Fairchild II Ltd. and Garrison Capital Adviser Holdings MM LLC owned an aggregate of 1,014,382, or 6.1%, of the total outstanding common shares of GARS, and the officers and directors of the Company directly owned an aggregate of 83,938, or 0.5%, of the total outstanding common shares of GARS.

Other

Garrison Loan Agency Services LLC acts as the administrative and collateral agent for certain loans held by the Company. No fees were paid by the Company to Garrison Loan Agency Services LLC during the three months ended March 31, 2015 and March 31, 2014.

The Company may invest alongside other clients of the Investment Manager and their affiliates in certain circumstances where doing so is consistent with applicable law, SEC staff interpretations and the terms of our exemptive relief.

On March 13, 2015, Garrison SBIC received final committee approval for a license from the United States Small Business Administration, or SBA, to operate as a small business investment company, or SBIC. We expect that the SBIC license will be issued following final action by the SBA Administrator.





## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 9. Financial Highlights

The following table represents financial highlights for the Company for the three months ended March 31, 2015 and March 31, 2014:

	March 31, 2015	March 31, 2014
Per share data		
Net asset value per common share at beginning of period	\$ 15.58	\$ 15.16
Increase in net assets from operations:		
Net investment income	0.46	0.17
Net realized (loss)/gain on investments	(0.03)	0.53
Net unrealized (loss) on investments	(0.25)	(0.06)
Net increase in net assets from operations	0.18	0.64
Stockholder transactions		
Cash distributions	(0.35)	(0.35)
Total additions from and dividends and distributions to stockholders	(0.35)	(0.35)
Net asset value per common share at end of period	\$ 15.41	\$ 15.45
Per share market value at end of period	14.90	14.13
Total book return (1)	1.16	4.22%
Total market return (2)	5.61%	4.33%
Common shares outstanding at beginning of period	16,758,779	16,758,779
Common shares outstanding at end of period	16,758,779	16,758,779
Weighted average common shares outstanding	16,758,779	16,758,779
Net assets at beginning of period	\$ 261,102,068	\$ 254,080,598
Net assets at end of period	\$ 258,208,568	\$ 258,891,512
Average net assets (3)	\$ 262,282,793	\$ 257,169,888
Ratio of net investment income to average net assets (3)(7)	10.65%	8.70%
Ratio of net expenses to average net assets (4)(7)	9.91%	8.85%
Ratio of portfolio turnover to average investments at fair value (4)	7.77%	21.30%
Asset coverage ratio (5)	212.85%	215.02%
Average outstanding debt (6)	\$ 236,044,513	\$ 212,307,085
Average debt per common share	\$ 14.08	\$ 12.67

(1) Total book return equals the net increase of ending net asset value from operations over the net asset value per common share per unit at beginning of the period.

(2) Based upon the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan.

(3) Calculated utilizing monthly net assets.

(4) Calculated based on monthly average investments at fair value.

(5)

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In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing.

(6) Calculated based on monthly debt outstanding.

## Garrison Capital Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

## 10. Earnings per Share

The following table sets forth the computation of the net increase in net assets per share resulting from operations, pursuant to FASB ASC 260, Earnings per Share (“ASU 260”), for the three months ended March 31, 2015 and March 31, 2014:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Net increase in net assets resulting from operations	\$ 2,972,073	\$ 10,676,487
Basic weighted average shares outstanding	16,758,779	16,758,779
Basic earnings per share	\$ 0.18	\$ 0.64

## 11. Dividends and Distributions

The Company’s dividends and distributions are recorded on the ex-dividend date. The following table reflects the cash distributions, including dividends and returns of capital per share, that we have declared on our common stock for the three months ended March 31, 2015 and March 31, 2014:

Record Dates	Board Approval Date	Payment Date	Distribution Declared	Distribution Declared per Share
Three months ended March 31, 2015 (1)				
March 20, 2015	March 3, 2015	March 27, 2015	\$ 5,865,573	\$ 0.35
			\$ 5,865,573	\$ 0.35

(1) Does not include any return of capital for tax purposes.

Record Dates	Board Approval Date	Payment Date	Distribution Declared	Distribution Declared per Share
Three months ended March 31, 2014 (1)				
March 21, 2014	March 11, 2014	March 28, 2014	\$ 5,865,573	\$ 0.35
			\$ 5,865,573	\$ 0.35

(1) Does not include any return of capital for tax purposes.

Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal income tax regulations, which may differ from those amounts determined in accordance with U.S. GAAP.



Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2015

12. Commitments and Contingencies

The Company had outstanding commitments to fund investments totaling \$17,310,827 and \$18,180,287 under various undrawn revolvers and other credit facilities as of March 31, 2015 and December 31, 2014, respectively.

In the ordinary course of business, the Company may be named as a defendant or a plaintiff in various lawsuits and other legal proceedings. Such proceedings include actions brought against the Company and others with respect to transactions to which the Company may have been a party. The outcomes of such lawsuits are uncertain and, based on these lawsuits, the values of the investments to which they relate could decrease. Management does not believe that as a result of litigation there would be any material impact on the consolidated financial condition of the Company. The Company has had no outstanding litigation proceedings brought against it since the commencement of operations on December 17, 2010.

13. Subsequent Events

On April 30, 2015, the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which will be paid on June 26, 2015 to stockholders of record as of June 12, 2015.

