

Garrison Capital Inc.
Form 10-Q
November 06, 2018

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 September 30, 2018

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 90-0900145
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1290 Avenue of the Americas, Suite 914

New York, New York 10104

(Address of principal executive offices)

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(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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 November 2, 2018 the Registrant had 16,049,352 shares of common stock, \$0.001 par value, outstanding.

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Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Financial Condition

(\$ in thousands, except share and per share amounts)

Part I. Financial Information

Item 1. Financial Statements

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Cash	\$29,370	\$14,895
Restricted cash	25,651	4,621
Due from counterparties	1,337	4,560
Due from affiliates	—	509
Investments, at fair value		
Non-control/non-affiliate investments (amortized cost of \$386,202 and \$395,683, respectively)	380,268	394,730
Non-control/affiliate investments (amortized cost of \$4,112 and \$0, respectively)	2,698	—
Accrued interest receivable	2,127	3,492
Other assets	1,331	1,389
Total assets	\$442,782	\$424,196
Liabilities		
Due to counterparties	\$15,041	\$1,921
Management fee payable (Note 5)	1,504	100
Administrator fee payable (Note 5)	245	—
Senior secured revolving note (Note 4)	20,500	19,700
Senior secured term notes (Note 4)	164,668	164,511
SBIC borrowings (Note 4)	58,297	48,320
GLC Trust 2013-2 Class A note (Note 4)	—	—
Accrued interest payable	1,231	1,308
Accrued expenses and other payables	761	678
Total liabilities	\$262,247	\$236,538
Commitments and contingencies (Note 9)		
Net assets		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 16,758,779 shares issued and 16,049,352 shares outstanding as of both September 30, 2018 and December 31, 2017	\$17	\$17
Paid-in-capital in excess of par	249,124	249,124

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Underdistributed net investment income	3,857	4,307
Accumulated net realized loss from investments	(65,107)	(64,821)
Net unrealized loss from investments	(7,356)	(969)
Total net assets	180,535	187,658
Total liabilities and net assets	\$442,782	\$424,196
Shares of common stock outstanding	16,049,352	16,049,352
Net asset value per share	\$11.25	\$11.69

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Common Equity								
Building Products								
Valterra Products Holdings, LLC, Class A	N/A	N/A	N/A	N/A	185,847	\$ 186	\$ 864	0.48 %
Valterra Products Holdings, LLC, Class B	N/A	N/A	N/A	N/A	20,650	21	96	0.05
						207	960	0.53
Commercial Services and Supplies								
Faraday Holdings, LLC, Common	N/A	N/A	N/A	N/A	2,752	140	734	0.41
						140	734	0.41
Healthcare Equipment and Services								
Juniper TGX Investment Partners, LLC, Common	N/A	N/A	N/A	N/A	3,146	671	1,477	0.82
						671	1,477	0.82
Household Products and Durables								
Oneida Group Inc., Common	N/A	N/A	N/A	N/A	844,557	3,919	2,948	1.63
						3,919	2,948	1.63
Transportation Services								
EZE Trucking, LLC, Common	N/A	N/A	N/A	N/A	2,898	268	—	—
						268	—	—
Total Common Equity						\$5,205	\$ 6,119	3.39 %
Preferred Equity								
Diversified Financial Services								
Prosper Marketplace Series B Preferred Stock ¹ ²	N/A	N/A	N/A	N/A	912,865	\$ 551	\$ 640	0.35 %
						551	640	0.35
Total Preferred Equity						\$ 551	\$ 640	0.35 %

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Debt Investments

Aerospace and Defense

Constellis Holdings, LLC, Term Loan*	2.39%	5.00%	7.39%	4/21/2024	997	\$995	\$985	0.55	%
Novetta Solutions, Term Loan*	2.25%	5.00%	7.25%	10/16/2022	1,990	1,944	1,920	1.06	
Vertex Aerospace Services Corp., Term Loan*	2.24%	4.75%	6.99%	6/29/2025	1,825	1,816	1,841	1.02	
						4,755	4,746	2.63	

Air Freight and Logistics

Gruden Acquisition, Inc., Term Loan (First Lien)*

	2.39%	5.50%	7.89%	8/18/2022	2,471	2,448	2,487	1.38	
						2,448	2,487	1.38	

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Auto Components								
Challenge Mfg. Company, LLC, Term Loan B*	2.25%	6.50%	8.75%	4/20/2022	8,001	\$7,929	\$7,925	4.39 %
FRAM Group Holdings Inc. (Autoparts Holdings), Term Loan*	2.24%	6.75%	8.99%	12/23/2021	7,333	7,239	7,370	4.08
						15,168	15,295	8.47
Building Products								
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Revolver	2.08%	8.25%	10.33%	2/15/2023	29	29	29	0.02
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Term Loan**	2.08%	8.25%	10.33%	2/15/2023	7,377	7,248	7,082	3.92
						7,277	7,111	3.94
Chemicals								
Aristech Surfaces LLC, Term Loan B*	2.13%	7.00%	9.13%	10/17/2019	9,038	9,005	8,997	4.98
Profusion Industries, LLC, Term Loan*	2.44%	12.25%	14.69%	6/19/2020	9,270	9,188	2,781	1.54
						18,193	11,778	6.52
Commercial Services and Supplies								
Del Mar Recovery Solutions, Inc., Term Loan**	2.25%	8.50%	10.75%	6/27/2021	7,726	7,652	7,572	4.19
DMT Solutions Global Corporation (Pitney Bowes), Term Loan*	2.53%	7.00%	9.53%	7/2/2024	7,202	6,995	7,112	3.94
Interior Logic Group, Term Loan*	2.34%	4.00%	6.34%	5/31/2025	6,527	6,496	6,519	3.61
Staples, Inc., Term Loan*	2.34%	4.00%	6.34%	9/12/2024	2,995	2,944	2,995	1.66
USAGM Holdco, LLC, Initial Term Loan (First Lien)*	2.39%	3.75%	6.14%	7/28/2022	995	986	979	0.54

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VIP Cinema Holdings, Inc., Term Loan*	2.25%	6.00%	8.25%	3/1/2023	1,465	1,459	1,468	0.81
						26,532	26,645	14.75
Construction and Engineering								
QualTek USA, LLC, Term Loan*	2.24%	5.75%	7.99%	7/18/2025	4,516	4,438	4,449	2.46
						4,438	4,449	2.46
Containers and Packaging								
Ball Metalpack Finco LLC, Term Loan*	2.24%	4.50%	6.74%	7/31/2025	550	547	555	0.31
Klockner Pentaplast of America, Inc., Term Loan* ¹	2.24%	4.25%	6.49%	6/30/2022	2,641	2,566	2,563	1.42
						3,113	3,118	1.73
Diversified Financial Services								
AIS Holdco, LLC, Term Loan*	2.31%	5.00%	7.31%	8/15/2025	2,715	2,702	2,701	1.50
Financial & Risk US Holdings, Inc. (Refinitiv), Term Loan*	2.26%	3.75%	6.01%	9/18/2025	2,205	2,200	2,199	1.22
PlanMember Financial Corporation, Term Loan* ¹	3.00%	5.00%	8.00%	12/31/2020	1,607	1,594	1,598	0.89
						6,496	6,498	3.61

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Diversified Telecommunication Services								
Fusion Connect, Inc., Tranche B Term								
Loan (First Lien)* ¹	2.34%	7.50%	9.84%	5/4/2023	7,331	\$7,062	\$6,946	3.85 %
Onvoy, LLC, Term Loan*	2.39%	4.50%	6.89%	2/10/2024	2,992	2,983	2,924	1.62
U.S. Telepacific Corp., Term Loan B*	2.39%	5.00%	7.39%	5/2/2023	7,190	7,138	7,058	3.91
						17,183	16,928	9.38
Electrical Equipment								
Luminii LLC, Term Loan*	2.34%	6.25%	8.59%	4/11/2023	7,299	7,231	7,230	4.00
						7,231	7,230	4.00
Energy Equipment and Services								
NGS US FinCo, LLC, Term Loan*	2.21%	4.25%	6.46%	8/24/2025	2,715	2,702	2,728	1.51
						2,702	2,728	1.51
Food Products								
Diamond Crystal Brands, Inc., Term								
Loan**	2.39%	9.75%	12.14%	7/29/2021	5,460	5,428	5,378	2.98
Gold Coast Bakeries, LLC, Revolver*	2.24%	5.75%	7.99%	9/27/2022	1,188	1,188	1,188	0.66
Gold Coast Bakeries, LLC, Term								
Loan**	2.24%	5.75%	7.99%	9/27/2022	9,402	9,309	8,932	4.95
Mother's Market & Kitchen, Inc, Term								
Loan**	2.25%	5.83%	8.08%	7/26/2023	7,814	7,701	7,700	4.27
						23,626	23,198	12.86
Healthcare Equipment and Services								
AC Merger Sub, Inc. (Analogic), Term								
Loan*	2.21%	6.00%	8.21%	6/22/2024	8,582	8,500	8,499	4.71

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ActivStyle, Inc., Term Loan***	2.38%	7.50%	9.88%	7/9/2020	10,447	10,380	10,447	5.79
Aurora Diagnostics, LLC, Delayed Draw Term Loan*	2.34%	7.13%	9.47%	7/31/2019	850	849	850	0.47
Aurora Diagnostics, LLC, Delayed Draw Term Loan B*	2.35%	7.13%	9.48%	7/31/2019	598	597	598	0.33
Aurora Diagnostics, LLC, Delayed Draw Term Loan C*	2.34%	7.13%	9.47%	7/31/2019	1,056	1,047	1,056	0.58
Aurora Diagnostics, LLC, Delayed Draw Term Loan D	2.34%	7.13%	9.47%	7/31/2019	173	173	173	0.10
Aurora Diagnostics, LLC, Revolver*	2.34%	7.13%	9.47%	7/31/2019	935	935	935	0.52
Aurora Diagnostics, LLC, Term Loan*	2.35%	7.13%	9.48%	7/31/2019	5,286	5,276	5,286	2.93
Community Care Health Network, LLC, Term Loan*	2.29%	4.75%	7.04%	2/16/2025	1,396	1,393	1,402	0.78
LifeScan Global Corp., Term Loan*	2.40%	6.00%	8.40%	10/1/2024	1,954	1,912	1,930	1.07
Maxor Acquisition, Inc., Term Loan*	2.37%	6.00%	8.37%	11/22/2023	8,967	8,890	8,888	4.92
Theragenics Corporation, Term Loan**	2.39%	12.00%	14.39%	12/23/2020	10,071	9,969	10,071	5.58
						49,921	50,135	27.78
Hotels, Restaurants and Leisure								
AP Gaming I, LLC, Term Loan B*	2.24%	4.25%	6.49%	2/15/2024	9,875	9,855	9,924	5.50
Bravo Brio Restaurant Group, Inc., Term Loan*	2.25%	6.50%	8.75%	5/24/2023	8,302	8,187	8,185	4.53
CircusTrix Holdings, LLC, Term Loan B*	2.24%	5.50%	7.74%	12/16/2021	6,001	5,950	5,949	3.30
HRI Holding Corp. (Houlihans Restaurants), Term Loan*	2.39%	6.25%	8.64%	12/17/2020	6,343	6,284	6,026	3.34
						30,276	30,084	16.67

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Household Products and Durables								
Brown Jordan International Inc., Term Loan*	2.24%	5.00%	7.24%	1/31/2023	5,772	\$5,739	\$ 5,750	3.19 %
			13.36%					
CR Brands, Inc., Term Loan* ³	2.11%	11.25%	PIK	12/31/2018	6,331	6,331	6,331	3.51
Innocor, Inc. (Comfort Holding, LLC), Term Loan*	2.24%	4.75%	6.99%	2/3/2024	1,992	1,938	1,918	1.06
NBG Acquisition Inc., Term Loan*	2.59%	5.50%	8.09%	4/26/2024	5,224	5,159	5,250	2.91
University Furnishings, L.P., Term Loan***	2.08%	7.46%	9.54%	10/13/2022	9,500	9,396	9,500	5.26
						28,563	28,749	15.93
Internet Software and Services								
Aptos, Inc., Term Loan*	2.24%	5.50%	7.74%	7/23/2025	7,814	7,738	7,765	4.30
Corel Corporation, Term Loan* ¹	2.31%	5.00%	7.31%	6/4/2024	5,470	5,418	5,497	3.04
Emtec Global Services Holdings, LLC, Revolver ³			18.32%					
	2.07%	16.25%	PIK	11/30/2020	429	429	429	0.24
Emtec Global Services Holdings, LLC, Term Loan** ³			18.32%					
	2.07%	16.25%	PIK	11/30/2020	3,592	3,575	3,592	1.99
Exela Intermediate LLC, Term Loan* ¹	2.33%	6.50%	8.83%	7/12/2023	5,424	5,344	5,488	3.04
Intermedia Holdings, Inc., Term Loan*	2.36%	6.00%	8.36%	7/19/2025	2,750	2,728	2,757	1.53
LANDesk Group, Inc., Term Loan*	2.08%	4.25%	6.33%	1/20/2024	2,707	2,694	2,726	1.51
Lionbridge Technologies, Inc., Term Loan*	2.24%	5.50%	7.74%	2/28/2024	3,228	3,227	3,230	1.79
Newscycle Solutions, Inc., Delayed Draw Term Loan	2.10%	7.00%	9.10%	12/29/2022	802	802	788	0.44
Newscycle Solutions, Inc., Revolver	2.23%	7.00%	9.23%	12/29/2022	329	329	323	0.18
Newscycle Solutions, Inc., Term Loan*	2.24%	7.00%	9.24%	12/29/2022	8,767	8,619	8,614	4.77

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RA Outdoors LLC (Active Network), Term Loan*	2.17%	4.75%	6.92%	9/11/2024	7,903	7,833	7,832	4.34
Vero Parent, Inc. (fka Syncsort Incorporated), Initial Term Loan (First Lien)*	2.24%	5.00%	7.24%	8/16/2024	8,910	8,810	8,906	4.93
						57,546	57,947	32.10
Leisure Products								
Bass Pro Group, LLC, Initial Term Loan*	2.24%	5.00%	7.24%	9/25/2024	5,693	5,659	5,747	3.18
Confluence Outdoor, LLC, Delayed Draw Term Loan ³			12.86%					
	2.11%	10.75%	PIK	4/18/2019	968	967	872	0.48
Confluence Outdoor, LLC, Supplemental Loan ³			12.87%					
	2.12%	10.75%	PIK	11/29/2018	333	333	300	0.17
			12.86%					
Confluence Outdoor, LLC, Term Loan ³	2.11%	10.75%	PIK	4/18/2019	6,456	6,444	5,810	3.22
Playpower, Inc., Initial Term Loan (First Lien)*	2.39%	4.75%	7.14%	6/23/2021	1,392	1,389	1,399	0.77
						14,792	14,128	7.82
Media								
Project Sunshine IV Pty Ltd, 2017 Incremental Term Loan* ¹	2.24%	7.00%	9.24%	8/22/2022	5,328	5,267	5,328	2.95
						5,267	5,328	2.95

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Spread	Annual Interest Rate	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments						
Investments - United States						
Debt Investments (continued)						
Pharmaceuticals						
Akorn, Inc., Loan*	2.25%	7.75%	2,000	\$1,965	\$1,935	1.07 %
RiteDose Holdings I, Inc., Term Loan*	2.34%	7.75%	7,997	7,898	7,894	4.37
				9,863	9,829	5.44
Professional Services						
Censeo Health LLC (Chloe Ox Parent, LLC), Term Loan*	2.39%	5.06%	1,880	1,863	1,882	1.04
				1,863	1,882	1.04
Semiconductors and Semiconductor Equipment						
Ultra Clean Holdings, Inc., Term Loan* ¹	2.24%	5.06%	2,715	2,674	2,678	1.48
				2,674	2,678	1.48
Technology Hardware, Storage and Peripherals						
Elo Touch Solutions, Inc., Term Loan B*	2.25%	6.00%	4,328	4,291	4,355	2.41
Table Top Media, LLC, Lease**	N/A	10.00%	1,590	1,586	1,589	0.88
				5,877	5,944	3.29
Textiles, Apparel and Luxury Goods						
Camuto Group LLC, Revolver*	5.00%	5.50%	8,900	8,724	8,945	4.95
Keeco Holdings, LLC, Term Loan*	2.17%	6.09%	4,385	4,342	4,342	2.41
Triangle Home Fashions, LLC, Term Loan**	2.25%	7.75%	10,500	10,337	10,333	5.72
				23,403	23,620	13.08
Trading Companies and Distributors						
Sprint Industrial Holdings, LLC, Term Loan (First Lien)*	2.39%	7.58%	4,688	4,684	4,512	2.50
				4,684	4,512	2.50
Transportation Services						
Airxcel, Inc., Term Loan*	2.24%	5.06%	998	995	990	0.55
PS Holdco, LLC, Term Loan*	2.24%	7.56%	2,405	2,395	2,408	1.33
Sirva Worldwide, Term Loan*	2.24%	5.06%	2,654	2,635	2,654	1.47

