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Garrison Capital Inc.
Form 10-K/A
July 21, 2015

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

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
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)
(212) 372-9590
(Registrant's telephone number, including area code)

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2014 based on the closing price on June 30, 2014 of \$15.30 on the NASDAQ Global Select Market was approximately \$189.0 million. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates. There were 16,758,779 shares of the registrant's common stock outstanding as of February 26, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K. Such proxy statement was filed with the Securities and Exchange Commission on March 19, 2015.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 that was filed with the Securities and Exchange Commission on March 4, 2015 (the “Form 10-K”).

This Amendment amends Part II, Item 8, “Financial Statements and Supplementary Data” and Part IV, Item 15, “Exhibits and Financial Statement Schedules,” of our Form 10-K. We made the following amendments in response to comments received from the staff of the Securities and Exchange Commission: (i) revised Item 8 to reflect an amended report from McGladrey LLP regarding its opinion on the consolidated financial statements and GLC Trust 2013-2 schedule of investments; (ii) revised Item 15 to update the GLC Trust schedule of investments in Exhibit 99.2 to include appropriate headings; and (iii) revised Item 15 to update required certifications of our chief executive officer and chief financial officer under the Sarbanes-Oxley Act of 2002. Pursuant to the rules and regulations of the Securities and Exchange Commission, we have re-filed Item 8 in its entirety.

There are no other changes to the Form 10-K other than as set forth above. This Amendment does not reflect events occurring after the March 4, 2015 filing of our Form 10-K or modify or update the disclosures set forth in the Form 10-K in any way. As a result, this Amendment contains forward-looking information that has not been updated for events subsequent to the March 4, 2015 filing of our Form 10-K, and we direct you to our SEC filings made subsequent to March 4, 2015 for additional information.

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Management's Report on Internal Control over Financial Reporting

The management of Garrison Capital, Inc. ("GARS," and collectively with its subsidiaries, the "Company," "we," "us," "our" and "Garrison Capital") is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is a process designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published consolidated financial statements.

Garrison Capital's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles. Our policies and procedures also provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Garrison Capital, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness as to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Garrison Capital's internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework issued in 2013. Based on the assessment, management believes that, as of December 31, 2014, our internal control over financial reporting is effective based on those criteria.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Garrison Capital Inc. and Subsidiaries:

We have audited the accompanying consolidated statement of financial condition of Garrison Capital Inc. and Subsidiaries (the "Company"), including the consolidated schedule of investments, as of December 31, 2014 and the related consolidated statements of operations, changes in net assets/members' capital and cash flows for the year ended December 31, 2014 and the GLC Trust 2013-2 schedule of investments as of December 31, 2014 included as an Exhibit. These consolidated financial statements and GLC Trust 2013-2 schedule of investments are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and GLC Trust 2013-2 schedule of investments based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments owned as of December 31, 2014, by correspondence with the custodians, loan agents, trustees or management of the underlying investments, as applicable, or by other appropriate auditing procedures where replies from these parties, as applicable, were not received. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and GLC Trust 2013-2 schedule of investments referred to above present fairly, in all material respects, the financial position of Garrison Capital Inc. and Subsidiaries as of December 31, 2014, the results of their operations, and their cash flows for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey LLP
New York, New York
March 4, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Garrison Capital Inc. and Subsidiaries:

We have audited the accompanying consolidated statements of financial condition of Garrison Capital Inc. and Subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2013 and 2012, the related consolidated statements of operations, changes in net assets/members' capital and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013 and 2012, by correspondence with the custodians, loan agents, trustees or management of the underlying investments, as applicable, or by other appropriate auditing procedures where replies from these parties, as applicable, were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Garrison Capital Inc. and Subsidiaries as of December 31, 2013 and 2012, the consolidated results of their operations, changes in their net assets/members' capital and cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
New York, New York
March 12, 2014

Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Financial Condition

	December 31, 2014	December 31, 2013
Assets		
Cash	\$13,651,269	\$13,664,583
Restricted cash	14,260,013	27,964,507
Due from counterparties	1,615,125	6,660,132
Investments, fair value		
Non-control/Non-affiliate investments (amortized cost of \$467,903,883 and \$409,797,656, respectively)	467,769,463	410,051,950
Affiliate investments (amortized cost of \$0 and \$17,190,795, respectively)	—	19,029,529
Accrued interest receivable	3,506,456	2,664,416
Deferred debt issuance costs (net of accumulated amortization of \$2,141,113 and \$1,400,358, respectively)	4,418,235	4,884,271
Deferred offering costs	314,018	—
Prepaid administrator fee	74,455	—
Other assets	232,429	160,426
Total assets	\$505,841,463	\$485,079,814
Liabilities		
Due to counterparties	\$109,204	\$7,840,140
Incentive fee payable	2,816,310	1,098,899
Management fee payable	268,098	217,608
GLC Trust 2013-2 revolving note (Note 7)	—	9,741,676
GLC Trust 2013-2 Class A note (Note 7)	30,512,712	—
Senior secured revolving note (Note 7)	50,000,000	50,000,000
Senior secured term notes (Note 7)	159,746,787	159,677,767
Interest payable	689,610	1,487,539
Accrued expenses and other payables	596,674	935,587
Total liabilities	244,739,395	230,999,216
Commitments and contingencies (Note 14)		
Net assets		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 16,758,779 and 16,758,779 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	\$16,759	\$16,759
Paid-in-capital in excess of par	257,740,910	257,804,160
(Over)/under distributed net investment income	—	—
Accumulated net realized gain (loss) from investments	3,478,818	(5,833,349)
Net unrealized (depreciation) appreciation from investments	(134,419)	2,093,028
Total net assets	261,102,068	254,080,598
Total liabilities and net assets	\$505,841,463	\$485,079,814
Common shares outstanding	16,758,779	16,758,779
Net asset value per common share ⁽¹⁾	\$15.58	\$15.16

(1) Adjusted for Reverse Stock Split for the year ending December 31, 2013. See note 1.

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments December 31, 2014

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

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

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Miscellaneous Services				
Academi Holdings LLC, Second Lien Term Loan* L+ 10.00%, 1.00% L Floor, 7/25/2020	10,000,000	\$9,814,683	\$9,814,592	3.76 %
Dorsey School of Business Holdings, Inc., Term Loan* L+ 8.00%, 1.50% L Floor, 6/28/2018	4,500,000	4,500,000	4,500,000	1.72
Global Traffic Technologies, LLC, Term Loan A* L+ 5.25%, 1.25% L Floor, 6/30/2015	380,563	363,395	380,563	0.15
Global Traffic Technologies, LLC, Term Loan B* L+ 5.25%, 1.25% L Floor, 6/30/2015	3,560,206	3,550,659	3,560,206	1.36
Midwest Technical Institute, Inc., Term Loan A* L+ 10.00%, 1.50% L Floor, 10/4/2017	7,145,870	7,145,870	7,145,870	2.74
Midwest Technical Institute, Inc., Revolver L+ 10.00%, 1.50% L Floor, 10/4/2017	998,550	998,550	998,550	0.38
NAP Asset Holdings Ltd., Canadian Term Loan* L+ 7.00%, 1.00% L Floor, 3/22/2018	2,485,508	2,469,314	2,485,508	0.95
NAP Asset Holdings Ltd., Term Loan* L+ 7.00%, 1.00% L Floor, 3/22/2018	5,562,803	5,526,560	5,562,803	2.13
SC Academy Holdings, Inc., Term Loan ⁽³⁾ 0.00%, 7/16/2016	7,760,599	5,587,631	4,066,554	1.56
Speed Commerce, Inc., Term Loan* L+ 7.50%, 1.00% L Floor, 11/21/2019	10,500,000	10,296,113	10,342,500	3.96
Sprint Industrial Holdings, LLC, Term Loan (First Lien)* L+ 5.75%, 1.25% L Floor, 5/14/2019	4,873,123	4,845,239	4,605,101	1.76
Tecta America Corp., Term Loan* L+ 4.00%, 1.00% L Floor, 7/1/2018	4,039,525	3,873,166	3,837,548	1.47
YourMembership Holding Company, Term Loan A** L+ 7.00%, 1.00% L Floor, 9/12/2019	8,504,666	8,421,130	8,421,081	3.23
Total Miscellaneous Services		67,392,310	65,720,876	25.17
Printing & Publishing				
Dodge Data & Analytics LLC, Term Loan* L+ 8.75%, 1.00% L Floor, 10/31/2019	10,500,000	10,296,573	10,296,458	3.94
Total Printing & Publishing		10,296,573	10,296,458	3.94
Oil & Gas				
Gasco Production Company, Term Loan*	9,985,495	9,766,635	9,766,407	3.74