These consolidated financial statements were approved by the Board and were available for issuance on May 5, 2015. Subsequent events have been evaluated through this date. No material subsequent events other than as disclosed above have occurred through this date.

## Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q.

On October 9, 2012, Garrison Capital LLC, a Delaware limited liability company, converted into a corporation. In this conversion, Garrison Capital Inc. succeeded to the business of Garrison Capital LLC and its consolidated subsidiaries, and the members of Garrison Capital LLC became stockholders of Garrison Capital Inc. In this quarterly report on Form 10-Q, we refer to these transactions as the "BDC Conversion." References to "we," "us," "our" and "Garrison Capital" refer to Garrison Capital LLC and its consolidated subsidiaries for the periods prior to the consummation of the BDC Conversion and refer to Garrison Capital Inc. and its consolidated subsidiaries for the periods after the consummation of the BDC Conversion.

### Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q constitutes forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of increased competition;
- 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 prospective portfolio companies to achieve their objectives;
- the relative and absolute performance of our investment adviser;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- our ability to make distributions to our stockholders;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies; and
- the impact of future acquisitions and divestitures.

We use words such as “anticipates,” “believes,” “expects,” “intends” and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth as “Risk Factors” and elsewhere in this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this quarterly report on Form 10-Q on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the U.S. Securities and Exchange Commission, or the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

You should understand that, under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with this quarterly report on Form 10-Q or any periodic reports we file under the Exchange Act.

## Overview

We are an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company under the 1940 Act. In addition, for tax purposes, we have elected to be treated as a RIC under Subchapter M of Code, and intend to qualify annually for such treatment. Our shares are currently listed on The NASDAQ Global Select Market under the symbol “GARS”.

Our investment objective is to generate current income and capital appreciation by making investments generally in the range of \$5 million to \$25 million primarily in debt securities and loans of U.S. based middle-market companies, which we define as those having annual earnings before interest, taxes and depreciation, or EBITDA, of between \$5 million and \$30 million. Our goal is to generate attractive risk-adjusted returns by assembling a broad portfolio of investments.

We invest primarily in (1) first lien senior secured loans, (2) second lien senior secured loans, (3) “one-stop” senior secured or “unitranche” loans, (4) subordinated or mezzanine loans, (5) unsecured consumer loans and (6) to a lesser extent, selected equity co-investments in middle-market companies. We use the term “one-stop” or “unitranche” to refer to a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans. We use the term “mezzanine” to refer to a loan that ranks senior only to a borrower’s equity securities and ranks junior in right of payment to all of such borrower’s other indebtedness.

We believe that the middle market offers attractive risk-adjusted returns for debt investors. Historically, we believe there has been a persistent scarcity of available capital relative to demand, which, from a lender’s perspective, has generally resulted in more favorable transaction structures, including enhanced covenant protection and increased pricing relative to larger companies. We further believe that the turmoil in the markets has exacerbated this scarcity of capital, as many traditional lenders to middle-market companies have exited the business or focused their attention on larger borrowers. In addition, we believe middle-market companies traditionally have exhibited lower default rates and improved recoveries compared to larger borrowers and typically offer greater access to key senior managers, which we believe further enhances the attractiveness of lending to this market segment and facilitates due diligence investigations and regular monitoring.

Our investment activities are managed by our Investment Adviser. Our five member investment committee is comprised of Joseph Tansey, Rafael Astruc, Brian Chase, Mitch Drucker and Susan George. Our Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. Under an investment advisory agreement, or the Investment Advisory Agreement, with the Investment Adviser, we pay the Investment Adviser a base management fee and an incentive fee for its services. Garrison Capital Administrator LLC, or the Administrator, provides certain administrative services and facilities necessary for us to operate, including office facilities and equipment and clerical, bookkeeping and record-keeping services, pursuant to an administration agreement, or the Administration Agreement. The Administrator oversees our financial reporting and prepares our reports to stockholders and reports required to be filed with the SEC. The Administrator also manages the determination and publication of our net asset value and the preparation and filing of our tax returns and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. The Administrator may retain third parties to assist in providing administrative services to us. To the extent that the Administrator outsources any of its functions, we pay the fees associated with such functions on a direct basis without any profit to the Administrator.





As of March 31, 2015, we held investments in 57 portfolio companies with a fair value of \$452.0 million, including investments in 45 portfolio companies held through the CLO. The investments held by the CLO as of March 31, 2015 consisted of senior secured and second lien loans fair valued at \$333.1 million and related indebtedness of \$200.3. The loans held by the CLO (held at fair value), together with cash and other assets held by the CLO, equaled approximately \$346.0 million as of March 31, 2015. As of March 31, 2015, our portfolio had an average investment size of approximately \$6.7 million, a weighted average yield of 10.8% and a weighted average contractual maturity of 44 months. Weighted average yield is calculated based on the fair value of the investments and interest expected to be received using the current rate of interest at the balance sheet date to maturity, excluding the effects of future schedule principal amortizations. Weighted average yield is calculated based on the fair value of the investments and interest expected to be received using the current rate of interest at the balance sheet date to maturity, excluding the effects of future scheduled principal amortizations. Weighted average yield represents the portfolio yield and may be higher than what investors will realize because it does not reflect our expenses or any sales load paid by investors.