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			6,025	6,052	3.35
Total Debt Investments			\$379,916	\$373,099	206.67 %
Financial Assets					
Diversified Financial Services					
GLC Trust 2013-2 Consumer Loan Pool ¹	N/A	N/A	N/A	N/A	
			577	\$577	\$536
				577	536
					0.30 %
					0.30
Total Financial Assets			\$577	\$536	0.30 %

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Unfunded Commitments								
Building Products								
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Revolver								
	N/A	0.75%	0.75%	2/15/2023	21	\$—	\$—	— %
						—	—	—
Commercial Services and Supplies								
Del Mar Recovery Solutions, Inc., Revolver								
	N/A	0.75%	0.75%	6/27/2021	990	(9)	—	—
						(9)	—	—
Electrical Equipment								
Luminii LLC, Revolver*								
	N/A	0.50%	0.50%	4/11/2023	515	—	(5)	—
						—	(5)	—
Food Products								
Gold Coast Bakeries, LLC, Revolver*								
	N/A	0.50%	0.50%	9/27/2022	396	—	—	—
						—	—	—
Healthcare Equipment and Services								
AC Merger Sub, Inc. (Analogic), Revolver*								
	N/A	0.50%	0.50%	6/22/2024	318	—	(3)	—
Aurora Diagnostics, LLC, Delayed Draw Term Loan D								
	N/A	3.00%	3.00%	7/31/2019	504	(9)	—	—
Aurora Diagnostics, LLC, Revolver*								
	N/A	0.38%	0.38%	7/31/2019	85	(2)	—	—
Maxor Acquisition, Inc., Revolver*								
	N/A	0.50%	0.50%	11/22/2022	585	(5)	(5)	—
						(16)	(8)	—
Internet Software and Services								
Emtec Global Services Holdings, LLC, Revolver								
	N/A	0.00%	0.00%	11/30/2020	179	(3)	—	—
Newscycle Solutions, Inc., Revolver								
	N/A	0.50%	0.50%	12/29/2022	356	(12)	(6)	—

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						(15)	(6)	—
Leisure Products								
Confluence Outdoor, LLC,								
Supplemental Loan	N/A	0.00%	0.00%	11/29/2018	999	—	(100)	(0.06)
						—	(100)	(0.06)
Pharmaceuticals								
RiteDose Holdings I, Inc.,								
Revolver*	N/A	0.50%	0.50%	9/13/2023	537	(7)	(7)	—
						(7)	(7)	—
Total Unfunded Commitments						\$(47)	\$(126)	(0.06 %)
Total Non-Control/Non-Affiliate Investments						\$386,202	\$380,268	210.65 %
See accompanying notes to consolidated financial statements.								

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets	
Non-Control/Affiliate Investments									
Investments - United States									
Common Equity									
Oil, Gas and Consumable Fuels									
Cochon – MWS Holdings LLC (fka Rooster Energy Ltd.), Common	N/A	N/A	N/A	N/A	99	\$4,112	\$2,698	1.49	%
						4,112	2,698	1.49	
Total Common Equity						\$4,112	\$2,698	1.49	%
Total Non-Control/Affiliate Investments						\$4,112	\$2,698	1.49	%
Total Investments - United States						\$390,314	\$382,966	212.14	%

*Denotes that all or a portion of the investment is held as collateral by Garrison Funding 2016-2 Ltd.

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

***Denotes that all or a portion of the loan is held as collateral by both Garrison Funding 2016-2 Ltd. and Garrison Capital SBIC LP.

Base Rate = Our floating rate investments bear interest at a base rate plus a spread. Generally, the borrower has an option to choose whether the base rate is referenced to the London Interbank Offered Rate (“LIBOR”) or the prime rate. The spread may change as a result of the borrower’s choice of base rate. In addition, the floating rate investments that are referenced to LIBOR are generally indexed to 30-day or 90-day U.S. Dollar LIBOR and subject to a minimum LIBOR Floor. The terms disclosed in the consolidated schedule of investments represent the actual base rate and spread in effect as of the reporting date.

All securities above were valued with significant unobservable inputs. Refer to Note 3 of our consolidated financial statements for additional disclosures regarding the unobservable inputs used in fair value measurement.

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Not a qualifying asset under Section 55(a) of the Investment Company Act of 1940, as amended (the “1940 Act”). Under the 1940 Act, Garrison Capital Inc. (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. As of September 30, 2018, 92.5% of the Company’s assets were qualifying assets.

- (2) Net of a profits interest payable to a third party upon any subsequent sales of Prosper Marketplace Series B Preferred Stock.
- (3) Interest is payable in cash, and/or payment-in-kind (“PIK”), or a combination thereof.
- (4) Investment is structured as a unitranche loan where we hold the last out component. As a result, in addition to the interest earned on the stated base rate and spread of this investment, the Company may have received additional interest during the nine months ended September 30, 2018 due to an arrangement between the Company and certain other lenders to the portfolio company. The additional interest received during the quarter has been annualized and included in the spread disclosed for this investment.
- (5) Investment is currently not income producing and placed on non-accrual status.
- (6) GLC Trust 2013-2 includes 280 small balance consumer loans with an average par of \$2,062, a weighted average rate of 15.88% and a weighted average maturity of March 30, 2019. See Note 3 for additional information. See Exhibit 99.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 for detail on underlying loans.
- (7) The negative fair value is the result of the unfunded commitments being valued below par. These amounts may or may not be funded to the borrowing party currently or in the future.
See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments - (continued)

September 30, 2018 (unaudited)

(\$ in thousands, except share amounts)

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.

All debt investments were income producing as of September 30, 2018, unless otherwise noted. Common and preferred equity investments are not income-producing unless otherwise noted.

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

December 31, 2017

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Common Equity								
Building Products								
Valterra Products Holdings, LLC, Class A	N/A	N/A	N/A	N/A	185,847	\$ 186	\$ 786	0.42 %
Valterra Products Holdings, LLC, Class B	N/A	N/A	N/A	N/A	20,650	21	87	0.05
						207	873	0.47
Commercial Services and Supplies								
Faraday Holdings, LLC, Common	N/A	N/A	N/A	N/A	2,752	140	320	0.17
						140	320	0.17
Healthcare Equipment and Services								
Juniper TGX Investment Partners, LLC, Common	N/A	N/A	N/A	N/A	3,146	671	1,394	0.74
						671	1,394	0.74
Household Products and Durables								
Oneida Group Inc. (fka Everywhere Global, Inc.), Common	N/A	N/A	N/A	N/A	242,035	2,714	1,997	1.06
						2,714	1,997	1.06
Transportation Services								
EZE Trucking, LLC, Common	N/A	N/A	N/A	N/A	2,898	268	—	—
						268	—	—
Total Common Equity						\$4,000	\$ 4,584	2.44 %
Preferred Equity								
Diversified Financial Services								
	N/A	N/A	N/A	N/A	912,865	\$ 551	\$ 640	0.34 %

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Prosper Marketplace Series B Preferred Stock ¹ ²									
						551	640	0.34	
Total Preferred Equity									
						\$551	\$ 640	0.34	%
Debt Investments									
Aerospace and Defense									
AbelConn, LLC (Atrenne Computing),									
Term Loan*	1.69%	8.50%	10.19%	7/17/2019	8,203	\$8,153	\$ 8,203	4.37	%
						8,153	8,203	4.37	

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2017

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Air Freight and Logistics								
Gruden Acquisition, Inc., Term Loan (First Lien)*	1.69%	5.50%	7.19%	8/18/2022	1,960	\$1,933	\$1,958	1.04 %
MXD Group, Inc. (fka Exel Direct Inc.), Term Loan* ³	1.38%	14.00%	15.38%	5/1/2018	16,932	16,836	17,049	9.09
Raymond Express International, LLC, Revolver*	1.75%	7.75%	9.50%	2/28/2018	40	40	40	0.02
Raymond Express International, LLC, Term Loan*	1.75%	7.75%	9.50%	2/28/2018	385	385	385	0.21
						19,194	19,432	10.36
Auto Components								
Challenge Mfg. Company, LLC, Term Loan B*	1.57%	7.00%	8.57%	4/20/2022	8,663	8,567	8,565	4.56
FRAM Group Holdings Inc. (Autoparts Holdings), Term Loan*	1.57%	6.75%	8.32%	12/23/2021	8,550	8,414	8,614	4.59
						16,981	17,179	9.15
Building Products								
ShelterLogic Corp., Term Loan*	1.36%	9.50%	10.86%	7/30/2019	9,356	9,297	9,356	4.99
						9,297	9,356	4.99
Chemicals								
Aristech Surfaces LLC, Term Loan B*	1.38%	7.00%	8.38%	10/17/2019	9,410	9,351	9,336	4.98
Profusion Industries, LLC, Term Loan*	1.63%	12.25%	13.88%	6/19/2020	9,270	9,179	8,621	4.59
						18,530	17,957	9.57
Commercial Services and Supplies								

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Del Mar Recovery Solutions, Inc., Term Loan**								
	1.57%	8.50%	10.07%	6/27/2021	7,726	7,632	7,572	4.04
Interior Specialists, Inc., Term Loan*								
	1.38%	6.00%	7.38%	6/30/2021	9,832	9,734	9,832	5.24
VIP Cinema Holdings, Inc., Term Loan*								
	1.70%	6.00%	7.70%	3/1/2023	1,524	1,517	1,533	0.82
						18,883	18,937	10.10
Construction and Engineering								
QualTek USA, LLC, Term Loan**								
	1.37%	8.00%	9.37%	11/30/2020	9,287	9,129	9,128	4.86
						9,129	9,128	4.86
Diversified Financial Services								
PlanMember Financial Corporation, Term Loan* ¹								
	1.50%	6.50%	8.00%	12/31/2020	1,079	1,068	1,079	0.58
						1,068	1,079	0.58
Diversified Telecommunication Services								
Onvoy, LLC, Term Loan*								
	1.69%	4.50%	6.19%	2/10/2024	3,014	3,005	2,547	1.36
U.S. Telepacific Corp., Term Loan B*								
	1.69%	5.00%	6.69%	5/2/2023	5,967	5,915	5,699	3.04
						8,920	8,246	4.40

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2017

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Food Products								
Diamond Crystal Brands, Inc., Term Loan**	1.70%	7.75%	9.45%	7/29/2021	5,460	\$5,419	\$ 5,460	2.91 %
Gold Coast Bakeries, LLC, Term Loan**	1.57%	6.02%	7.59%	9/27/2022	6,729	6,618	6,617	3.53
Specialty Bakers LLC, Term Loan*	1.37%	7.88%	9.25%	8/7/2019	9,539	9,473	9,443	5.03
						21,510	21,520	11.47
Healthcare Equipment and Services								
ActivStyle, Inc., Term Loan**	1.38%	9.00%	10.38%	7/9/2020	8,311	8,237	8,311	4.43
Aurora Diagnostics, LLC, Delayed Draw Term Loan*	1.39%	7.13%	8.52%	7/31/2019	850	848	850	0.45
Aurora Diagnostics, LLC, Delayed Draw Term Loan B*	1.39%	7.13%	8.52%	7/31/2019	598	596	598	0.32
Aurora Diagnostics, LLC, Delayed Draw Term Loan C*	1.47%	7.13%	8.60%	7/31/2019	610	610	610	0.33
Aurora Diagnostics, LLC, Revolver*	1.66%	7.13%	8.79%	7/31/2019	544	543	544	0.29
Aurora Diagnostics, LLC, Term Loan*	1.39%	7.13%	8.52%	7/31/2019	5,387	5,369	5,387	2.87
Maxor Acquisition, Inc., Revolver*	1.59%	6.00%	7.59%	11/22/2022	66	66	65	0.03
Maxor Acquisition, Inc., Term Loan*	1.66%	6.00%	7.66%	11/22/2023	9,035	8,946	8,946	4.77
RCS Management Corporation (SMS), Term Loan B**	1.49%	10.50%	11.99%	7/29/2018	9,500	9,446	9,445	5.03
Theragenics Corporation, Term Loan**	1.70%	12.00%	13.70%	12/23/2020	8,217	8,122	8,217	4.38
						42,783	42,973	22.90
Hotels, Restaurants and Leisure								
AP Gaming I, LLC, Term Loan B*	1.57%	5.50%	7.07%	2/15/2024	9,950	9,928	10,018	5.34
HRI Holding Corp. (Houlihans Restaurants), Term Loan*	1.70%	7.54%	9.24%	12/17/2020	6,725	6,642	6,389	3.40

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					16,570	16,407	8.74
Household Products and Durables							
Brown Jordan International Inc., Term Loan*	1.69%	5.00%	6.69%	1/31/2023	5,893	5,853	3.14
CR Brands, Inc., Term Loan* ³	1.37%	11.25%	12.62%	1/1/2018	9,635	9,635	5.13
		10.00%					
		Cash					
		+					
		1.00%					
Lexmark Carpet Mills, Inc., Term Loan* ³	1.34%	PIK	12.34%	12/19/2019	8,714	8,629	4.60
NBG Acquisition Inc., Term Loan*	1.69%	5.50%	7.19%	4/26/2024	5,325	5,249	2.86
University Furnishings, L.P., Term Loan***	1.36%	7.70%	9.06%	10/13/2022	9,500	9,377	5.06
						38,743	20.79
						39,021	

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2017

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Internet Software and Services								
Aptos, Inc., Term Loan B*	1.69%	6.75%	8.44%	9/1/2022	8,854	\$8,716	\$ 8,721	4.65 %
ASG Technologies Group, Inc., Term Loan*	1.57%	4.75%	6.32%	7/31/2024	1,392	1,385	1,406	0.75
Dodge Data & Analytics LLC, Term Loan*	1.38%	8.75%	10.13%	10/31/2019	8,629	8,570	8,566	4.56
Emtec Global Services Holdings, LLC, Revolver ³	1.35%	8.25% Cash + 4.00% PIK	3.60%	11/30/2020	353	353	353	0.19
Emtec Global Services Holdings, LLC, Term Loan** ³	1.35%	8.25% Cash + 4.00% PIK	3.60%	11/30/2020	2,954	2,932	2,659	1.42
Exela Intermediate LLC, Term Loan* ¹	1.36%	7.50%	8.86%	7/12/2023	5,132	5,038	4,972	2.65
Lionbridge Technologies, Inc., Term Loan*	1.57%	5.50%	7.07%	2/28/2024	1,419	1,412	1,414	0.75
Newscycle Solutions, Inc., Term Loan*	1.57%	7.00%	8.57%	12/29/2022	8,992	8,813	8,812	4.70
RA Outdoors LLC (Active Network), Term Loan*	1.46%	4.75%	6.21%	9/11/2024	7,963	7,883	7,884	4.20
Vero Parent, Inc. (fka Syncsort Incorporated), Initial Term Loan (First Lien)*	1.69%	5.00%	6.69%	8/16/2024	8,978	8,863	8,753	4.66
						53,965	53,540	28.53
Leisure Products								
Bass Pro Group, LLC, Initial Term Loan*	1.57%	5.00%	6.57%	9/25/2024	5,736	5,699	5,714	3.04
Confluence Outdoor, LLC, Delayed Draw Term Loan*	1.36%	8.75%	10.11%	4/18/2019	999	994	989	0.53