As of December 31, 2014, we held investments in 57 portfolio companies with a fair value of \$467.8 million, including investments in 47 portfolio companies held through the CLO. The investments held by the CLO as of December 31, 2014 consisted of senior secured loans fair valued at \$339.4 million and related indebtedness of \$209.7 million. As of that date, the loans held by the CLO (held at fair value), together with cash and other assets held by the CLO, equaled approximately \$357.8 million. As of December 31, 2014, our portfolio had an average investment size of approximately \$6.8 million, a weighted average yield on debt investments of 10.5% and a weighted average contractual maturity of 46 months.

#### Revenues

We generate revenue in the form of interest earned on the debt investments that we hold and capital gains and distributions, if any, on the warrants or other equity interests that we may acquire in portfolio companies. Our debt investments, whether in the form of senior secured, unitranche or mezzanine loans, typically have a term of one to seven years and bear interest at a fixed or floating rate. Interest is generally payable quarterly or semiannually, with the amortization of principal generally being deferred for several years from the date of the initial investment. In some cases, loans may have a PIK feature. The principal amount of the debt securities and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees. Loan origination fees, original issue discount and market discount are recorded as a reduction of par value, and we then accrete such amounts into interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

#### Expenses

Our primary operating expenses include the payment of (1) the base management fee and incentive fee to the Investment Adviser under the Investment Advisory Agreement; (2) the allocable portion of overhead to the Administrator under the Administration Agreement; (3) the interest expense on our outstanding debt, if any; and (4) our other operating costs, as detailed below. We bear all other costs and expenses of our operations and transactions, including:

- our organization;
- calculating our net asset value and net asset value per share (including the cost and expenses of any independent valuation firm);
-

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fees and expenses, including travel expenses, incurred by the Investment Adviser or payable to third parties in performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;

- offerings of our common stock and other securities;
- distributions on our shares;
- transfer agent and custody fees and expenses;
- amounts payable to third parties relating to, or associated with, evaluating, making and disposing of investments;
- brokerage fees and commissions;
- registration fees;

- listing fees;
- taxes;
- independent director fees and expenses;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable U.S. federal and state securities laws;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- costs of holding stockholder meetings;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance and any other insurance premiums;
- litigation, indemnification and other non-recurring or extraordinary expenses;
- direct costs and expenses of administration and operation, including audit and legal costs;
- fees and expenses associated with marketing efforts;
- dues, fees and charges of any trade association of which we are a member; and
- all other expenses reasonably incurred by us or the Administrator in connection with administering our business, including the allocable portion of overhead under the Administration Agreement, rent and our allocable portion of the costs and expenses of our chief compliance officer, chief financial officer and their respective staffs.

During periods of asset growth, we expect our general and administrative expenses to be relatively stable or decline as a percentage of total assets and increase during periods of asset declines. Incentive fees, interest expenses and costs relating to future offerings of securities would be additive to the expenses described above.

#### Recent Developments

On April 30, 2015, the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which will be paid on June 26, 2015 to stockholders of record as of June 12, 2015.

#### Market Trends

Demand for capital during the first quarter of 2015 was limited by light sponsor activity and a sluggish economic climate. Middle-market loan volumes were down for the first quarter of 2015 compared to the fourth quarter of 2014. Volume continued to be primarily driven by merger and acquisition activity in the broader middle-market.

We believe that capital remains limited in the lower middle-market as many traditional lenders to these companies have exited the business due to regulatory restrictions, and many competitors have moved up-market to focus their attention on larger borrowers. Sponsor and club business continues to represent the majority of direct lending opportunities in the lower middle-market, although we have seen banks, other non-bank finance companies and funds

participate in select one-off financings. As a result we have seen a slight narrowing of middle-market spreads over the past year as these companies enter the lower middle-market in search of enhanced yields although, lower middle-market opportunities continued to command better pricing and structures than in the broadly syndicated market and upper middle-market. Portfolio leverage multiples overall are in line with the previous quarter and historical averages.

We believe that our expertise in providing non-traditional financing solutions to the lower middle-market allows us to tailor loan structures that meet borrower objectives while commanding premium pricing and maximizing the preservation of capital although increased competition could result in further spread compression.

#### Consolidated Results of Operations

The results of operations described below may not be indicative of the results we report in future periods. Net income can vary substantially from period to period for various reasons, including the recognition of realized gains and losses and unrealized gains and losses. As a result, quarterly comparisons of net income may not be meaningful.

Consolidated operating results for the three months ended March 31, 2015 and March 31, 2014 are as follows:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Variance
Dollar amounts in thousands, except per share data	(Unaudited)	(Unaudited)	(Unaudited)
Net investment income	7,682	2,889	4,793
Total investment income	13,479	11,282	2,197
Total expenses	5,797	8,393	(2,596 )
Net realized loss on investments	(490 )	8,897	(9,387 )
Net change in unrealized loss from investments	(4,220 )	(1,109 )	(3,111 )
Net increase in net assets resulting from operations	2,972	10,676	(7,704 )
Net investment income per share	0.46	0.17	0.29
Net realized/unrealized loss from investments per share	(0.28 )	0.47	(0.75 )
Net earnings per share	0.18	0.64	(0.46 )
Net asset value per share	15.41	15.45	(0.04 )

#### Net Investment Income

Net investment income for the three months ended March 31, 2015 and March 31, 2014 was \$7.7 million and \$2.9 million, respectively. Net investment income increased by \$4.8 million for the three months ended March 31, 2015 from the three months ended March 31, 2014 as described below under “Investment Income” and “Expenses.”

#### Investment Income

Investment income for the three months ended March 31, 2015 and March 31, 2014 was \$13.5 million and \$11.3 million, respectively. Investment income increased by \$2.2 million for the three months ended March 31, 2015 from the three months ended March 31, 2014 due to an increase in interest income in the amount of \$2.4 million, an increase in other income of \$0.2 million and a decrease in dividend income of \$(0.4) million. The increase in interest income was largely driven by the increase in the average portfolio investment balance and an increased weighted average yield on investments during the three months ended March 31, 2015 as compared to March 31, 2014. The increase in other income was primarily driven by loan amendment fees recognized during the three months ended March 31, 2015. The Company did not recognize any dividend income during the three months ended March 31, 2015.

#### Expenses

Total expenses for the three months ended March 31, 2015 and March 31, 2014 were \$5.8 million and \$8.4 million, respectively.

The following tables summarize our expenses, excluding accrued excise tax for the three months ended March 31, 2015 and March 31, 2014:

(in thousands)	Three Months Ended March 31, 2015 (Unaudited)	Three Months Ended March 31, 2014 (Unaudited)	Three Months Variance (Unaudited)
Interest	\$ 1,850	\$ 1,749	\$ 101
Management fees	1,990	1,958	32
Incentive fees	695	3,606	(2,911)
Professional fees	316	400	(84)
Directors' fees	106	93	13
Administrator expenses	242	205	37
Other expenses	552	382	170
	\$ 5,751	\$ 8,393	\$ (2,642)

Interest expense increased \$0.1 million for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014 primarily due to an increase in average debt outstanding. As of the three months ended March 31, 2015 and March 31, 2014, we had \$228.0 million and \$224.5 million of debt outstanding, respectively.

Incentive fees decreased \$2.9 million for the three months ended March 31, 2015 from the three months ended March 31, 2014 primarily due to unrealized loss of investments which was partially offset by an increase in net investment income.

Other expenses for the three months ended March 31, 2015 increased by \$0.2 million from the three months ended March 31, 2014 primarily as a result of servicing and other fees incurred by GLC Trust 2013-2.

### Net Realized Gain (Loss) and Unrealized Gain (Loss) on Investments

For the three months ended March 31, 2015 and March 31, 2014 we realized a net loss on investments of \$(0.5) million and a net gain on investments of \$8.9 million, respectively.

Net realized losses for the three months ended March 31, 2015 were primarily driven by \$(0.8) million of realized losses in GLC Trust 2013-2's consumer loan portfolio offset by \$0.3 million of realized gains resulting from the repayment of one portfolio investment and other partial repayments.

Net realized gains for the three months ended March 31, 2014 were driven primarily by \$8.1 million of realized gains incurred from the sale of the parent company of one portfolio company, Anchor Drilling Fluids USA, Inc. ("Anchor"), resulting in the early full repayment of the debt and sale of the equity, with the remaining net realized gain of \$0.8 million resulting from the early full repayment of eight portfolio companies and other partial loss repayments.

For the three months ended March 31, 2015 and March 31, 2014, the net change in unrealized loss on investments was \$4.2 million and \$1.1 million, respectively.

The net change in unrealized loss for the three months ended March 31, 2015 was driven primarily by the negative credit related adjustments of three portfolio investments in the amount of \$(4.7) million and the \$(0.3) million reversal of prior period unrealized gain as a result of the repayment of one investment. This was offset by the increase in value of one portfolio investment of \$0.7 million. The remaining net change in unrealized loss on investments was due to a net increase of \$0.1 million in the market value of the portfolio.

The net change in unrealized loss for the three months ended March 31, 2014 was driven primarily by the reversal of prior period unrealized gain in the amount of \$(1.8) million as a result of the sale of the parent company of Anchor. The remaining net change in unrealized loss on investments was due to the increase in the market value of the portfolio in the amount of \$0.8 million offset by the reversal of prior period unrealized gain of \$(0.1) million.

### Net Increase in Net Assets from Operations

We had a net asset value per common share outstanding on March 31, 2015 of \$15.41. We had a net asset value per common share outstanding on December 31, 2014 of \$15.58.

Based on 16,758,779 basic weighted average shares outstanding, the net increase in net assets from operations per share for the three months ended March 31, 2015 was \$0.18.

Based on 16,758,779 basic weighted average shares outstanding, the net increase in net assets from operations per share for the three months ended March 31, 2014 was \$0.64.



## Liquidity and Capital Resources

As a business development company, we distribute substantially all of our net income to our stockholders and will have an ongoing need to raise additional capital for investment purposes. We generate cash primarily from offerings of our securities, the CLO, as described below, Garrison SBIC, other borrowings we may incur and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less.

In addition to proceeds from public and private offerings of securities, our CLO and our GLC Trust 2013-2 Notes, as of March 31, 2015 we have identified six portfolio companies with a total par value of \$22.9 million and a fair value of \$22.0 million which are transitory, which we define as those investments that generally yield less than 9.0%. We view these investments as an additional source of liquidity to meet our investment objectives.