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Confluence Outdoor, LLC, Term Loan*								
	1.36%	8.75%	10.11%	4/18/2019	6,657	6,627	6,590	3.51
Kranos Acquisition Corp., Term Loan*								
	1.38%	10.00%	11.38%	4/30/2018	7,506	7,525	7,408	3.95
Playpower, Inc., Initial Term Loan (First Lien)*								
	1.69%	4.75%	6.44%	6/23/2021	957	963	960	0.51
						21,808	21,661	11.54
Machinery								
Texas Hydraulics Holding, Inc., Term Loan**								
	1.57%	9.34%	10.91%	2/17/2021	8,200	8,097	8,200	4.37
						8,097	8,200	4.37
Media								
Project Sunshine IV Pty Ltd, 2017 Incremental Term Loan* ¹								
	1.57%	7.00%	8.57%	8/22/2022	8,568	8,469	8,569	4.57
						8,469	8,569	4.57
Metals and Mining								
Metal Services LLC (Phoenix), New Term Loans*								
	1.69%	7.50%	9.19%	6/30/2019	6,019	5,978	6,042	3.22
						5,978	6,042	3.22
Retailing								
Western Convenience Stores, Inc., Term Loan*								
	1.38%	11.00%	12.38%	9/1/2019	9,000	8,850	9,000	4.80
						8,850	9,000	4.80

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2017

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Oil, Gas and Consumable Fuels								
Diversified Gas & Oil Corporation, Term Loan*	1.57%	0.45%	1.02%	3/30/2020	5,799	\$5,784	\$5,735	3.06 %
		12.58%						
		Cash						
		+						
		8.00%						
Rooster Energy Ltd., Term Loan* ³	1.50%	0.1K	22.08%	2/25/2018	5,474	4,988	4,112	2.19
						10,772	9,847	5.25
Pharmaceuticals								
RiteDose Holdings I, Inc., Term Loan*	1.34%	0.50%	0.84%	9/13/2023	8,058	7,943	7,941	4.23
						7,943	7,941	4.23
Professional Services								
Censeo Health LLC, Term Loan*	1.64%	0.00%	0.64%	2/21/2024	1,889	1,871	1,889	1.01
						1,871	1,889	1.01
Technology Hardware, Storage and Peripherals								
Elo Touch Solutions, Inc., Term Loan B*	1.44%	0.00%	0.44%	10/31/2023	6,333	6,272	6,266	3.34
Table Top Media, LLC, Lease**	N/A	10.00%	0.00%	10/15/2019	2,834	2,827	2,831	1.51
						9,099	9,097	4.85
Textiles, Apparel and Luxury Goods								
League Collegiate Holdings, LLC, Term Loan*	1.58%	0.00%	0.58%	2/28/2021	7,315	7,238	7,233	3.85
						7,238	7,233	3.85
Trading Companies and Distributors								
	1.69%	0.75%	0.44%	1/14/2019	4,725	4,716	4,359	2.32

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Sprint Industrial Holdings, LLC, Term Loan (First Lien)*									
					4,716	4,359	2.32		
Transportation Services									
Jack Cooper Holdings Corp., Term Loan	3.00%	0.00%	0.00%	0/18/2018	5,000	5,050	5,052	2.69	
Sirva Worldwide, Term Loan*	1.49%	0.50%	0.99%	1/22/2022	5,659	5,544	5,687	3.03	
					10,594	10,739	5.72		
Total Debt Investments					\$389,161	\$387,555	206.54	%	
Financial Assets									
Diversified Financial Services									
GLC Trust 2013-2 Consumer Loan Pool ¹	N/A	N/A	N/A	N/A	2,165	\$2,165	\$2,026	1.08	%
						2,165	2,026	1.08	
Total Financial Assets					\$2,165	\$2,026	1.08	%	
See accompanying notes to consolidated financial statements.									

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2017

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments								
Investments - United States								
Debt Investments (continued)								
Unfunded Commitments								
Air Freight and Logistics								
Raymond Express International, LLC, Revolver*	N/A	0.50%	0.50%	2/28/2018	175	\$—	\$—	— %
						—	—	—
Commercial Services and Supplies								
Del Mar Recovery Solutions, Inc., Revolver	N/A	0.75%	0.75%	6/27/2021	990	(12)	—	—
						(12)	—	—
Healthcare Equipment and Services								
Aurora Diagnostics, LLC, Delayed Draw Term Loan C*	N/A	2.25%	2.25%	7/31/2019	446	(16)	—	—
Aurora Diagnostics, LLC, Delayed Draw Term Loan D	N/A	3.00%	3.00%	12/12/2018	677	(16)	—	—
Aurora Diagnostics, LLC, Revolver*	N/A	0.38%	0.38%	7/31/2019	476	(3)	—	—
Maxor Acquisition, Inc., Revolver*	N/A	0.50%	0.50%	11/22/2022	519	(6)	(5)	—
						(41)	(5)	—
Internet Software and Services								
Emtec Global Services Holdings, LLC, Revolver	N/A	0.00%	0.00%	11/30/2020	219	(4)	—	—
Newscycle Solutions, Inc., Delayed Draw Term Loan	N/A	2.00%	2.00%	12/29/2022	822	—	(16)	(0.01)
	N/A	0.50%	0.50%	12/29/2022	685	(14)	(14)	(0.01)

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Newscycle Solutions, Inc., Revolver								(18)	(30)	(0.02)					
Oil, Gas and Consumable Fuels																		
Diversified Gas & Oil Corporation, Term Loan*								N/A	3.00%	3.00%	6/30/2020	792	(92)	(7)	—	
Morrison Well Services, LLC, Revolver								N/A	0.00%	0.00%	1/31/2018	198	—		—		—	
								(92)	(7)							
Pharmaceuticals																		
RiteDose Holdings I, Inc., Revolver*								N/A	0.50%	0.50%	9/13/2023	537	(8)	(8)	—	
								(8)	(8)							
Textiles, Apparel and Luxury Goods																		
League Collegiate Holdings, LLC, Revolver*								N/A	0.75%	0.75%	6/28/2021	2,200	(23)	(25)	(0.01)
								(23)	(25)			(0.01)			
Total Unfunded Commitments													\$(194)	\$(75)	(0.03)%
Total Non-Control/Non-Affiliate Investments													\$395,683		\$394,730		210.37	%
Total Investments - United States													\$395,683		\$394,730		210.37	%
See accompanying notes to consolidated financial statements.																		

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued)

December 31, 2017

(\$ in thousands, except share amounts)

*Denotes that all or a portion of the investment is held as collateral by Garrison Funding 2016-2 Ltd.

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

***Denotes that all or a portion of the investment is held as collateral by both Garrison Funding 2016-2 Ltd. and Garrison Capital SBIC LP.

Base Rate = Our floating rate investments bear interest at a base rate plus a spread. Generally, the borrower has an option to choose whether the base rate is referenced to LIBOR or the prime rate. The spread may change as a result of the borrower's choice of base rate. In addition, the floating rate investments that are referenced to LIBOR are generally indexed to 30-day or 90-day U.S. Dollar LIBOR and subject to a minimum LIBOR Floor. The terms disclosed in the consolidated schedule of investments represent the actual base rate and spread in effect as of the reporting period date.

All securities above were valued with significant unobservable inputs. Refer to Note 3 of our consolidated financial statements for additional disclosures regarding the unobservable inputs used in fair value measurement.

- (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. As of December 31, 2017, 95.9% of the Company's assets were qualifying assets.
- (2) Net of a profits interest payable to a third party upon any subsequent sales of Prosper Marketplace Series B Preferred Stock.
- (3) Interest is payable in cash, and/or PIK, or a combination thereof.
- (4) Investment is structured as a unitranche loan where we hold the last out component. As a result, in addition to the interest earned on the stated base rate and spread of this investment, the Company may have received additional interest for the year ended December 31, 2017 due to an arrangement between the Company and certain other lenders to the portfolio company. The additional interest received during the quarter has been annualized and included in the spread disclosed for this investment.
- (5) Investment is currently not income producing and placed on non-accrual status.
- (6) GLC Trust 2013-2 includes 516 small balance consumer loans with an average par of \$4,196, a weighted average rate of 16.17% and a weighted average maturity of February 19, 2019. See Note 3 for additional

information. See Exhibit 99.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 for detail on underlying loans.

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

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.

All debt investments were income producing as of December 31, 2017, unless otherwise noted. Common and preferred equity investments are not income-producing unless otherwise noted.

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Operations (unaudited)

(\$ in thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30, 2018	30, 2017	30, 2018	30, 2017
Investment income				
Interest income				
Non-control/non-affiliate investments	\$8,184	\$7,835	\$25,377	\$24,120
Non-control/affiliate investments	—	—	—	148
Payment-in-kind	678	975	1,977	1,671
Other income	450	93	1,868	992
Total investment income	9,312	8,903	29,222	26,931
Expenses				
Interest expense	2,981	2,220	8,285	6,483
Management fee	1,504	1,374	4,516	4,423
Incentive fee	—	—	—	—
Professional fees	326	255	918	596
Directors' fees	76	77	229	236
Administrator expenses	341	305	932	893
Other expenses	363	482	1,310	1,612
Total expenses	5,591	4,713	16,190	14,243
Management fee waived	—	—	—	(310)
Net expenses	5,591	4,713	16,190	13,933
Net investment income before excise taxes	3,721	4,190	13,032	12,998
Excise tax (benefit)/expense	(13)	5	—	39
Net investment income	3,734	4,185	13,032	12,959
Realized and unrealized (loss)/gain on investments				
Net realized (loss)/gain on investments				
Non-control/non-affiliate investments	(27)	(30)	(286)	573
Non-control/affiliate investments	—	—	—	—
Net change in unrealized (loss)/gain on investments				
Non-control/non-affiliate investments	(2,218)	267	(4,973)	(7,772)
Non-control/affiliate investments	—	—	(1,414)	(3,251)
Net realized and unrealized (loss)/gain on investments	(2,245)	237	(6,673)	(10,450)
Net increase in net assets resulting from operations	\$1,489	\$4,422	\$6,359	\$2,509

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Net investment income per common share	\$0.23	\$0.26	\$0.81	\$0.81
Net increase in net assets resulting from operations per common share	\$0.09	\$0.27	\$0.40	\$0.16
Basic weighted average common shares outstanding	16,049,352	16,049,352	16,049,352	16,049,352
Dividends and distributions declared per common share	\$0.28	\$0.28	\$0.84	\$0.84

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets (unaudited)

(\$ in thousands, except share and per share amounts)

	Nine Months Ended	
	September 30, 2018	September 30, 2017
Increase/(decrease) in net assets from operations:		
Net investment income	\$ 13,032	\$ 12,959
Net realized (loss)/gain on investments	(286)	573
Net change in unrealized loss on investments	(6,387)	(11,023)
Net increase in net assets resulting from operations	6,359	2,509
Dividends and distributions to stockholders:		
From net investment income	(13,482)	(13,482)
Total dividends and distributions to stockholders	(13,482)	(13,482)
Total decrease in net assets	(7,123)	(10,973)
Net assets at beginning of period	187,658	199,408
Net assets at end of period	\$ 180,535	\$ 188,435
Net asset value per share	\$ 11.25	\$ 11.74
Shares of common stock outstanding at end of period	16,049,352	16,049,352

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(\$ in thousands, except share and per share amounts)

	Nine Months Ended	
	September	September
	30, 2018	30, 2017
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$6,359	\$2,509
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net accretion of discounts on investments	(975)	(981)
Net realized loss/(gain) on investments	286	(573)
Amortization of deferred debt issuance costs and discounts on notes payable	336	298
Net change in unrealized loss on investments	6,387	11,023
Payment-in-kind interest	(1,051)	(1,671)
Purchases of investments	(172,581)	(105,053)
Paydowns of investments	178,873	114,392
Sales of investments	825	419
Changes in operating assets and liabilities:		
Decrease in due from counterparties	3,223	1,988
Decrease in due from affiliates	509	—
Decrease in accrued interest receivable	1,365	651
Increase in other assets	(96)	(77)
Increase in due to counterparties	13,120	—
Increase in payables to affiliates	1,649	1,546
Decrease in accrued interest payable	(77)	(174)
Increase/(decrease) in accrued expenses and other payables	82	(268)
Net cash provided by operating activities	38,234	24,029
Cash flows from financing activities		
Distributions paid to stockholders	(13,482)	(13,482)
Payments for financing costs	(247)	—
Net proceeds from senior secured revolving note	800	—
Repayment of GLC Trust 2013-2 Class A note	—	(4,219)
Proceeds from Garrison SBIC borrowings	10,200	—
Net cash used in financing activities	(2,729)	(17,701)
Net increase in cash and restricted cash	35,505	6,328
Cash and restricted cash at beginning of period	19,516	22,946
Cash and restricted cash at end of period	\$55,021	\$29,274

Supplemental disclosure of cash flow information		
Cash paid for interest expense	\$8,274	\$6,310
Supplemental disclosure of non-cash activities		
Restructuring of portfolio investment	\$4,112	\$—

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

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. GARS’ shares trade on the Nasdaq Global Select Market under the symbol “GARS”.

Our investment objective is to generate current income and capital appreciation through direct loans and debt investments in U.S. based middle-market companies. Our loans and debt investments are primarily first lien senior secured loans (including "unitranche" loans, which are loans that combine the characteristics of both senior and subordinated debt, generally in a first lien position). We also may, to a lesser extent, invest in subordinated and mezzanine debt, unsecured consumer loans and equity investments. Our goal is to generate attractive risk-adjusted 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”). The majority of the members of the Board are independent of the Company and its affiliates. Our investment activities and day-to-day operations are managed by Garrison Capital Advisers, LLC (our “Investment Adviser”), and Garrison Capital Administrator, LLC (the “GARS Administrator”) provides the Company with certain administrative services necessary to conduct our day-to-day operations. We are organized as a holding company and conduct our business primarily through our various subsidiaries.

2. Significant Accounting Policies and Recent Updates

Basis of Presentation

The Company is an investment company as defined in the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, Financial Services — Investment Companies (“ASC Topic 946”).

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6, 10 and 12 of Regulation S-X. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications, which consist solely of normal accruals, necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

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

Principles of Consolidation

The consolidated financial statements include the accounts of GARS and its wholly-owned subsidiaries. The accounts of the subsidiaries are prepared using consistent accounting policies and as of the same reporting period as GARS. Under ASC Topic 946, the Company is generally precluded from consolidating any entity other than another investment company. Accordingly, the Company consolidates any investment company when it owns 100% of its equity units or 100% of the economic equity interest. ASC Topic 946 also provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

As a result, as of September 30, 2018 GARS has consolidated the results of Garrison Funding 2016-2 Ltd. (“GF 2016-2”), Garrison Capital SBIC, LP (“Garrison SBIC”), GLC Trust 2013-2 (“GLC Trust 2013-2”), Garrison Capital PL Holdings LLC, GIG Rooster Holdings I LLC and a series of limited liability companies that GARS created primarily to provide specific tax treatment for the minority equity and other investments held in these limited liability companies.

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

As of September 30, 2018 and December 31, 2017, cash held in designated bank accounts with Deutsche Bank Trust Company Americas (the “Custodian”) was \$28.8 million and \$13.8 million, respectively. Cash held in designated bank accounts with other major financial institutions was \$0.6 million and \$1.1 million as of September 30, 2018 and December 31, 2017, 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 the Custodian.

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 both September 30, 2018 and December 31, 2017, the Company held no cash equivalents.

Cash and Cash Equivalents, Restricted

As of both September 30, 2018 and December 31, 2017, restricted cash was held by GF 2016-2 in designated bank accounts with the Custodian. GF 2016-2 is required to use a portion of its cash 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

governing the 2016-2 CLO, as defined in Note 4. As a result, funds held by GF 2016-2 are not available for general use by the Company.

As of both September 30, 2018 and December 31, 2017, the Company held no restricted cash equivalents.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

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

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 may settle on a subsequent date depending on the transaction type. Any amounts related to purchase, sale and principal paydowns that have traded, but not settled, are reflected as either a due to counterparty or due from counterparty on our consolidated statements of financial condition. 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 the Company 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 which 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. As of both September 30, 2018 and December 31, 2017, the Company had one investment that was on non-accrual status.

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 other 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.