Our primary use of funds from operations includes investments in portfolio companies, cash distributions to holders of our common stock, payments of interest on our debt, and payments of fees and other operating expenses we incur. We believe that our existing cash and cash equivalents and our transitory portfolio as of March 31, 2015 will be sufficient to fund our anticipated funding requirements through at least March 31, 2016.

On April 30, 2015, the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which will be paid on June 26, 2015 to stockholders of record as of June 12, 2015.

As of March 31, 2015 and December 31, 2014, we had cash and cash equivalents of \$20.4 million and \$13.7 million, respectively. Also, as of March 31, 2015 and December 31, 2014, we had restricted cash and cash equivalents of \$8.5 million and \$14.3 million, respectively. For purposes of U.S. generally accepted accounting principles, or U.S. GAAP, we consider cash equivalents to be highly liquid financial instruments with original maturities of three months or less and cash held in overnight sweep deposit accounts.

During the three months ended March 31, 2015, cash and cash equivalents increased by \$6.7 million as a result of net cash provided by operating activities of \$25.8 million offset by cash used in financing activities in the amount of \$19.1 million.

During the three months ended March 31, 2015, cash provided by operating activities resulted mainly from \$7.7 million of net investment income, \$11.9 million of net repayments of investments, a \$5.8 million decrease in restricted cash and a \$1.4 million increase in payables to affiliates. Net cash used in financing activities resulted from cash distributions of \$5.9 million, repayments on the senior secured revolving note of \$9.5 million and repayment of the GLC Trust 2013-2 Revolver of \$3.8 million.

During the three months ended March 31, 2014, cash and cash equivalents increased by \$12.7 million as a result of net cash provided by operating activities of \$14.2 million offset by cash used in financing activities in the amount of \$1.5 million.

During the three months ended March 31, 2014, cash provided by operating activities resulted from net investment income in the amount of \$10.7 million, repayments and sales of investments in the amount of \$67.6 million and \$24.6 million, respectively, as well as a decrease in restricted cash and cash equivalents in the amount of \$15.5 million and an increase in due to counterparties in the amount of \$10.5 million, offset by purchases of investments in the amount of \$109.8. Net cash used in financing activities resulted from cash distributions in the amount of \$5.9 million, offset by proceeds from borrowings on the GLC Trust 2013-2 Revolver in the amount of \$4.4 million

As of March 31, 2015 and December 31, 2014, we had \$17.3 million and \$18.2 million, respectively, of unfunded obligations with a fair value of \$(0.3) million and \$(0.3) million, respectively. These amounts may or may not be

funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of March 31, 2015 and December 31, 2014, respectively, subject to the terms of each loan's respective credit agreement.

Subject to leverage and borrowing base restrictions, as of March 31, 2015, we had approximately \$9.5 available for additional borrowings under the CLO and no available borrowings under the GLC Trust 2013-2 Revolver. As of December 31, 2014, we had approximately \$0 and \$0.8 million available for additional borrowings under the CLO and GLC Trust 2013-2 Revolver, respectively.

## Portfolio Composition and Select Portfolio Information

As of March 31, 2015, we held investments in 57 portfolio companies with a fair value of \$452.0 million. As of March 31, 2015, our portfolio had an average investment size of approximately \$6.7 million, a weighted average yield of 10.8% and a weighted average contractual maturity of 44 months.

The following table shows select information of our portfolio for the periods from March 31, 2014 to March 31, 2015.

Summary of Portfolio characteristics (\$ in millions)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total Market Value	\$452.0	\$467.8	\$448.6	\$433.6	\$455.2
Number of portfolio companies	57	57	56	62	71
Average investment size (1)	\$6.7	\$6.8	\$6.6	\$5.8	\$5.3
Weighted average yield (2)	10.8	% 10.5	% 10.0	% 10.4	% 10.0
Weighted average price (1)	95.9	97.1	98.0	98.3	99.1
First lien	85.8	% 85.3	% 78.8	% 77.1	% 85.3
Second lien & mezzanine/subordinated	5.5	% 5.4	8.7	% 7.1	% 6.8
Consumer loans	6.9	% 7.8	% 9.0	% 10.5	% 5.3
Equity & other	1.8	% 1.5	% 3.5	% 5.3	% 2.6
Originated (3)	50.4	% 48.1	% 46.9	% 39.6	% 36.1
Club (4)	27.0	% 27.4	% 24.2	% 24.7	% 19.9
Purchased	22.6	% 24.5	% 28.9	% 35.7	% 44.0
Fixed (1)	9.1	% 9.2	% 13.8	% 12.3	% 8.1
Floating (1)	90.9	% 90.8	% 86.2	% 87.7	% 91.9
Performing (1)	99.1	% 99.1	% 99.1	% 98.8	% 100.0
Non-performing (1)	0.9	% 0.9	% 0.9	% 1.2	% -
Weighted average debt/EBITDA (1) (2) (5)	3.6x	3.6x	3.4x	3.5x	3.5x
Weighted average risk rating (1)	2.48	2.52	2.40	2.33	2.24

- (1) Excludes consumer loans and equity investments.
- (2) Excludes investments with a risk rating of 4, unfunded revolvers and equity investments, as well as non-operating portfolio companies, which we define as those loans collateralized by real estate, proved developed producing value or other hard assets.
- (3) Originated positions include investments where we have sourced and led the execution of the deal.
- (4) Club positions include investments where we provided direct lending to a borrower with one or two other lenders but did not lead the deal.
- (5) June 30, 2014 includes the transfer of three portfolio companies with a par value of \$13.2 million, from Transitory to Core, based on the current yield.