Certain investments may have contractual PIK interest. PIK represents accrued interest that is added to the principal amount of the investment on the respective interest payment dates instead of being paid in cash and generally becomes due at maturity of the investment or upon the investment being called by the issuer.

Loan Origination, Facility, Commitment and Amendment Fees

The Company may receive loan origination, prepayment, facility, commitment, forbearance 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 stated term of the loan. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded into 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.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

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

Amendment and forbearance 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 recorded and classified as other income and included in investment income on the consolidated statements of operations. As these fees are paid and recognized in connection with specific loan amendments or forbearance, they are typically non-recurring in nature.

Fair Value Measurements

The Company values its investments in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures (“ASC Topic 820”). ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 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 Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1 — Unadjusted quoted prices in active markets for identical investments as of the reporting date.

Level 2 — Pricing inputs include quoted prices in active markets for similar instruments, quoted prices in less active or inactive markets for identical or similar instruments where multiple price quotes can be obtained, and other observable inputs, such as interest rates, yield curves, credit risks, and default rates.

Level 3 — Pricing inputs are unobservable and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation including, in certain instances, the Investment Adviser’s own assumptions about how market participants would price the financial instrument.

Our investments include debt investments (both funded and unfunded, “Debt Investments”), preferred and minority common equity investments of diversified companies (“Equity”) and a portfolio of unsecured small balance consumer loans (“Financial Assets”). 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.

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)

September 30, 2018

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

Valuation Techniques

The following is a description of the different valuation techniques utilized by the Company.

Debt Investments

Bid quotations – Certain of the Company’s debt investments are publicly traded instruments for which quoted market prices are not readily available. The fair value of these investments may be determined based on bid quotations from unaffiliated market makers or independent third-party pricing services or the price activity of comparable instruments. The Company will generally supplement the bid quotations for these investments by also performing a comparable yield approach outlined below.

Comparable yield approach – This valuation technique determines the fair value of an investment by assessing the expected market yield of other debt investments with similar credit structures, leverage statistics, interest rates and time to maturity. The Company generally uses this approach for its debt investments that have not been deemed to be credit-impaired and where a market rate of recovery is expected.

Market comparable companies – This valuation technique determines the total enterprise value of a company by assessing the expected multiple that a market participant would apply to that company’s earnings before interest, taxes, depreciation and amortization (“EBITDA”), revenue or other collateral that secures the investment. These valuation multiples are typically determined based on reviewing market comparable transactions or other comparable publicly traded companies, if any. The resulting enterprise value will dictate whether or not the Company’s debt investment has adequate enterprise value coverage. In instances where the enterprise value is inadequate, the market comparable companies approach may be used to estimate a recovery value for our credit-impaired debt investments.

Equity Investments

Market comparable companies – This valuation technique determines the total enterprise value of a company by assessing the expected multiple that a market participant would apply to that company’s EBITDA, revenue or other collateral that secures the investment. These valuation multiples are typically determined based on reviewing market comparable transactions or other comparable publicly traded companies, if any. When an external event, such as a purchase transaction, public offering or subsequent sale of equity occurs, the pricing indicated by that external event is utilized to corroborate our valuation.

Discounted cash flows – This valuation technique determines the fair value of an investment by projecting the expected cash flows based on contractual terms calculating the present value of such cash flows as of the valuation date using a discount rate.

Financial Assets

Discounted cash flows – This valuation technique determines the fair value of an investment by projecting the expected cash flows based on contractual terms calculating the present value of such cash flows as of the valuation date using a discount rate.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

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

Valuation Process

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. The valuation process is a multi-step process conducted at the end of each fiscal 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.
- 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 below.
- Preliminary valuation conclusions are then documented, compared to the range of prices provided by an independent valuation firm where applicable, and discussed with our senior management and the Investment Adviser.
- The Investment Adviser submits these preliminary valuations to the Valuation Committee of the Board.
- The Board discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith.

As noted above, 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, and 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.

Interest Expense

Interest expense is recorded on an accrual basis and includes the amortization of deferred debt issuance costs and any original issue discounts.

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.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

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

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”). ASU 2018-13 will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period, with early adoption permitted. The Company is currently evaluating the impact ASU 2018-13 will have on the Company’s consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities (“ASU 2017-08”). ASU 2017-08 amends the amortization period for certain purchased callable debt securities held at a premium. The amortization period will be shortened for the premium to the earliest call date. This new guidance is effective for annual and interim periods beginning on or after December 15, 2018 and for interim periods within those fiscal years, with early adoption permitted. We adopted ASU 2017-08 in the first quarter of 2018 and it did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, (“ASU 2016-18”). ASU 2016-18 is intended to clarify how entities present restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash and cash equivalents and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. We adopted ASU 2016-18 in the fourth quarter of 2017 and applied the guidance retrospectively to our prior period consolidated statement of cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). ASU 2014-09 supersedes the accounting guidance for revenue recognition from contracts with customers. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We adopted ASU 2014-09 in the first quarter of 2018, and applied the guidance retrospectively to our prior period consolidated financial statements. The application of this guidance did not have a material impact on our consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

3. Investments

As of September 30, 2018, we held 98 investments across 77 portfolio companies with a fair value of \$383.0 million.

The composition of the Company's portfolio by industry at fair value as of September 30, 2018 and December 31, 2017 was as follows:

Industry (\$ in thousands)	Fair Value of Investments			
	As of September 30, 2018		As of December 31, 2017	
Internet Software and Services	\$57,941	14.9 %	\$53,510	13.5 %
Healthcare Equipment and Services	51,604	13.5	44,362	11.2
Household Products and Durables	31,697	8.3	41,018	10.4
Hotels, Restaurants and Leisure	30,084	7.9	16,407	4.2
Commercial Services and Supplies	27,379	7.1	19,257	4.9
Textiles, Apparel and Luxury Goods	23,620	6.2	7,208	1.8
Food Products	23,198	6.1	21,520	5.5
Diversified Telecommunication Services	16,928	4.4	8,246	2.1
Auto Components	15,295	4.0	17,179	4.4
Leisure Products	14,028	3.7	21,661	5.5
Chemicals	11,778	3.1	17,957	4.5
Pharmaceuticals	9,822	2.6	7,933	2.0
Building Products	8,071	2.1	10,229	2.6
Diversified Financial Services	7,674	2.0	3,745	0.9
Electrical Equipment	7,225	1.9	-	-
Transportation Services	6,052	1.6	10,739	2.7
Technology Hardware, Storage and Peripherals	5,944	1.6	9,097	2.3
Media	5,328	1.4	8,569	2.2
Aerospace and Defense	4,746	1.2	8,203	2.1
Trading Companies and Distributors	4,512	1.2	4,359	1.1
Construction and Engineering	4,449	1.2	9,128	2.3
Containers and Packaging	3,118	0.8	-	-
Energy Equipment and Services	2,728	0.7	-	-
Oil, Gas and Consumable Fuels	2,698	0.7	9,840	2.5
Semiconductors and Semiconductor Equipment	2,678	0.7	-	-
Air Freight and Logistics	2,487	0.6	19,432	4.9
Professional Services	1,882	0.5	1,889	0.5
Retailing	-	-	9,000	2.3
Machinery	-	-	8,200	2.1
Metals and Mining	-	-	6,042	1.5
	\$382,966	100.0 %	\$394,730	100.0 %

Refer to the consolidated schedules of investments for a detailed disaggregation of the Company's investments by industry.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

3. Investments – (continued)

The following tables summarize the valuation of the Company's investments measured at fair value based on the fair value hierarchy, as detailed in Note 2, as of both September 30, 2018 and December 31, 2017:

(\$ in thousands)	As of September 30, 2018				
	Level 1		Level 2	Level 3	Total
Senior Secured Investments ⁽¹⁾	\$—	\$—	\$372,973	\$372,973	\$372,973
Preferred Equity Investment	—	—	640	640	640
Common Equity Investments	—	—	8,817	8,817	8,817
Financial Assets	—	—	536	536	536
	\$—	\$—	\$382,966	\$382,966	\$382,966

(1) Included in senior secured investments are loans structured as first lien, last out loans. These loans may in certain cases be subordinated in payment priority to other senior secured lenders.

(\$ in thousands)	As of December 31, 2017				
	Level 1		Level 2	Level 3	Total
Senior Secured Investments ⁽¹⁾	\$—	\$—	\$387,480	\$387,480	\$387,480
Preferred Equity Investment	—	—	640	640	640
Common Equity Investments	—	—	4,584	4,584	4,584
Financial Assets	—	—	2,026	2,026	2,026
	\$—	\$—	\$394,730	\$394,730	\$394,730

(1) Included in senior secured investments are loans structured as first lien, last out loans. These loans may in certain cases be subordinated in payment priority to other senior secured lenders.

The net change in unrealized loss attributable to the Company's Level 3 assets for the nine months ended September 30, 2018 included in the net change in unrealized loss on investments in the Company's consolidated statement of operations was \$6.4 million. The net change in unrealized loss attributable to the Company's Level 3 assets for the nine months ended September 30, 2017 included in the net change in unrealized loss on investments in the Company's consolidated statement of operations was \$11.0 million.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

3. Investments – (continued)

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the nine months ended September 30, 2018:

(\$ in thousands)	Nine Months Ended September 30, 2018				
	Senior Secured Investments	Preferred Equity Investments	Common Equity Investments	Financial Assets	Total
Fair value, beginning of period	\$387,480	\$ 640	\$ 4,584	\$ 2,026	\$394,730
Total net realized and unrealized (loss)/gain on investments ⁽¹⁾	(5,057)	—	(1,084)	38	(6,103)
Total net accretion of discounts on investments	975	—	—	—	975
Purchases/issuances ⁽²⁾	168,315	—	5,317	—	173,632
Sales	(1,395)	—	—	—	(1,395)
Paydowns ⁽²⁾	(177,345)	—	—	(1,528)	(178,873)
Fair value, end of period	\$372,973	\$ 640	\$ 8,817	\$ 536	\$382,966

(1) Net change in unrealized loss on investments attributable to our Level 3 assets still held as of September 30, 2018 totaled \$6.6 million and consisted of the following: Net unrealized losses on Senior Secured Investments and Common Equity Investments of \$5.6 million and \$1.1 million, respectively. These were offset by unrealized gains of \$0.1 million on our portfolio of Financial Assets.

(2) Includes non-cash restructurings of portfolio investments of \$4.1 million. There were no transfers of investments between levels for the nine months ended September 30, 2018.

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the nine months ended September 30, 2017:

(\$ in thousands)	Nine Months Ended September 30, 2017				
	Senior Secured Investments	Preferred Equity Investments	Common Equity Investments	Financial Assets	Total
Fair value, beginning of period	\$363,960	\$ 2,086	\$ 3,902	\$ 6,756	\$376,704
Total net realized and unrealized (loss)/gain on investments ⁽¹⁾	(9,198)	(1,446)	558	(170)	(10,256)
Total net accretion of discounts on investments	981	—	—	—	981
Purchases/issuances ⁽²⁾	106,724	—	—	—	106,724
Sales	(419)	—	—	—	(419)
Paydowns ⁽²⁾	(110,776)	—	—	(3,819)	(114,595)
Fair value, end of period	\$351,272	\$ 640	\$ 4,460	\$ 2,767	\$359,139

(1)

Net change in unrealized loss on investments attributable to our Level 3 assets still held at September 30, 2017 totaled \$10.5 million, consisting of the following: Senior Secured Investments of \$9.8 million, Preferred Equity Investments of \$1.4 million, offset by unrealized gains on Common Equity Investments of \$0.6 million and Financial Assets of \$0.1 million.

- (2) There were no non-cash restructuring of portfolio investments or transfers of investments between levels for the nine months ended September 30, 2017.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

3. Investments – (continued)

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value at September 30, 2018:

(\$ in thousands)	Quantitative Information about Level 3 Fair Value Measurements						
	Fair Value	Valuation	Unobservable	Range		Weighted	
September 30, 2018	Technique	Input	Low	High	Average		
Senior Secured Investments	\$ 372,973	Comparable yield approach	Market rate ⁽¹⁾	6.1 %	33.5%	9.3 %	x
		Market comparable companies	EBITDA multiple ⁽⁴⁾	2.0 x	19.9x	7.1	x
Equity Investments ⁽²⁾	9,457	Market comparable companies	EBITDA multiple	6.0 x	10.0x	7.3	x
			Origination fees multiple	3.0 x	3.0 x	3.0	x
			Recovery Rate	61.3 %	84.7%	67.1	%
		Discounted cash flows	Discount rate	10.0%	15.0%	12.1	%
Financial Assets ⁽³⁾	536	Discounted cash flows	Interest rate	9.8 %	27.7%	15.9	%
			Conditional prepayment rate	0.0 %	16.7%	15.7	%
			Cumulative default rate	0.0 %	18.9%	13.9	%
			Discount rate	7.0 %	7.0 %	7.0	%
Total	\$ 382,966						

(1) 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.

(2) Includes preferred and common equity.

(3) Financial Assets are valued by the level of risk associated with the underlying loans 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 September 30, 2018, 10.8%, 40.1%, 37.7%, 10.3%, 1.1% and 0.0% 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

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Report on Form 10-Q for the quarter ended September 30, 2018 for detail on the underlying loans.

- (4) Excludes non-operating portfolio companies, which we define as being collateralized by proved developed producing (“PDP”) value, real estate or other hard assets. PDPs are proven commodity revenues that can be produced with existing wells. As of September 30, 2018, our portfolio included non-operating portfolio companies of \$16.8 million and \$16.9 million of par value and fair value, respectively, which were excluded.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

3. Investments – (continued)

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value at December 31, 2017:

(\$ in thousands)	Quantitative Information about Level 3 Fair Value Measurements						
	Fair Value	Valuation Technique	Unobservable Input	Range Low	High	Weighted Average	
Senior Secured Investments ⁽¹⁾	\$ 387,480	Comparable yield approach	Market rate ⁽²⁾	6.1 %	18.1 %	9.8	%
		Market comparable companies	EBITDA multiple ⁽⁵⁾	2.0x	13.8x	7.2	x
Equity Investments ⁽³⁾	5,224	Market comparable companies	EBITDA multiple	6.0x	6.5 x	6.1	x
			Origination fees multiple	3.6x	3.6 x	3.6	x
Financial Assets ⁽⁴⁾	2,026	Discounted cash flows	Interest rate	9.8 %	31.0 %	16.2	%
			Conditional prepayment rate	0.0 %	16.7 %	15.6	%
			Cumulative default rate	0.0 %	19.1 %	13.8	%
			Discount rate	7.0 %	7.0 %	7.0	%
Total	\$ 394,730						

(1) Includes total unfunded commitments with a negative fair value of \$0.1 million.

(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 valued by the level of risk associated with the underlying loans 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, 2017, 11.9%, 38.1%, 38.6%, 9.4%, 2.0% and 0.0%, 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 Quarterly

Report on Form 10-Q for the quarter ended September 30, 2018 for detail on the underlying loans.

(5) Excludes non-operating portfolio companies, which we define as those loans collateralized by PDP value, real estate or other hard assets. PDPs are proven revenues that can be produced with existing wells. As of December 31, 2017, non-operating portfolio companies with an aggregate of \$23.5 million of par value and \$22.1 million of fair value were excluded.

Unobservable inputs used in the fair value measurement of the Company's Debt and Equity Investments include bid quotations obtained from independent third party services ("consensus pricing"), multiples of market comparable companies, and relative comparable yields. Significant decreases (increases) in consensus pricing or market comparables could result in lower (higher) fair value measurements. Significant increases (decreases) in comparable yields could result in 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.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

3. Investments – (continued)

Unobservable inputs used in the fair value measurement of Financial Assets include interest rate, conditional prepayment rate, cumulative default rate and discount rate. Significant decreases (increases) in interest rates or conditional prepayment rates could result in lower (higher) fair value measurements. Significant increases (decreases) in cumulative default rates or discount rates could result in significantly lower (higher) fair value measurements.

The terms of the Debt Investments may provide for us 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 us to potential liabilities that are not reflected on the consolidated statements of financial condition. As of September 30, 2018 and December 31, 2017, the Company had \$5.5 million and \$8.7 million of unfunded commitments, respectively.