#### Ongoing Monitoring

We view portfolio monitoring as a vital part of the investment process. Our Investment Adviser monitors the financial trends of each portfolio company to determine if it is meeting its respective business plan and to assess the appropriate course of action for each company.

Our Investment Adviser uses several methods of evaluating and monitoring the performance and fair value of our investments, which may include the following:

- assessment of success in adhering to portfolio company's business plan and compliance with covenants;

- periodic and regular contact with portfolio company management and, if appropriate, the portfolio company's financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- comparisons to other portfolio companies in the industry, if any;
- attendance at and participation in board meetings; and
- review of monthly and quarterly financial statements and financial projections for portfolio companies.

Our Investment Adviser assigns an internal rating for each of our portfolio companies. The rating scale is a numeric scale of 1 to 4 based on the credit attributes and prospects of the portfolio company's business. In general, we use the ratings as follows:

- a rating of 1 denotes a high quality investment with no loss of principal expected;
- a rating of 2 denotes a moderate to high quality investment with no loss of principal expected;
- a rating of 3 denotes a moderate quality investment with market rates of expected loss of principal and potential non-compliance with financial covenants; and
- a rating of 4 denotes a low quality investment with an expected loss of principal. In case of risk grade 4 loans, our Investment Adviser will assign a recovery value to the loan.

The following table shows the distribution of our investments on the 1 to 4 investment performance rating scale at fair value, excluding our interest in GLC Trust 2013-2 and equity investments as of as of March 31, 2015 and our interest in GLC Trust 2013-2 as of December 31, 2014.

(\$ in millions)	As of March 31, 2015		As of December 31, 2014	
	Investments at Fair Value	Percentage of Total Investments	Investments at Fair Value	Percentage of Total Investments
Risk Rating 1	\$ 34.9	8.5%	\$ 5.4	1.3%
Risk Rating 2	176.9	42.8	211.6	49.9
Risk Rating 3	187.8	45.5	199.1	46.9
Risk Rating 4	13.4	3.2	8.2	1.9
	\$ 413.0	100.0%	\$ 424.3	100.0%

The weighted average risk rating of the portfolio was 2.48 and 2.52 as of March 31, 2015 and December 31, 2014, respectively.

#### Inflation

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented in our financial statements. However, from time to time, inflation may impact the operating results of our portfolio companies.

#### Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of March 31, 2015 and December 31, 2014, we had \$17.3 million and \$18.2 million of outstanding commitments to fund such investments, respectively.

## Contractual Obligations

A summary of our significant contractual payment obligations as of March 31, 2015 is as follows:

	Payments Due by Period (in millions)					Total
	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years		
CLO	\$ —	\$ —	\$ —	\$ 200.9	\$	200.9
GLC Trust 2013-2 Class A Notes	—	—	—	27.1		27.1
Unfunded commitments (1)	17.3	—	—	—		17.3
Commitments to purchase loans	—	—	—	—		—
Total contractual obligations	\$ 17.3	\$ —	\$ —	\$ 228.0	\$	245.3

(1) Unfunded commitments represent all amounts unfunded as of March 31, 2015. These amounts may or may not be funded to the borrowing party in the future. The unfunded commitments are related to senior secured revolving loans. We reflect this amount in the less than one-year category because the entire amount was eligible for funding as of March 31, 2015.

We have certain contracts under which we have material future commitments. Under the Investment Advisory Agreement, the Investment Adviser provides us with investment advisory and management services. We have agreed to pay for these services (1) a base management fee equal to a percentage of the average adjusted value of our gross assets and (2) an incentive fee based on our performance.

We entered into the Administration Agreement on October 9, 2012 with the Administrator. Under the Administration Agreement, the Administrator furnishes us with office facilities and equipment, provides us clerical, bookkeeping and record keeping services and provides us with other administrative services necessary to conduct our day-to-day operations.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Advisory Agreement and our Administration Agreement. Any new investment advisory agreement would also be subject to approval by our stockholders.

Both the Investment Advisory Agreement and the Administration Agreement may be terminated by either party without penalty upon no fewer than 60 days' written notice to the other.

## Critical Accounting Policies

The preparation of our financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. We have identified the following as critical accounting policies.

## Basis for Consolidation

Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, codified in Topic 946, Financial Services-Investment Companies, or ASC Topic 946, we are precluded from consolidating any entity other than

another investment company. We generally consolidate any investment company when we own 100% of its partners' or members' capital or equity units. ASC Topic 946 also provides an exception to the aforementioned if the investment company has an investment in a controlled operating company that provides substantially all of its services to the investment company. GF 2013-2 Manager owns a 100% equity interest in GF 2013-2, which is an investment company for accounting purposes, and also provides collateral management services solely to GF 2013-2. As such, we have consolidated the accounts of these entities into our financial statements. Our blocker subsidiaries, Walnut Hill II LLC, Forest Park II LLC and GLC Trust 2013-2, are 100% owned investment companies for accounting purposes. As such, we have consolidated the accounts of these entities into our financial statements. As a result of this consolidation, the amounts outstanding under the CLO and the GLC Trust 2013-2 Notes are treated as our indebtedness.