4. Financing

As of September 30, 2018, the total carrying value of the Company's aggregate debt outstanding was \$243.5 million with a weighted average effective interest rate of 4.8% and a weighted average stated maturity date of July 22, 2027.

The table below provides additional details of the Company's outstanding debt by type and tranche of debt, including the weighted average interest rates and the weighted average effective interest rates, inclusive of the effects of deferred debt issuance costs, as of September 30, 2018:

September 30, 2018 (\$ in thousands)	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Effective Interest Rate	Rating ⁽¹⁾	Stated Maturity ⁽⁴⁾
2016-2 CLO Secured Notes:						
Class A-1R Notes	\$ 20,500	\$ 20,500	LIBOR + 2.20% ⁽²⁾	4.60%	AAA(sf)	9/29/2027
Class A-1F Notes	24,740	25,000	3.41%	3.55%	AAA(sf)	9/29/2027
Class A-1T Notes	87,119	88,150	LIBOR + 2.20%	4.68%	AAA(sf)	9/29/2027
Class A-2 Notes	20,390	20,700	LIBOR + 3.15%	5.69%	AA(sf)	9/29/2027
Class B Notes	20,981	21,450	LIBOR + 4.00%	6.65%	A (sf)	9/29/2027
Class C Notes	11,438	11,700	LIBOR + 6.00%	8.68%	BBB(sf)	9/29/2027
Subtotals / weighted averages	185,168	187,500	4.92%	5.11%		9/29/2027
Garrison SBIC Borrowings:						
SBIC 2018-10 A	22,257	23,000	3.53% ⁽³⁾	3.95%	N/A	3/1/2028
SBIC 2017-10 A	6,781	6,980	3.47% ⁽³⁾	3.87%	N/A	3/1/2027
SBIC 2016-10 B	3,227	3,320	2.79% ⁽³⁾	3.19%	N/A	9/1/2026
SBIC 2016-10 A	12,371	12,700	3.25% ⁽³⁾	3.65%	N/A	3/1/2026
SBIC 2015-10 B	13,661	14,000	3.57% ⁽³⁾	3.97%	N/A	9/1/2025

Subtotals / weighted averages	58,297	60,000	3.43%	3.84%	12/16/2026
Totals / weighted averages	\$ 243,465	\$ 247,500	4.56%	4.80%	7/22/2027

- (1) Represents an S&P rating as of the closing of GF 2016-2's \$300.0 million collateralized loan obligation (the "2016-2 CLO").
- (2) May bear interest at either the CP Rate (as defined in the governing indenture) or LIBOR.
- (3) Represents the stated interest rate and annual charge of our debentures guaranteed by the U.S. Small Business Administration (the "SBA").
- (4) The indenture governing the 2016-2 CLO permits the repricing or refinancing of the secured notes issued as part of the 2016-2 CLO which may result in the actual maturity of the existing notes occurring prior to their stated maturity.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

4. Financing – (continued)

The table below provides additional details of the Company's outstanding debt by type and tranche of debt, including the weighted average interest rates and the weighted average effective interest rates, inclusive of the effects of deferred debt issuance costs, as of December 31, 2017:

December 31, 2017 (\$ in thousands)	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Effective Interest Rate	Rating ⁽¹⁾	Stated Maturity
2016-2 CLO Secured Notes:						
Class A-1R Notes	\$ 19,700	\$ 19,700	LIBOR + 2.20% ⁽²⁾	3.73%	AAA(sf)	9/29/2027
Class A-1F Notes	24,722	25,000	3.41%	3.55%	AAA(sf)	9/29/2027
Class A-1T Notes	87,046	88,150	LIBOR + 2.20%	3.79%	AAA(sf)	9/29/2027
Class A-2 Notes	20,369	20,700	LIBOR + 3.15%	4.79%	AA(sf)	9/29/2027
Class B Notes	20,951	21,450	LIBOR + 4.00%	5.75%	A (sf)	9/29/2027
Class C Notes	11,423	11,700	LIBOR + 6.00%	7.78%	BBB(sf)	9/29/2027
Subtotals / weighted averages	184,211	186,700	4.16%	4.34%		9/29/2027
Garrison SBIC Borrowings:						
SBIC 2017-10 A	6,766	6,980	3.47% ⁽³⁾	3.87%	N/A	3/1/2027
SBIC 2016-10 B	3,220	3,320	2.79% ⁽³⁾	3.19%	N/A	9/1/2026
SBIC 2016-10 A	12,343	12,700	3.25% ⁽³⁾	3.65%	N/A	3/1/2026
SBIC 2015-10 B	13,629	14,000	3.57% ⁽³⁾	3.97%	N/A	9/1/2025
SBIC Interim Financing	12,362	12,800	LIBOR + 0.65% ⁽⁴⁾	2.74%	N/A	3/21/2018
Subtotals / weighted averages	48,320	49,800	3.10%	3.51%		2/26/2024
Totals / weighted averages	\$ 232,531	\$ 236,500	3.93%	4.16%		12/27/2026

(1) Represents an S&P rating as of the closing of the 2016-2 CLO.

(2) May bear interest at either the CP Rate (as defined in the governing indenture) or LIBOR.

(3) Represents the stated interest rate and annual charge of our SBA-guaranteed debentures.

(4) These interim financings bore an interest rate of three month LIBOR + 0.65%, which was comprised of a weighted average annual charge of 0.35% and a spread of 0.30%. These interim financings had a maturity date of March 21, 2018, upon which they were pooled into ten year SBA-guaranteed debentures.

In accordance with the 1940 Act, with certain limited exceptions, prior to August 14, 2018 the Company was allowed to borrow up to amounts such that its asset coverage, as defined in the 1940 Act, was at least 200% after such

borrowing excluding SBA Debentures of Garrison SBIC per the Company's exemptive relief from the Securities and Exchange Commission (the "SEC"). Effective August 14, 2018, the asset coverage requirements applicable to the Company under the 1940 Act were reduced to 150%. As of September 30, 2018 and December 31, 2017, the Company's asset coverage for borrowed amounts was 196.3% and 200.5%, respectively. As of September 30, 2018, the Company's total leverage capacity of the Class A-1R Notes under the 2016-2 CLO was \$25.0 million.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

4. Financing – (continued)

Collateralized Loan Obligation Financings

On September 29, 2016, GF 2016-2 completed the 2016-2 CLO, the proceeds of which were utilized, along with cash on hand, to refinance notes issued under a previous collateralized loan obligation. The notes offered in the 2016-2 CLO (the “2016-2 Notes”) were issued by GF 2016-2 through a private placement and were comprised of: (i) \$25.00 million of AAA(sf) Class A-1R Senior Secured Revolving Floating Rate Notes (“Class A-1R Notes”); (ii) \$88.15 million of AAA(sf) Class A-1T Senior Secured Floating Rate Notes (“Class A-1T Notes”); (iii) \$25.00 million of AAA(sf) Class A-1F Senior Secured Fixed Rate Notes (“Class A-1F Notes”); (iv) \$20.70 million of AA(sf) Class A-2 Senior Secured Floating Rate Notes (“Class A-2 Notes” and collectively with the Class A-1R Notes, the Class A-1T Notes and the Class A-2F Notes, the “Class A Notes”); (v) \$21.45 million of A(sf) Class B Secured Deferrable Floating Rate Notes (“Class B Notes”); (vi) \$11.70 million of BBB(sf) Class C Secured Deferrable Floating Rate Notes (“Class C Notes” and collectively, the Class A Notes, Class B Notes and Class C Notes are referred to as the “Secured Notes”); and (vii) \$108.00 million of subordinated notes (“Subordinated Notes”), which do not have a stated interest rate, are not rated and were retained by GARS. The 2016-2 Notes were scheduled to mature on September 29, 2027. The 2016-2 Notes were refinanced on October 18, 2018. See Note 11 – “Subsequent Events”.

As noted above, subject to the asset coverage limitations applicable to the Company under the 1940 Act, the Company had \$4.5 million and \$1.0 million of available leverage capacity in the Class A-1R Notes under the 2016-2 CLO as of September 30, 2018 and December 31, 2017, respectively. The fair value of the 2016-2 Notes approximated their carrying values on the consolidated statements of financial condition as of September 30, 2018 and December 31, 2017.

The indenture governing the 2016-2 Notes provided that, to the extent cash was available from cash collections, the holders of the 2016-2 Notes were 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.

Collateralized Loan Obligation Financing Covenants

Under the documents governing the 2016-2 CLO, there were two coverage tests applicable to the Secured Notes as of September 30, 2018. The first test compared the amount of interest received on the collateral loans held by GF 2016-2 to the amount of interest payable on the Secured Notes under the 2016-2 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 compared 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.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

4. Financing – (continued)

Collateralized Loan Obligation Financings (continued)

Collateralized Loan Obligation Financing Covenants (continued)

If the coverage tests were not satisfied with respect to a quarterly payment date, GF 2016-2 was required to apply available amounts to the repayment of interest on and principal of the 2016-2 Notes to the extent necessary to satisfy the applicable coverage tests and, as a result, there may be reduced funds available for GF 2016-2 to make additional investments or to make distributions on the Subordinated Notes held by the Company. Additionally, compliance was measured on each day collateral loans are purchased, originated or sold and in connection with monthly reporting to the note holders.

Furthermore, if under the second coverage test the aggregated principal amount of the collateral loans equaled 125.0% or less of the aggregate outstanding principal amount on the Class A-1T Notes and Class A-1R Notes, taken together, and remained so for ten business days, an event of default would be deemed to have occurred. As of September 30, 2018 and December 31, 2017, the trustee for the 2016-2 CLO has asserted that all of the coverage tests were met.

Garrison SBIC Borrowings

On May 29, 2014, Garrison SBIC, which has an investment objective substantially similar to GARS, was formed in accordance with small business investment company (“SBIC”) regulations. Garrison SBIC received a license from the SBA on May 26, 2015. The SBIC license allows Garrison SBIC to obtain SBA-guaranteed debentures in an amount equal to twice its equity capitalization up to \$150.0 million of leverage, subject to the issuance of a capital commitments by the SBA and other customary procedures. On June 16, 2015, the SBA issued Garrison SBIC a commitment to provide \$35.0 million of leverage and on October 24, 2016 issued a second commitment to provide an additional \$35.0 million of leverage.

These SBA-guaranteed debentures are issued bi-annually on pooling dates in March and September of each year. The debentures are non-recourse, interest-only debentures with a 10 year stated maturity, but may be prepaid at any time without penalty. To the extent the debentures are prepaid, they are permanently extinguished and the Company can no longer access those debentures. The interest rate of the debentures is fixed at the time of issuance on each respective pooling date and is based on a coupon rate that equates to a spread over the ten year treasury rate based on market rates at the time of issuance. Interest on the debentures is payable on a semi-annual basis. The SBA issues interim financings to SBICs on non-pooling dates that carry a lower interest rate than the debentures and which mature on the next pooling date to be replaced by new SBA-guaranteed debentures.

The SBA, as a creditor, will have a priority claim to Garrison SBIC’s assets ahead of GARS’ stockholders to the extent Garrison SBIC were to be liquidated, or if the SBA exercises its remedies under the SBA-guaranteed debentures issued to Garrison SBIC, upon an event of default.

As of September 30, 2018, Garrison SBIC had regulatory capital of \$36.1 million and total SBIC borrowings outstanding of \$60.0 million. The fair value of the SBIC borrowings approximated the carrying value on the

consolidated statements of financial condition as of both September 30, 2018 and December 31, 2017. As of September 30, 2018, the Company had \$10.0 million of remaining SBIC leverage capacity available.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

4. Financing – (continued)

GLC Trust 2013-2 Notes

On July 18, 2014, the Company completed a \$39.2 million term debt securitization, and the notes offered thereby (the “GLC Trust 2013-2 Notes”) were collateralized by a consumer loan portfolio (the “Financial Assets”). The GLC Trust 2013-2 Notes consisted of \$36.9 million of Class A Notes (“GLC Trust 2013-2 Class A Notes”) and \$2.3 million of Class B Notes (“GLC Trust 2013-2 Class B Notes”). The GLC Trust 2013-2 Class A Notes bore interest at a rate of 3.00%. The Company retained the GLC Trust 2013-2 Class B Notes. The GLC Trust 2013-2 Notes were fully paid down in November 2017, and the GLC Trust entity was dissolved in June 2018.

Deferred Debt Issuance Costs and Original Issue Discounts

In connection with executing or refinancing its various debt facilities, the Company may incur debt issuance costs or issue debt at a price below par, referred to as an original issue discount. These debt issuance costs and discounts are generally included as a reduction to the carrying amount of the corresponding liability on the consolidated statements of financial condition. However, based on the nature of the debt facilities, costs associated with revolving credit facilities are recorded within the other assets line item on our consolidated statements of financial condition. The costs and discounts are then generally amortized over the stated maturity of the liability.

As of both September 30, 2018 and December 31, 2017, the Company’s debt issuance costs and original issue discounts were generally incurred as a result of the 2016-2 CLO and the Company’s SBIC borrowings. The 2016-2 CLO costs typically represented facility fees, rating agency fees and other legal costs incurred when we refinanced a previous CLO. The SBIC borrowings carry fees that consist of a 1.00% fee on the total commitments received and a 2.00% leverage fee, 0.375% underwriting fee and a 0.05% administrative fee on any SBA borrowings that are drawn.

As of September 30, 2018, \$4.3 million of deferred debt issuance costs and discounts on our notes payable remained on our consolidated statements of financial condition and was comprised of \$2.5 million related to the 2016-2 CLO and \$1.8 million related to the Company’s SBIC borrowings. As of December 31, 2017, \$4.4 million of deferred debt issuance costs and discounts on our notes payable remained on our consolidated statements of financial condition and was comprised of \$2.7 million related to the 2016-2 CLO and \$1.7 million related to the Company’s SBIC borrowings. During both the nine months ended September 30, 2018 and 2017, interest expense on our consolidated statements of operations included \$0.3 million of amortization related to the debt issuance costs and original issue discounts on our liabilities.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

5. Related Party Transactions and Other Agreements

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.

GARS entered into an investment advisory agreement with the Investment Adviser, most recently amended and restated on August 14, 2018 (the “Fifth Amended and Restated Investment Advisory Agreement”), which entitles the Investment Adviser to a management fee and an incentive fee, both of which are described further below.

Advisory Fee Waivers

From October 1, 2016 through May 2, 2017, the Investment Adviser, in consultation with the Board, irrevocably waived any fees payable to the Investment Adviser under the third amended and restated investment advisory agreement, dated August 5, 2016, with respect to a calendar quarter in excess of the sum of (i) 0.375% per quarter (1.50% annualized) of the gross assets of the Company, excluding cash and cash equivalents but including assets purchased with borrowed funds, calculated based on the average carrying value of the gross assets of the Company at the end of the two most recently completed calendar quarters, (ii) 20% of pre-incentive fee net investment income, expressed as a rate of return on the value of the Company’s net assets at the end of the immediately preceding calendar quarter, in excess of a “hurdle rate” of 1.75% per quarter (7.00% annualized) and (iii) in the case of the final calendar quarter of each year, the capital gains incentive fee.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

5. Related Party Transactions and Other Agreements – (continued)

Management Fee

The Fifth Amended and Restated Investment Advisory Agreement, which is effective as of August 14, 2018, modifies the base management fee payable to the Adviser to an annual rate of 1.50% of the Company's average gross assets, excluding cash or cash equivalents but including assets purchased with borrowed funds, at the end of each of the two most recently completed calendar quarters; provided, however, the base management fee will be calculated at an annual rate of 1.00% of the average value of the Company's gross assets, excluding cash or cash equivalents but including assets purchased with borrowed funds, that exceeds the product of (i) 200% and (ii) the Company's average net assets at the end of each of the two most recently completed calendar quarters. For the avoidance of doubt, the 200% will be calculated in accordance with the 1940 Act and will give effect to the Company's exemptive relief with respect to SBIC debentures.

From May 3, 2017 until August 13, 2018, the base management fee was calculated at an annual rate of 1.50% of the Company's gross assets, excluding cash and cash equivalents but including assets purchased with borrowed funds, and was payable quarterly in arrears. Prior to May 3, 2017, the management fee was calculated at an annual rate of 1.75% of gross assets, excluding cash and cash equivalents, and cash equivalents, restricted, but including assets purchased with borrowed funds.