## Valuation of Portfolio Investments

We value our investments in accordance with ASC, Topic 820, Fair Value Measurements and Disclosures, or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC 820's definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value. ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

- Level 1 – quoted unadjusted prices in active markets for identical investments as of the reporting date.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Investment Adviser's own assumptions about the assumptions market participants would use in determining the fair values of investments).

The valuation process is conducted at the end of each fiscal quarter, with a portion of our valuations of portfolio companies without market quotations subject to review by the independent valuation firms each quarter.

Our portfolio consists of primarily debt investments and unsecured consumer loans. The fair value of our investments is initially determined by investment professionals of the Investment Adviser and ultimately determined by the Board on a quarterly basis.

In valuing our debt investments, the Investment Adviser generally uses various approaches, including proprietary models that consider the analyses of independent valuation agents as well as credit risk, liquidity, market credit spreads, other applicable factors for similar transactions, bid quotations obtained from other financial institutions that trade in similar investments or based on bid prices provided by independent third party pricing services.

The types of factors that the Board may take into account when reviewing the fair value initially derived by the Investment Adviser and determining the fair value of the our debt investments generally include, as appropriate, comparison to publicly traded securities, including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors.

In valuing our unsecured consumer loans, the Investment Adviser generally uses a discounted cash flow methodology based upon a set of assumptions. The primary assumptions used to value the unsecured consumer loans include prepayment and default rates derived from historical performance, actual performance as compared to historical projections and discount rate.

The types of factors that the Board may take into account when reviewing the fair value initially derived by the Investment Adviser and determining the fair value of the our consumer loan investments generally include, as appropriate, prepayment and default rates derived from historical performance, actual performance as compared to historical projections and discount rates.

Our Board of Directors has retained several independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period. To the extent a security is reviewed in a particular quarter, it is reviewed and valued by only one service provider. However,

our Board of Directors does not intend to have de minimis investments of less than 0.5% of our total assets (up to an aggregate of 10% of our total assets) independently reviewed. Our Board of Directors is ultimately and solely responsible for determining the fair value of our assets using a documented valuation policy and consistently applied valuation process.

Due to the nature of our strategy, our portfolio includes relatively illiquid investments that are privately held. Inputs into the determination of fair value of our portfolio investments require significant management judgment or estimation. This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Valuations of privately held investments are inherently uncertain and they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by our board of directors may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realized upon the disposal of such investments.

The valuation process is conducted at the end of each fiscal quarter, with a portion of our valuations of portfolio companies without market quotations subject to review by the independent valuation firms each quarter. When an external event with respect to one of our portfolio companies, such as a purchase transaction, public offering or subsequent equity sale occurs, we expect to use the pricing indicated by the external event to corroborate our valuation.

With respect to investments for which market quotations are not readily available, our board of directors will undertake a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by investment professionals of our Investment Adviser responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with our senior management and our Investment Adviser.
- The valuation committee of the Board of Directors reviews these preliminary valuations.
- At least once annually, the valuation for each portfolio investment that does not have a readily available quotation is reviewed by an independent valuation firm, subject to the de minimis exception above.
- The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith.

Net assets could be materially affected if the determinations regarding the fair value of the investments were materially higher or lower than the values that are ultimately realized upon the disposal of such investments.

#### Investment Transactions and Related Investment Income and Expense

We record our investment transactions on a trade date basis, which is the date when management has determined that all material legal terms have been contractually defined for the transactions. These transactions could possibly settle on a subsequent date depending on the transaction type. All related revenue and expenses attributable to these transactions are reflected on the consolidated statements of operations commencing on the trade date unless otherwise specified by the transaction documents. Realized gains and losses on investment transactions are recorded using the specific identification method.

We accrue interest income if it expects that ultimately it will be able to collect such income. Generally, when a payment default occurs on a loan in the portfolio, or if management otherwise believes that the issuer of the loan will not be able to make contractual interest payments or principal payments, the Investment Adviser will place the loan on non-accrual status and will cease recognizing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed to be collectible. However, we remain contractually entitled to this interest.

We may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. For consumer loans, any loan which is 120 past due is considered defaulted and 100% of the principal is charged off with no expected recovery or sale of defaulted receivables. For the three months ended March 31, 2015 and March 31, 2014, we had recognized \$0.7 million and \$0 million, respectively, in charge offs in realized losses from investments for consumer loans held by GLC Trust 2013-2. We had no investment placed on non-accrual status as of March 31, 2015 and one investment that was placed on

non-accrual status as of December 31, 2014.

Any original issue discounts, as well as any other purchase discounts or premiums on debt investments, are accreted or amortized and included in interest income, over the maturity periods of the investments. If a loan is placed on non-accrual status, we will cease recognizing amortization of original issue discount and purchase discount until all principal and interest is current through payment or until a restructuring occurs, such that the income is deemed to be collectible.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected.

#### Interest Expense

Interest expense is recorded on an accrual basis and is adjusted for amortization of deferred debt issuance costs and any original issue discount.

## Other Expenses

Certain expenses related to rating fees, due diligence, valuation expenses and independent collateral appraisals may arise when we make certain investments. These expenses are recognized in the consolidated statement of operations within ratings fees and other expenses as they are incurred.