The following table details our management fee expenses for the three and nine months ended September 30, 2018 and September 30, 2017:

	Three Months Ended September 30,2018		Nine Months Ended September 30,2017	
Management Fees (\$ in thousands)	30,2018	30,2017	30,2018	30,2017
Management fee	\$1,504	\$ 1,374	\$4,516	\$ 4,423
Management fee waived	—	—	—	(310)
Total management fees, net of waived fees	\$1,504	\$ 1,374	\$4,516	\$ 4,113

Management fees in the amount of \$1.5 million and \$0.1 million were payable as of September 30, 2018 and December 31, 2017, respectively, and are included in management fee payable on the consolidated statements of financial condition.

Incentive Fee Overview

Under the Fifth Amended and Restated Investment Advisory Agreement, the Investment Adviser is entitled to an incentive fee consisting of two components and a cap and deferral mechanism. The two components are independent of each other, and may result in one component being payable even if the other is not. There were no changes made to the calculation of the incentive fee in conjunction with executing the Fifth Amended and Restated Investment Advisory Agreement, effective August 14, 2018.

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Effective May 3, 2017, the first component, which is income-based and payable quarterly in arrears, equals 20.00% of the amount, if any, that the Company's pre-incentive fee net investment income exceeds a 1.75% quarterly (7.00% annualized) hurdle rate (the "Hurdle Rate"), subject to a "catch-up" provision measured at the end of each calendar quarter.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

5. Related Party Transactions and Other Agreements – (continued)

Incentive Fee Overview (continued)

The operation of the first component of the incentive fee for each quarter is as follows:

- no incentive fee will be 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 of 1.75%;
- 100% of the Company's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the Hurdle Rate but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to the Investment Adviser. We refer to this portion of the Company's pre-incentive fee net investment income (which exceeds the Hurdle Rate but is less than 2.1875%) as the "catch-up." The effect of the "catch-up" provision is that, if such pre-incentive fee net investment income exceeds 2.1875% 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 such pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to the Investment Adviser (once the Hurdle Rate is reached and the catch-up is achieved).

Prior to May 3, 2017, the first component of the incentive fee equaled 20.00% of the amount, if any, that the Company's pre-incentive fee net investment income exceeded a 2.00% quarterly (8.00% annualized) hurdle rate, subject to a "catch-up" provision measured at the end of each calendar quarter.

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.

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 Fifth Amended and Restated 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.

In addition, 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. There were no accrued capital gains incentive fees as of September 30, 2018 and December 31, 2017.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

5. Related Party Transactions and Other Agreements – (continued)

The Fifth Amended and Restated 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 Fifth Amended and Restated Investment Advisory Agreement (as described above).

Incentive Fee Cap and Deferral Mechanism

We have structured the calculation of the incentive fees to include a fee limitation (the “Incentive Fee Cap and Deferral Mechanism”) 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 20.00% of our Cumulative Pre-Incentive Fee Net Return during the applicable Incentive Fee Look-back Period (the “Incentive Fee Cap”). The “Cumulative Pre-Incentive Fee Net Return” is defined as the sum of (1) pre-incentive fee net investment income, (2) cumulative realized capital gains/(losses), and (3) cumulative unrealized capital gains/(losses) for the Incentive Fee Look-back Period. Prior to April 1, 2016, the Incentive Fee Look-back Period consisted of fewer than 12 full fiscal quarters.

The following table provides a breakdown of our incentive fees for the three and nine months ended September 30, 2018 and September 30, 2017:

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Incentive Fees (\$ in thousands)				
Income-based incentive fees	\$522	\$ 837	\$2,382	\$ 1,955
Capital gains-based incentive fees	—	—	—	—
Incentive fees subject to cap & deferral mechanism ⁽¹⁾	(522)	(837)	(2,382)	(1,955)
Total incentive fees	\$—	\$ —	\$—	\$ —

(1) As of September 30, 2018, we had cumulative net realized and unrealized capital losses in excess of our Pre-Incentive Fee Net Investment Income, resulting in zero Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period. As a result, as of September 30, 2018, no aggregate incentive fees were payable to the Investment Adviser during the Incentive Fee Look-back Period. As of September 30, 2018, no incentive fees had been paid to the Investment Adviser during the Incentive Fee Look-back Period.

However, as noted above, no incentive fee will be paid to the Investment Adviser for any fiscal quarter if, after such payment, the cumulative incentive fees paid to our Investment Adviser for the Incentive Fee Look-back Period would exceed 20% of our Cumulative Pre-Incentive Fee Net Return during the applicable Incentive Fee Look-back Period. To the extent unrealized capital losses incurred as of September 30, 2018 are reversed within the applicable Incentive Fee Look-back Period, the corresponding increase in our Cumulative Pre-Incentive Fee Net Return may result in the

Investment Adviser earning and being paid up to \$9.9 million of income based incentive fees which are currently subject to the Incentive Fee Cap.

Realized and unrealized capital gains and losses and pre-incentive net investment income earned during the three months ended September 30, 2018 will cease to impact the Incentive Fee Cap and Deferral after September 30, 2021.

The Investment Adviser earned aggregate incentive fees of \$0.5 million and \$2.4 million for the three and nine months ended September 30, 2018. The Investment Adviser earned aggregate incentive fees of \$0.8 million and \$2.0 million for the three and nine months ended September 30, 2017. However, none of the incentive fees earned for the three and nine months ended September 30, 2018 and September 30, 2017 were payable due to the Incentive Fee Cap. In addition, no incentive fees were payable on the consolidated statements of financial condition as of September 30, 2018 and December 31, 2017 due to the Incentive Fee Cap.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

5. Related Party Transactions and Other Agreements – (continued)

Administration Agreement

GARS entered into an administration agreement, which was effective as of October 9, 2012 (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 prepares reports to stockholders, and reports and other materials filed with 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 during the three and nine months ended September 30, 2018 and September 30, 2017.

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 and nine months ended September 30, 2018 were \$0.3 million and \$0.9 million, respectively. GARS Administrator charges for the three and nine months ended September 30, 2017 were \$0.3 million and \$0.9 million, respectively. No charges were waived by the GARS Administrator for the three and nine months ended September 30, 2018 and September 30, 2017. As of September 30, 2018, \$0.2 million of administration fees were payable to the GARS Administrator. No administration fees were payable to the GARS Administrator as of December 31, 2017.

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 in-person 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.

For the three and nine months ended September 30, 2018, independent directors earned Directors’ Fees of \$0.1 million and \$0.2 million, respectively. For the three and nine months ended September 30, 2017, independent directors earned

Directors' Fees of \$0.1 million and \$0.2 million, respectively. No Directors' Fees were payable as of September 30, 2018 and December 31, 2017.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

5. Related Party Transactions and Other Agreements – (continued)

Affiliated Stockholders

As of both September 30, 2018 and December 31, 2017, Garrison Capital Fairchild I Ltd., Garrison Capital Fairchild II Ltd. and Garrison Capital Adviser Holdings MM LLC owned an aggregate of 789,910, or 4.9%, of the total outstanding shares of GARS common stock. As of September 30, 2018 and December 31, 2017, the officers and directors of the Company owned an aggregate of approximately 238,500, or 1.5%, of the total outstanding shares of GARS common stock.

Other Agreements

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 for its services during the three and nine months ended September 30, 2018 and September 30, 2017.

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

For certain expenses, the GARS Administrator facilitates payments by GARS to third parties through the Investment Adviser or other affiliate. Other than the amount of expenses paid to third parties and fees payable under the Investment Advisory Agreement, no additional charges or fees are assessed by the GARS Administrator, the Investment Adviser or other affiliates.

GARS entered into a custody agreement with Deutsche Bank Trust Company Americas to act as custodian for GARS. The Custodian was also the trustee of the 2016-2 CLO and is the custodian for Garrison SBIC.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

6. Financial Highlights

The following table represents financial highlights for the Company for the nine months ended September 30, 2018 and September 30, 2017:

Per share data (\$ in thousands, except share and per share amounts)	Nine Months Ended	
	September 30, 2018	September 30, 2017
Net asset value per common share at beginning of period	\$ 11.69	\$ 12.42
Increase in net assets from operations:		
Net investment income	0.81	0.81
Net realized (loss)/gain on investments	(0.02)	0.04
Net unrealized loss on investments	(0.39)	(0.69)
Net increase in net assets resulting from operations	0.40	0.16
Stockholder transactions		
Distributions from net investment income	(0.84)	(0.84)
Total stockholder transactions	(0.84)	(0.84)
Net asset value per common share at end of period	\$ 11.25	\$ 11.74
Per share market value at beginning of period	\$ 8.11	\$ 9.35
Per share market value at end of period	\$ 8.28	\$ 8.43
Total book return ⁽¹⁾	3.42	% 1.29
Total market return ⁽²⁾	12.88	% (0.93)%
Common shares outstanding at beginning of period	16,049,352	16,049,352
Common shares outstanding at end of period	16,049,352	16,049,352
Weighted average common shares outstanding	16,049,352	16,049,352
Net assets at beginning of period	\$ 187,658	\$ 199,408
Net assets at end of period	\$ 180,535	\$ 188,435
Average net assets ⁽³⁾	\$ 184,556	\$ 191,194
Ratio of net expenses to average net assets ⁽⁴⁾	11.70	% 9.74
Ratio of net investment income to average net assets ⁽⁴⁾	9.41	% 9.04
Ratio of portfolio turnover to average investments at fair value ⁽⁵⁾	44.71	% 28.92
Asset coverage ratio ⁽⁶⁾	196.29	% 212.28
Average outstanding debt ⁽⁷⁾	\$ 235,316	\$ 202,790
Average debt per common share	\$ 14.66	\$ 12.64

(1) Total book return equals the net increase of ending net asset value from operations plus the effect of repurchases of common stock over the net asset value per common share at the 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)

During the nine months ended September 30, 2018, \$2.4 million of income-based incentive fees were capped as a result of the Incentive Fee Cap and Deferral Mechanism. Had these incentive fees been earned, the ratio of net investment income to average net assets and the ratio of net expenses to average net assets would have been 7.69% and 13.42%, respectively.

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

(6) Effective as of August 14, 2018, in accordance with the 1940 Act, the Company is currently allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 150% after such borrowings. Prior to August 14, 2018, the Company was allowed to borrow amounts such that its asset coverage is at least 200% after such borrowing. Based on the exemptive relief received from the SEC in 2015, Garrison SBIC's SBA guaranteed debentures are excluded from the Company's asset coverage test calculation.

(7) Calculated based on monthly average debt outstanding.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

7. Earnings per Share

The following table sets forth the computation of the net increase/(decrease) in net assets per share resulting from operations, pursuant to FASB ASC 260, Earnings per Share, for the nine months ended September 30, 2018 and September 30, 2017:

(\$ in thousands, except per share data)	Nine Months Ended	
	September 30, 2018	September 30, 2017
Net increase in net assets resulting from operations	\$6,359	\$2,509
Basic weighted average common shares outstanding	16,049,352	16,049,352
Basic earnings per share	\$0.40	\$0.16

8. Stockholders' Equity

Distributions

The Company's dividends and distributions are recorded on the ex-dividend date. The following table reflects the cash distributions declared on common stock for the nine months ended September 30, 2018 and September 30, 2017:

Record Dates		Payment	Distribution	Distribution Declared
(\$ in thousands except per share data)	Date Declared	Date	Declared	per Share
Nine Months Ended September 30, 2018				
September 7, 2018	July 31, 2018	September 21, 2018	\$ 4,494	\$ 0.28
June 8, 2018	May 1, 2018	June 22, 2018	4,494	0.28
March 23, 2018	February 28, 2018	March 29, 2018	4,494	0.28
			\$ 13,482	\$ 0.84

Record Dates		Payment	Distribution	Distribution Declared
(\$ in thousands except per share data)	Date Declared	Date	Declared	per Share
Nine Months Ended September 30, 2017				
September 8, 2017	August 1, 2017	September 22, 2017	\$ 4,494	\$ 0.28
June 9, 2017	May 2, 2017	June 23, 2017	4,494	0.28
March 23, 2017	February 28, 2017	March 30, 2017	4,494	0.28
			\$ 13,482	\$ 0.84

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.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

8. Stockholders' Equity – (continued)

Dividend Reinvestment Plan

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 declares 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, which may be newly issued shares or shares acquired by American Stock Transfer & Trust Company, LLC ("AST"), the transfer and dividend paying agent and registrar to GARS, through open-market purchases, rather than receiving the cash distribution. As of September 30, 2018 and December 31, 2017, no new shares were issued pursuant to 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.

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.

9. Commitments and Contingencies

The Company had outstanding commitments to fund investments totaling \$5.5 million and \$8.7 million under various undrawn revolvers and other credit facilities as of September 30, 2018 and December 31, 2017, 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 initial public offering on April 2, 2013.

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.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

10. Transactions with Non-Control/Affiliate Investments

As required by the 1940 Act, investments are classified by level of control. “Control Investments” are those investments that we have been deemed to control as defined in the 1940 Act. According to the 1940 Act, control is defined as having an ownership interest of more than 25% of a company’s voting securities. “Affiliate Investments”, according to the 1940 Act, are those investments in affiliate companies that are not Control Investments, but are investments that we have an ownership interest of 5% or more of a company’s voting securities. “Non-Control/Non-Affiliate Investments” are those investments that are neither Control Investments nor Affiliate Investments. Please refer to our consolidated schedule of investments for the disaggregated list of our investments including the type / classification of the investment, the principal and cost amounts, details of the investment’s interest rate and the maturity date.

The following tables show the activity for our non-control/affiliate investments:

Portfolio Company (\$ in thousands)	Nine Months Ended September 30, 2018								
	Fair value at December 31, 2017	Purchases	Sales	Transfer in/ (out) (cost)	Net unrealized losses	Fair value at September 30, 2018	Net realized losses	Interest and fee income	Dividend income ⁽¹⁾
Non-control affiliate investments									
Cochon – MWS Holdings LLC (fka Rooster Energy Ltd.)	\$—	\$ 4,112	\$ —	\$ —	\$ (1,414)	\$ 2,698	\$ —	\$ —	\$ 84
Total non-control affiliate investments	\$—	\$ 4,112	\$ —	\$ —	\$ (1,414)	\$ 2,698	\$ —	\$ —	\$ 84

(1) Dividend Income is recorded and classified as other income and included in investment income on the consolidated statement of operations.

Portfolio Company (\$ in thousands)	Nine Months Ended September 30, 2017								
	Fair value at December 31, 2016	Purchases	Sales	Transfer in/ (out) (cost)	Net unrealized losses	Fair value at September 30, 2017	Net realized losses	Interest and fee income	Dividend income
Non-control affiliate investments									
Speed Commerce Operating Company LLC ⁽¹⁾	\$ 3,103	\$ 148	\$ —	\$ —	\$ (3,251)	\$ —	\$ —	\$ 148	\$ —
Total non-control affiliate investments	\$ 3,103	\$ 148	\$ —	\$ —	\$ (3,251)	\$ —	\$ —	\$ 148	\$ —

(1) Comprised of two investments, including the Closing Date Term Loan and Delayed Draw Term Loan.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

September 30, 2018

11. Subsequent Events

Management has evaluated subsequent events through the date of issuance of these financial statements. Other than the items discussed below, the Company has concluded that there is no impact requiring adjustment or disclosure in the consolidated financial statements.

CLO Refinancing

On October 18, 2018, the Company completed a \$420.0 million collateralized loan obligation transaction. The notes offered in the collateralized loan obligation (the “2018-2 Notes”) were issued by Garrison Funding 2018-2 Ltd., formerly, GF 2016-2 (the “Issuer”), and Garrison Funding 2018-2 LLC, formerly, Garrison Funding 2016-2 LLC (together with the Issuer, the “Co-Issuers”), and are backed by a diversified portfolio of primarily senior secured loans. The transaction was executed through a private placement and was structured as follows:

As of the Closing Date:	Commitment	Outstanding	Interest Rate ⁽¹⁾	Issue	Rating ⁽²⁾	Stated Maturity ⁽³⁾
October 18, 2018 (\$ in thousands)	Amount	Principal at Par		Price		
2018-2 CLO Notes						
2018-2 Class A-1R Notes ⁽⁴⁾	\$ 50,000	\$ —	LIBOR + 1.58%	100.00%	AAA(sf)	11/29/2029
2018-2 Class A-1T Notes	170,400	170,400	LIBOR + 1.58%	100.00%	AAA(sf)	11/29/2029
2018-2 Class A-2 Notes	55,100	55,100	LIBOR + 2.45%	100.00%	AA(sf)	11/29/2029
2018-2 Class B Notes ⁽⁵⁾	36,500	18,250	LIBOR + 3.17%	99.50%	A (sf)	11/29/2029
Totals / weighted averages	\$ 312,000	\$ 243,750	LIBOR + 1.74%	99.94%		11/29/2029

(1) The 2018-2 Class A-1R Notes may bear interest at either 1) the CP Rate (as defined in the governing indenture) or LIBOR for the portion of notes that are funded or 2) 1.00% for the portion of the notes that are unfunded. The Weighted Average Interest Rate of LIBOR + 1.74% is based on the aggregated amount of notes outstanding as of the 2018-2 CLO closing date and would be LIBOR + 1.92% on a fully funded basis.

(2) Represents S&P and DBRS ratings for the 2018-2 Class A-1R Notes and the 2018-2 Class A-1T Notes and S&P-only ratings for the 2018-2 Class A-2 Notes and 2018-2 Class B Notes as of the 2018-2 CLO closing date.

(3) Represents the stated maturity date of the notes, however the 2018-2 Notes may be redeemed by the Co-Issuers on any business day after November 20, 2020.

(4) No later than July 18, 2019, \$25.00 million of the aggregate \$50.00 million 2018-2 Class A-1R Notes, which are revolving notes, will convert to Term Notes with the remaining aggregate amount outstanding converting on or before November 20, 2022.

(5) The Company has initially retained \$18.25 million of the 2018-2 Class B Notes which may be sold at a later date. The Company has also retained the \$108.00 million of subordinated notes (the “2018-2 Subordinated Notes”) that were issued in the transaction and that are entitled to receive distributions to the extent funds are available for such purpose. As a result of the Company retaining the 2018-2 Subordinated Notes, it expects to consolidate the accounts of the Co-Issuers into its financial statements. As a result of this consolidation, the amounts outstanding under the collateralized loan obligation will be treated as the Company’s indebtedness. As a result of the refinancing transaction,

the Company will incur a non-recurring charge that is expected to be recognized in the financial results for the quarter ending December 31, 2018. In connection with the issuance and sale of the 2018-2 Notes, the Co-Issuers made customary representations, warranties and covenants in the note purchase agreement, the indenture, dated September 29, 2016, and the supplemental indenture dated October 18, 2018 (collectively, the “Indenture”) that govern the 2018-2 Notes and the related transaction documents, and the Indenture includes customary covenants and events of default.

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. References to the "Company," "we," "us," "our," "GARS" and "Garrison Capital" refer to Garrison Capital Inc. and its consolidated subsidiaries.

Forward-Looking Statements

Some of the statements in this Quarterly Report on Form 10-Q constitute 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 current and 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, including general economic trends, and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- the relative and absolute performance of Garrison Capital Advisers LLC, or our Investment Adviser, including in identifying suitable investments for us;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- our ability to make distributions to our stockholders;
- the effects of applicable legislation and regulations and changes thereto;
- 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 "anticipate," "believe," "expect," "intend," "may," "might," "will," "should," "could," "can," "would," "estimate," "predict," "potential" and similar words 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. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. 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 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.

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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 Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the 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 through direct loans and debt investments in U.S. based middle-market companies. Our loans and debt investments are primarily first lien senior secured loans (including "unitranche" loans, which are loans that combine the characteristics of both senior and subordinated debt, generally in a first lien position). We also may, to a lesser extent, invest in subordinated and mezzanine debt, unsecured consumer loans and equity investments. Our goal is to generate attractive risk-adjusted returns by assembling a broad portfolio of investments.

Our investment activities are managed by our Investment Adviser. The seven member investment committee of our Investment Adviser is comprised of Joseph Tansey, Brian Chase, Mitch Drucker, Susan George, Robert Chimenti, Joshua Brandt and Allison Adornato. 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 with the Investment Adviser, or the Investment Advisory Agreement, we pay a management fee and an incentive fee to our Investment Adviser 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, 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.

Recent Developments

On October 30, 2018 our board of directors, or the Board, declared a distribution in the amount of \$3.7 million, or \$0.23 a share, which will be paid on December 21, 2018 to stockholders of record as of December 7, 2018.

On October 18, 2018, the Company refinanced and upsized its collateralized loan obligation financing vehicle. As a result of the refinancing, the Company unlocked additional debt capacity of \$120.0 million, reduced the weighted average effective cost of the vehicle of approximately 75 basis points as of the closing date and extended the reinvestment period to November 2022. In addition, the Company expects to recognize a non-recurring charge of approximately \$2.2 million, or \$0.14 per share, in the financial results of the fourth quarter of 2018.

Revenues

In general, 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 equity interests or warrants held in portfolio companies. Our debt investments, whether in the form of senior secured, unitranche or mezzanine loans, typically have a term of up to seven years and may bear interest at a fixed or floating rate. Interest is generally payable monthly or quarterly, and in some cases, loans may have a payment-in-kind (“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 loan origination, prepayment, facility, commitment, forbearance and amendment fees. We also may receive structuring or diligence fees, consulting fees and possibly fees for providing managerial assistance. Origination fees received by us 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 into 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 us and are accrued over the life of the loan.

Amendment and forbearance 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 recorded and classified as other income and included in investment income on the consolidated statements of operations. As these fees are paid and recognized in connection with specific loan amendments or forbearance, they are typically non-recurring in nature.

Expenses

Our primary operating expenses include the payment of (1) the interest expense on our outstanding debt; (2) the management and incentive fees to the Investment Adviser under the Investment Advisory Agreement, if applicable; (3) the allocable portion of overhead to the Administrator under the Administration Agreement; 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 firms);
-

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;

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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 rent and our allocable portion of the costs and expenses of our chief compliance officer, chief financial officer and their respective staffs.

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 and nine months ended September 30, 2018 and September 30, 2017 are as follows:

(\$ in thousands, except per share data)	Three Months Ended		Three Months Variance	Nine Months Ended		Nine Months Variance
	September 30, 2018	September 30, 2017		September 30, 2018	September 30, 2017	
Total investment income	\$9,312	\$ 8,903	\$ 409	\$29,222	\$26,931	\$ 2,291
Total expenses	5,578	4,718	860	16,190	13,972	2,218
Net investment income	3,734	4,185	(451)	13,032	12,959	73
Net realized (loss)/gain on investments	(27)	(30)	3	(286)	573	(859)
Net change in unrealized (loss)/gain on investments	(2,218)	267	(2,485)	(6,387)	(11,023)	4,636
Net increase in net assets resulting from operations	1,489	4,422	(2,933)	6,359	2,509	3,850
Net investment income per common share	0.23	0.26	(0.03)	0.81	0.81	—
Net realized/unrealized (loss)/gain on investments per share	(0.14)	0.01	(0.15)	(0.41)	(0.65)	0.24
Basic earnings per share	0.09	0.27	(0.18)	0.40	0.16	0.24
Dividends and distributions declared per common share	0.28	0.28	—	0.84	0.84	—
Net asset value per share	11.25	11.74	(0.49)	11.25	11.74	(0.49)

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Net Investment Income

Net investment income for the three and nine months ended September 30, 2018 was \$3.7 million and \$13.0 million, respectively. Net investment income for the three and nine months ended September 30, 2017 was \$4.2 million and \$13.0 million, respectively. As described below under “Investment Income” and “Expenses”, net investment income decreased by \$0.5 million for the three months ended September 30, 2018 from the three months ended September 30, 2017, and remained unchanged at \$13.0 million for the nine months ended September 30, 2018 and 2017.

Investment Income

Investment income for the three and nine months ended September 30, 2018 was \$9.3 million and \$29.2 million, respectively. Investment income for the three and nine months ended September 30, 2017 was \$8.9 million and \$26.9 million, respectively. Investment income increased by \$0.4 million and \$2.3 million for the three and nine months ended September 30, 2018 from the three and nine months ended September 30, 2017, respectively. The increase in interest income was largely driven by the resolution of non-performing assets resulting in a larger interest-bearing portfolio and higher fee income received during the three and nine months ended September 30, 2018 as compared to the three and nine months ended September 30, 2017.

Expenses

Total expenses for the three and nine months ended September 30, 2018 were \$5.6 million and \$16.2 million, respectively. Total expenses for the three and nine months ended September 30, 2017 were \$4.7 million and \$14.0 million, respectively.

The following table summarizes our expenses for the three and nine months ended September 30, 2018 and September 30, 2017:

(\$ in thousands)	Three Months Ended		Three Months Variance	Nine Months Ended		Nine Months Variance
	September 30, 2018	September 30, 2017		September 30, 2018	September 30, 2017	
Interest expense	\$2,981	\$ 2,220	\$ 761	\$8,285	\$ 6,483	\$ 1,802
Management fee (net of waivers)	1,504	1,374	130	4,516	4,113	403
Incentive fees	—	—	—	—	—	—
Professional fees	326	255	71	918	596	322
Directors' fees	76	77	(1)	229	236	(7)
Administrator expenses	341	305	36	932	893	39
Other expenses	350	487	(137)	1,310	1,651	(341)
Total expenses	\$5,578	\$ 4,718	\$ 860	\$16,190	\$ 13,972	\$ 2,218

Interest expense increased \$0.8 million and \$1.8 million for the three and nine months ended September 30, 2018, respectively, from the three and nine months ended September 30, 2017, primarily due to a higher average aggregate debt balance outstanding combined with an increase in the weighted average effective interest rates on our borrowings.

Management fees increased by \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2018, respectively, from the three and nine months ended September 30, 2017, primarily due to higher average gross assets.

Professional fees increased by \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2018, respectively, from the three and nine months ended September 30, 2017, primarily due to higher legal and consulting fees.

Other expenses decreased by \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2018, respectively, from the three and nine months ended September 30, 2017, primarily due to higher transaction-related and insurance expenses incurred in 2017.

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

There were no material realized gains or losses for the three months ended September 30, 2018. There was a net realized loss on investments of \$0.3 million for the nine months ended September 30, 2018.

The net realized loss on investments for the nine months ended September 30, 2018 was primarily driven by a \$0.8 million loss in connection with the restructuring of our investment in Rooster Energy Ltd. This was offset by \$0.5 million of realized gains from repayments and sales of various other portfolio investments.

There were no material realized gains or losses for the three months ended September 30, 2017. There was a net realized gain on investments of \$0.6 million for the nine months ended September 30, 2017.

For the three and nine months ended September 30, 2018, the net change in unrealized loss on investments was \$2.2 million and \$6.4 million, respectively.

The net change in unrealized loss on investments for the three months ended September 30, 2018 was driven primarily by a \$1.9 million negative credit-related adjustment on our investment in Profusion Industries, LLC and the reversal of prior period gains on various portfolio investments in the amount of \$0.5 million. This was offset by \$0.2 million of net positive market-related fair value adjustments on the remaining portfolio.

The net change in unrealized loss on investments for the nine months ended September 30, 2018 was driven primarily by negative credit-related adjustments on our investments in Profusion Industries, LLC and Cochon-MWS Holdings LLC (fka Rooster Energy Ltd.) in the amounts of \$5.8 million and \$1.4 million, respectively. This was offset by \$0.8 million associated with the restructuring of our investment in Rooster Energy Ltd.

For the three months ended September 30, 2017, the net change in unrealized gain on investments was \$0.3 million. For the nine months ended September 30, 2017, the net change in unrealized loss on investments was \$11.0 million.

The net change in unrealized gain on investments for the three months ended September 30, 2017 was primarily driven by a positive fair value adjustment on our investment in Sprint Industrial Holdings of \$0.5 million and the reversal of an unrealized loss of \$0.3 million on our investment in Raymond Express International. This was offset by a negative fair value adjustment on our preferred equity investment in Prosper Marketplace of \$0.6 million.

The net change in unrealized loss on investments for the nine months ended September 30, 2017 was driven primarily by negative fair value adjustments on the investments in Walnut Hill Physicians Hospital, Speed Commerce Operating Company, Badlands Production Company and Prosper Marketplace investments in the amounts of \$4.4 million, \$3.3 million, \$2.7 million and \$1.4 million, respectively. These fair value adjustments were the result of decreases in our expected recoveries on these investments and were offset by an aggregate \$0.8 million of positive fair value adjustments across our remaining portfolio.

Net Increase/(Decrease) in Net Assets Resulting from Operations

We had a net asset value per common share outstanding on September 30, 2018 of \$11.25 as compared to a net asset value per common share outstanding on December 31, 2017 of \$11.69.

Based on basic weighted average shares outstanding of 16,049,352, the net increase in net assets from operations per share for the nine months ended September 30, 2018 was \$0.40. This increase was primarily driven by net investment income of \$0.81 per share offset by net realized and unrealized losses of \$0.41 per share incurred during the nine months ended September 30, 2018.

Based on basic weighted average shares outstanding of 16,049,352, the net decrease in net assets from operations per share for the nine months ended September 30, 2017 was \$0.16. This decrease was primarily driven by net change in unrealized losses on investments during the nine months ended September 30, 2017.

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 originally generated cash primarily from offerings of our debt and equity securities and utilize any repayments of portfolio investments as our current source of cash. In addition we generate liquidity from our cash flows from operations.

As of September 30, 2018 and December 31, 2017, we had cash of \$29.4 million and \$14.9 million, respectively. Also, as of September 30, 2018 and December 31, 2017, we had restricted cash of \$25.7 million and \$4.6 million, respectively.

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 available borrowings as of September 30, 2018 will be sufficient to fund our anticipated funding requirements through at least September 30, 2019. In addition, we may, from time to time, amend or refinance our leverage facilities and borrowings, in order to, among other things, modify covenants or the interest rates payable and extend the reinvestment period or maturity date. In addition to capital not being available, it may not be available on favorable terms. To the extent we are not able to raise additional capital, or otherwise generate sufficient liquidity or are at or near target leverage ratios, we may receive smaller allocations, if any, on new investment opportunities under the Investment Adviser's allocation policy.

On July 31, 2018 the Board approved a distribution in the amount of \$4.5 million, or \$0.28 a share, which was paid on September 21, 2018 to stockholders of record as of September 7, 2018.

On October 30, 2018 the Board declared a distribution in the amount of \$3.7 million, or \$0.23 a share, which will be paid on December 21, 2018 to stockholders of record as of December 7, 2018.

During the nine months ended September 30, 2018, cash and restricted cash increased by \$35.5 million as a result of net cash provided by operating activities of \$38.2 million, offset by net cash used in financing activities in the amount of \$2.7 million.

During the nine months ended September 30, 2018, cash provided by operating activities resulted mainly from purchases of investments of \$172.6 million, offset by repayments and sales of investments in the amount of \$179.7 million, net realized and unrealized loss on investments in the amount of \$6.7 million and a net increase in the due to/from counterparties and affiliates of \$16.9 million. Net cash used in financing activities resulted from cash distributions in the amount of \$13.5 million, offset by \$10.2 million of proceeds from borrowings by Garrison SBIC and \$0.8 million of net proceeds from the senior secured revolving notes of our \$300.0 million collateralized loan obligation, or the 2016-2 CLO.

During the nine months ended September 30, 2017, cash and restricted cash increased by \$6.3 million as a result of net cash used in financing activities in the amount of \$17.7 million offset by net cash provided by operating activities of \$24.0 million.

During the nine months ended September 30, 2017, cash provided by operating activities resulted mainly from purchases of investments of \$105.1 million, offset by repayments and sales of investments in the amount of \$114.8 million, net realized and unrealized gain on investments in the amount of \$10.5 million and a decrease in the due from counterparties of \$2.0 million. Net cash used in financing activities resulted from cash distributions in the amount of \$13.5 million and repayments of the GLC Trust 2013-2 Class A Notes in the amount of \$4.2 million.