## Loan Origination, Facility, Commitment and Amendment Fees

We may receive loan origination, facility, prepayment, commitment and amendment fees in addition to interest income from the loans during the life of the investment. We may receive origination fees upon the origination of an investment. Origination fees are initially deferred and reduced from the cost basis of the investment and subsequently accreted into interest income over the remaining stated term of the loan. Facility fees, sometimes referred to as asset management fees, are accrued as a percentage periodic fee on the base amount (either the funded facility amount or the committed principal amount). Commitment fees are based upon the undrawn portion committed by us and are recorded on an accrual basis. Amendment fees are paid in connection with loan amendments and waivers and are recognized upon completion of the amendments or waivers, generally when such fees are receivable. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

## Distributions

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

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not 'opted out' of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution.

No action is required on the part of a registered stockholder to have their cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer & Trust Company, LLC, the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share. The plan administrator is authorized to deduct a \$15.00 transaction fee plus a \$0.10 per share brokerage commission from the proceeds of the sale of any fractional share of common stock.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends and other distributions in cash by notifying their broker or other financial intermediary of their election.

## Income Tax

As a business development company, we elected to be treated as a RIC under Subchapter M of the Code and we intend to qualify annually for such treatment.

We intend to comply with all RIC qualification provisions contained in the Code including certain source-of-income and asset diversification requirements as well as the annual distribution requirements, which require us to distribute to our stockholders an amount generally equal to at least 90% of “investment company taxable income.” “Investment company taxable income” is generally defined as net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses. As a RIC, we do not have to pay corporate-level U.S. federal income taxes on any net ordinary income or net capital gains that we distribute to our stockholders in a timely manner. However, we are subject to U.S. federal income taxes at regular corporate tax rates on any net ordinary income or net capital gain not distributed to our stockholders assuming at least 90% of our investment company taxable income is distributed each taxable year.

Depending on the level of taxable income earned in a tax year, the Company may choose to retain taxable income in excess of current year dividend distributions, and would distribute such taxable income in the next tax year. The Company would then pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income, determined on a calendar basis, could exceed estimated current calendar year dividend distributions, we accrue excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three months ended March 31, 2015 and March 31, 2014, \$0.1 million and \$0 million was recorded for U.S. federal excise tax.

### Item 3: Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. During the period covered by our financial statements, the majority of the loans in our portfolio had floating interest rates, and we expect that our loans in the future will also have floating interest rates. These loans are usually based on a floating LIBOR and typically have interest rate re-set provisions that adjust applicable LIBOR under such loans to current market rates on a regular basis. In addition, the CLO has a floating interest rate provision based on a cost of funds that approximates LIBOR and we expect that any other credit facilities into which we enter in the future may have floating interest rate provisions.

Assuming that the interim and unaudited consolidated statement of financial condition as of March 31, 2015 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates (\$ in thousands)	Increase (decrease) in interest income	Increase (decrease) in interest expense	Net increase (decrease) in investment income
Down 25 basis points	\$ -	\$ (309)	\$ 309
Up 50 basis points	29	1,004	(975)
Up 100 basis points	871	2,009	(1,138)
Up 200 basis points	4,341	4,017	324
Up 300 basis points	8,122	6,026	2,096

Although management believes that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit markets, the size, credit quality or composition of the assets in our portfolio and other business developments, including indebtedness under the CLO or other borrowings, that could affect net increase in net assets resulting from operations, or net income. Accordingly, we cannot assure you that actual results would not differ materially from the statement above.

We may in the future hedge against currency and interest rate fluctuations by using standard hedging instruments such as futures, forward contracts, currency options and interest rate swaps, caps, collars and floors, and the collateral

manager may engage in similar hedging activities with respect to the obligations of the CLO, to the extent permitted under the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in currency exchange and interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates. We, our Investment Adviser and the collateral manager have not hedged any of the obligations of the CLO.



#### Item 4: Controls and Procedures

As of the period covered by this report, we, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on our evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective in timely alerting management, including the chief executive officer and chief financial officer, of material information about us required to be included in our periodic SEC filings. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, are based upon certain assumptions about the likelihood of future events and can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. There has not been any change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

#### Part II — Other Information

##### Item 1: Legal Proceedings

Garrison Capital, the Investment Adviser and the Administrator are not currently subject to any material legal proceedings.

##### Item 1A: Risk Factors

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our Annual Report on Form 10-K filed with the SEC on March 4, 2015, and our Form N-2, as amended, filed on April 1, 2015, which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

##### Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

None.

##### Item 3: Defaults Upon Senior Securities

None.

##### Item 4: Mine Safety Disclosures

Not applicable.

##### Item 5: Other Information

Effective as of the conclusion of the meeting of our Board of Directors on May 1, 2015, the Board appointed Michael L. Butler as our Chief Compliance Officer and Secretary. Mr. Chase remains our Chief Financial Officer and Treasurer.



Item 6: Exhibits

EXHIBIT INDEX

Number	Description
31.1*	Certifications by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certifications by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	GLC Trust 2013-2 Consumer Loan Pool Schedule of Investments.

\* Filed herewith.

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.

Garrison Capital Inc.

Dated: May 5, 2015

By  
/s/ Joseph Tansey

Joseph Tansey  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May 5, 2015

By  
/s/ Brian Chase

Brian Chase  
Chief Financial Officer  
(Principal Financial Officer)

Dated: May 5, 2015

By  
/s/ Michelle Rancic

Michelle Rancic  
Chief Accounting Officer  
(Principal Accounting Officer)