As of September 30, 2018 and December 31, 2017, we had \$5.5 million and \$8.7 million, respectively, of unfunded commitments. 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 September 30, 2018 and December 31, 2017, respectively, subject to the terms of each loan's respective credit agreement.

Subject to leverage and borrowing base restrictions, as of September 30, 2018, we had approximately \$4.5 million available for additional borrowings under our senior secured revolving notes of the 2016-2 CLO and \$10.0 million of available SBIC leverage. As of December 31, 2017, we had approximately \$1.0 million available for additional borrowings under our senior secured revolving notes of the 2016-2 CLO and \$20.2 million of available SBIC borrowings subject to leverage and borrowing base restrictions.

Subsequent to September 30, 2018, we refinanced the 2016-2 CLO. See "Note 11 – Subsequent Events" to our consolidated financial statements for the quarter ended September 30, 2018.

Portfolio Composition and Select Portfolio Information

As of September 30, 2018, we held investments in 77 portfolio companies with a fair value of \$383.0 million. As of September 30, 2018, our portfolio had an average investment size of approximately \$4.6 million, a weighted average yield on debt investments and on the total portfolio measured at current fair value of 9.6% and 9.1%, respectively, and a weighted average contractual maturity of 49 months. The following table shows select information of our portfolio for the periods from September 30, 2018 to September 30, 2017.

Portfolio characteristics (\$ in millions, % based on fair value)*	September 30, 2018		June 30, 2018		March 31, 2018		December 31, 2017		September 30, 2017	
	Total portfolio fair value	\$	383.0	\$	401.9	\$	392.8	\$	394.7	\$
Total number of portfolio companies		77		71		62		62		61
Average size of debt investments	\$	4.6	\$	5.2	\$	5.7	\$	6.0	\$	5.7
Weighted average yield on debt investments at amortized cost ⁽¹⁾⁽²⁾		9.2 %		9.5 %		10.0 %		9.9 %		9.3 %
Weighted average yield on total portfolio at amortized cost ⁽¹⁾⁽²⁾		8.7 %		9.1 %		9.5 %		9.7 %		8.9 %
Weighted average price of debt investments		97.2		97.8		98.1		98.6		92.3
First lien senior secured debt investments		97.6 %		97.9 %		97.2 %		98.2 %		97.8 %
Equity and other investments		2.4 %		2.1 %		2.8 %		1.8 %		2.2 %
Originated ⁽³⁾		29.9 %		34.9 %		43.8 %		45.1 %		48.6 %
Club ⁽⁴⁾		26.4 %		26.6 %		23.6 %		24.3 %		20.0 %
Purchased ⁽⁵⁾		43.7 %		38.5 %		32.6 %		30.6 %		31.4 %
Floating rate debt investments		99.6 %		99.5 %		99.4 %		99.3 %		99.1 %
Fixed rate debt investments		0.4 %		0.5 %		0.6 %		0.7 %		0.9 %
Performing debt investments		99.3 %		98.8 %		98.8 %		98.9 %		96.7 %
Non-accrual debt investments		0.7 %		1.2 %		1.2 %		1.1 %		3.3 %
Weighted average debt/EBITDA of our portfolio companies ⁽⁶⁾		3.7 x		3.7 x		3.8 x		3.7 x		3.8 x
Weighted average risk rating of our debt investments		2.3		2.3		2.3		2.4		2.6

(1) Weighted average yield is calculated based on the return from the all-in interest rate plus the annualized accretion income from any original issue or market discount or premium as of the balance sheet date to par at the investments contractual maturity date, excluding the effect of any scheduled principal amortization payments. For those investments valued based on an estimated recovery rate, the weighted average yield calculation is based on redeeming the investment at the current expected recovery rate rather than at par.

(2) Calculation excludes consumer loan portfolio investment, unfunded revolvers, debt investments placed on non-accrual and equity investments.

(3) Originated positions include investments where we have sourced and led the execution of the deal.

(4) Club positions include investments where we provide direct lending to a borrower with a small number of other lenders but did not lead the deal.

(5) Purchased positions include investments sourced from a loan syndication or the secondary market. Purchased deals include investments that were both broadly syndicated and those that were syndicated by a club partner to a smaller group of lenders.

(6)

Excludes consumer loan portfolio investment, unfunded revolvers, debt investments placed on non-accrual, equity investments and non-operating portfolio companies, which we define as those investments collateralized by real estate, commodity reserves or other hard assets. As of September 30, 2018, \$16.8 million of par value and \$16.9 million of fair value was excluded.

- * Table as of each respective quarter end and excludes investments with a fair value of zero from all figures except for the total number of portfolio companies and total number of investments. Debt investments in the table above exclude our investment in the consumer loan portfolio and all equity investments.

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 September 30, 2018 and December 31, 2017, we had \$5.5 million and \$8.7 million of outstanding commitments to fund such investments, respectively. As of September 30, 2018 and December 31, 2017, we had \$55.0 million and \$19.5 million, respectively, of cash and restricted cash.

Ongoing Monitoring

We view active 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 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 the case of risk rating 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 risk scale at fair value, excluding our interest in GLC Trust 2013-2 and equity investments, as of September 30, 2018 and December 31, 2017:

	As of September 30, 2018		As of December 31, 2017	
	Investments at Fair Value	Percentage of Total Investments	Investments at Fair Value	Percentage of Total Investments
Risk Rating 1	\$24,197	6.5	% \$33,643	8.7

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Risk Rating 2	227,338	61.0	164,242	42.4
Risk Rating 3	118,657	31.8	185,484	47.8
Risk Rating 4	2,781	0.7	4,111	1.1
	\$372,973	100.0	% \$387,480	100.0 %

The weighted average risk rating of the portfolio decreased to 2.3 as of September 30, 2018 from 2.4 as of December 31, 2017 as a result of ordinary course portfolio activity.

Contractual Obligations

A summary of our significant contractual payment obligations as of September 30, 2018 is as follows:

(\$ in thousands)	Payments Due by Period				Total
	Less Than				
	1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years	
2016-2 CLO	\$—	\$—	\$—	\$187,500	\$187,500
SBIC Borrowings	—	—	—	60,000	60,000
Total contractual obligations	\$—	\$—	\$—	\$247,500	\$247,500

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 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.

Related Party Transactions

We have entered into a number of business relationships with affiliated or related parties, including the following:

- We are party to the Investment Advisory Agreement with Garrison Capital Advisers LLC, under which 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.
- The Administrator provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement.
- We have entered into the License Agreement with Garrison Investment Group pursuant to which Garrison Investment Group has agreed to grant us a non-exclusive, royalty-free license to use the name "Garrison."
- Under the Staffing Agreement, Garrison Investment Group provides the Investment Adviser with the resources necessary to fulfill these obligations. The Staffing Agreement provides that Garrison Investment Group will make available to the Investment Advisers experienced investment professionals and access to the senior investment personnel of Garrison Investment Group for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. The Staffing Agreement also includes a commitment that the members of the Investment Advisers'

investment committee serve in such capacity. The Staffing Agreement remains in effect until terminated and may be terminated by either party without penalty upon 60 days' written notice to the other party. Services under the Staffing Agreement are provided to the Investment Adviser on a direct cost reimbursement basis, and such fees are not our obligation.

In connection with the 2016-2 CLO, we retained the Investment Adviser to furnish collateral management sub-management services to us pursuant to a sub-collateral management agreement. The Investment Adviser does not receive a fee for providing such services.

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From October 1, 2016 through May 2, 2017, the Investment Adviser, in consultation with our board of directors agreed to irrevocably waive any fees payable to the Investment Adviser under the Investment Advisory Agreement with respect to a calendar quarter in excess of the sum of (i) 0.375% per quarter (1.50% annualized) of our gross assets, excluding cash and cash equivalents but including assets purchased with borrowed funds, calculated based on the average carrying value of our gross assets at the end of the two most recently completed calendar quarters, (ii) 20% of Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, in excess of a “hurdle rate” of 1.75% per quarter (7.00% annualized) and (iii) in the case of the final calendar quarter of each year, the capital gains incentive fee.

From May 3, 2017 until August 13, 2018, the base management fee was calculated at an annual rate of 1.50% of the Company’s gross assets, excluding cash and cash equivalents but including the assets purchased with borrowed funds, and was payable quarterly in arrears.

On August 14, 2018, Garrison Capital Inc. (the “Company”) entered into the fifth amended and restated investment advisory agreement (the “Fifth Amended and Restated Investment Advisory Agreement”) with Garrison Capital Advisers LLC (the “Adviser”), as investment adviser. The Fifth Amended and Restated Investment Advisory Agreement, which is effective as of August 14, 2018, modifies the base management fee payable to the Adviser to an annual rate of 1.50% of the Company’s average gross assets, excluding cash or cash equivalents but including assets purchased with borrowed funds, at the end of each of the two most recently completed calendar quarters; provided, however, the base management fee will be calculated at an annual rate of 1.00% of the average value of the Company’s gross assets, excluding cash or cash equivalents but including assets purchased with borrowed funds, that exceeds the product of (i) 200% and (ii) the Company’s average net assets at the end of each of the two most recently completed calendar quarters. For the avoidance of doubt, the 200% will be calculated in accordance with the 1940 Act and will give effect to the Company’s exemptive relief with respect to SBIC debentures.

We have adopted a joint code of ethics that governs the conduct of our and our Investment Adviser’s officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Delaware General Corporation Law.

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.

Principles for Consolidation

The consolidated financial statements include the accounts of GARS and its wholly-owned subsidiaries. The accounts of the subsidiaries are prepared using consistent accounting policies and as of the same reporting period as GARS. Under ASC Topic 946, Financial Services – Investment Companies, or ASC Topic 946, the Company is generally precluded from consolidating any entity other than another investment company. Accordingly, the Company consolidates any investment company when it owns 100% of its equity units or 100% of the economic equity interest. ASC Topic 946 also provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

As a result, we have consolidated the results of Garrison Funding 2016-2 Ltd., Garrison SBIC, GLC Trust 2013-2, Garrison Capital PL Holdings LLC, GIG Rooster Holdings I LLC and a series of limited liability companies that GARS created primarily to provide specific tax treatment for the minority equity and other investments held in these limited liability companies.

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 may settle on a subsequent date depending on the transaction type. Any amounts related to purchase, sale and principal paydowns that have traded, but not settled, are reflected as either a due to counterparty or due from counterparty on our consolidated statement of financial condition. 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 the Company 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 which 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. As of both September 30, 2018 and December 31, 2017, the Company had one investment that was on non-accrual status.

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 other 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.

Certain investments may have contractual PIK interest. PIK represents accrued interest that is added to the principal amount of the investment on the respective interest payment dates instead of being paid in cash and generally becomes due at maturity of the investment or upon the investment being called by the issuer.

Loan Origination, Facility, Commitment and Amendment Fees

The Company may receive loan origination, prepayment, facility, commitment, forbearance 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 stated term of the loan. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded into 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 and forbearance 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 recorded and classified as other income and included in investment income on the consolidated statements of operations. As these fees are paid and recognized in connection with specific loan amendments or forbearance, they are typically non-recurring in nature.

Fair Value Measurements

The Company values its investments in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures, or ASC Topic 820. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 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 Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

- Level 1 — Unadjusted quoted prices in active markets for identical investments as of the reporting date.
- Level 2 — Pricing inputs include quoted prices in active markets for similar instruments, quoted prices in less active or inactive markets for identical or similar instruments where multiple price quotes can be obtained, and other observable inputs, such as interest rates, yield curves, credit risks, and default rates.
- Level 3 — Pricing inputs are unobservable and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation including, in certain instances, the Investment Adviser's own assumptions about how market participants would price the financial instrument.

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

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.

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Valuation Techniques

The following is a description of the different valuation techniques utilized by the Company.

Debt Investments

Bid quotations – Certain of the Company’s debt investments are publicly traded instruments for which quoted market prices are not readily available. The fair value of these investments may be determined based on bid quotations from unaffiliated market makers or independent third-party pricing services or the price activity of comparable instruments. The Company will generally supplement the bid quotations for these investments by also performing a comparable yield approach outlined below.

Comparable yield approach – This valuation technique determines the fair value of an investment by assessing the expected market yield of other debt investments with similar credit structures, leverage statistics, interest rates and time to maturity. The Company generally uses this approach for its debt investments that have not been deemed to be credit-impaired and where a market rate of recovery is expected.

Market comparable companies – This valuation technique determines the total enterprise value of a company by assessing the expected multiple that a market participant would apply to that company’s earnings before interest, taxes, depreciation and amortization (“EBITDA”), revenue or other collateral that secures the investment. These valuation multiples are typically determined based on reviewing market comparable transactions or other comparable publicly traded companies, if any. The resulting enterprise value will dictate whether or not the Company’s debt investment has adequate enterprise value coverage. In instances where the enterprise value is inadequate, the market comparable companies approach may be used to estimate a recovery value for our credit-impaired debt investments.

Equity Investments

Market comparable companies – This valuation technique determines the total enterprise value of a company by assessing the expected multiple that a market participant would apply to that company's EBITDA, revenue or other collateral that secures the investment. These valuation multiples are typically determined based on reviewing market comparable transactions or other comparable publicly traded companies, if any. When an external event, such as a purchase transaction, public offering or subsequent sale of equity occurs, the pricing indicated by that external event is utilized to corroborate our valuation.

Discounted cash flows – This valuation technique determines the fair value of an investment by projecting the expected cash flows based on contractual terms calculating the present value of such cash flows as of the valuation date using a discount rate.

Financial Assets

Discounted cash flows – This valuation technique determines the fair value of an investment by projecting the expected cash flows based on contractual terms calculating the present value of such cash flows as of the valuation date using a discount rate.

Valuation Process

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. The valuation process is a multi-step process conducted at the end of each fiscal 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.
- 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 below.
- Preliminary valuation conclusions are then documented, compared to the range of prices provided by an independent valuation firm where applicable, and discussed with our senior management and the Investment Adviser.
- The Investment Adviser submits these preliminary valuations to the Valuation Committee of the Board.
- The Board discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith.

As noted above, 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, and 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.

Interest Expense

Interest expense is recorded on an accrual basis and includes the amortization of deferred debt issuance costs and any original issue discounts.

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 usually have floating interest rates based on the London Interbank Offer Rate, or 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 2016-2 CLO has a floating interest rate provision on certain tranches 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 September 30, 2018 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)	(Decrease)/increase in interest income	(Decrease)/increase in interest expense	Net (decrease)/increase in investment income
Down 50 basis points	\$ (1,857)	\$ (813)	\$ (1,044)
Down 25 basis points	(928)	(406)	(522)
Up 25 basis points	928	406	522
Up 50 basis points	1,857	813	1,044
Up 100 basis points	3,730	1,625	2,105
Up 200 basis points	7,460	3,250	4,210

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 our collateralized loan obligation, Garrison SBIC borrowings or additional borrowings, that could affect our 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.

Although we have currently not done so, 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, including with respect to the obligations of our collateralized loan obligation, 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.

Item 4: Controls and Procedures

As of the end 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.

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Part II — Other Information

Item 1: Legal Proceedings

We, the Investment Adviser, the Administrator and our wholly-owned subsidiaries are not currently subject to any material legal proceedings.

Item 1A: Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors set forth below as well as in “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 6, 2018 and “Part II. Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q filed with the SEC on August 7, 2018, 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

None.

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Item 6: Exhibits

EXHIBIT INDEX

Number Description

- 10.1 Fifth Amended and Restated Investment Advisory Agreement, dated as of August 14, 2018, by and between Garrison Capital Inc. and Garrison Capital Advisers LLC (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on 8-K (File No. 814-00878), filed on August 14, 2018).
- 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 Schedule of Investments as of September 30, 2018.
- 99.2 GLC Trust 2013-2 Schedule of Investments as of December 31, 2017 (Incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00878), filed on March 6, 2018).

*Filed herewith.

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SIGNATURES

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

Garrison Capital Inc.

Dated: November 6, 2018 By /s/ Joseph Tansey

Joseph Tansey
Chief Executive
Officer
(Principal Executive
Officer)

Dated: November 6, 2018 By /s/ Brian Chase

Brian Chase
Chief Financial
Officer
(Principal Financial
and Accounting
Officer)