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L+ 8.50%, 1.00% L Floor, 8/18/2017

Total Oil & Gas	9,766,635	9,766,407	3.74
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See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

Security Description, December 31, 2014	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Financial Assets				
Consumer Finance Services				
GLC Trust 2013-2 Consumer Loan Portfolio ⁽¹⁾⁽⁴⁾⁽⁶⁾	36,842,119	\$36,842,119	\$36,329,807	13.91 %
Total Consumer Finance Services		36,842,119	36,329,807	13.91
Total Financial Assets		\$36,842,119	\$36,329,807	13.91 %
Total Non-Control/Non-Affiliate Investments		\$468,298,267	\$468,076,073	179.28 %
Unfunded Obligations				
Communications				
HC Cable OpCo, LLC, Revolver 0.50%, 7/17/2018	489,362	\$(6,064)	\$—	—
Total Communications		(6,064)	—	—
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan ⁽²⁾ 0.00%, 7/31/2019	520,053	(5,280)	(3,291)	—
Aurora Diagnostics, LLC, Revolver ⁽²⁾ 0.38%, 7/31/2019	1,019,712	(10,012)	(10,017)	(0.01)
Total Health Services		(15,292)	(13,308)	(0.01)
Miscellaneous Manufacturing				
Valterra Products Holdings, LLC, Revolver 0.50%, 5/31/2018	1,588,437	(21,678)	22,522	0.01
Total Miscellaneous Manufacturing		(21,678)	22,522	0.01
Miscellaneous Retail				
Confluence Outdoor, LLC, Delayed Draw Term Loan 2.00%, 4/18/2019	2,329,949	(50,019)	—	—
PD Products, LLC, Revolver 0.50%, 10/4/2018	836,752	(24,654)	—	—
Total Miscellaneous Retail		(74,673)	—	—
Miscellaneous Services				
Dorsey School of Business Holdings, Inc., Revolver 0.50%, 6/28/2018	1,000,000	—	—	—
Global Traffic Technologies, LLC, Revolver 0.50%, 6/30/2015	1,458,439	(3,911)	—	—
Tecta America Corp., Revolver ⁽²⁾ 0.50%, 7/1/2018	6,268,988	(258,853)	(313,449)	(0.12)
YourMembership Holding Company, Revolver ^{(2)**}	355,844	(3,495)	(3,497)	—

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0.00%, 9/12/2019

Total Miscellaneous Services

\$(266,259) \$(316,946) (0.12)%

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2014

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

*Denotes that all or a portion of the investment secures the loans under the CLO (see Note 7).

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

L = London Interbank Offered Rate.

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

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

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

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

(5) Coupon is payable in cash and/or payment-in-kind ("PIK").

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

(7) Net of incentive fee payable to a third party equal to 20% of any distribution after the Company has received its

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full net capital investment plus a 12% preferred return in GLC Trust 2013-2 and Prosper Marketplace Series B Preferred Stock.

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments December 31, 2013

Security Description, December 31, 2013	Par/Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments				
Investments – United States				
Common Equity				
Health Services				
Juniper TGX Investment Partners, LLC, Common	3,146	\$670,623	\$670,623	0.26%
Total Health Services		670,623	670,623	0.26
Miscellaneous Manufacturing				
Valterra Products Holdings, LLC, Common Class A	185,847	185,847	253,796	0.10
Valterra Products Holdings, LLC, Common Class B	20,650	20,650	28,200	0.01
Total Miscellaneous Manufacturing		206,497	281,996	0.11
Miscellaneous Retail				
Provo Craft Holdings, LLC, Common	101	—	77	—
Total Miscellaneous Retail		—	77	—
Transportation Services				
EZE Trucking, LLC, Common	2,678	267,801	—	—
Total Transportation Services		267,801	—	—
Total Common Equity		\$1,144,921	\$952,696	0.37%
Preferred Equity				
Consumer Finance Services				
Prosper Marketplace, Series B Preferred Stock	1,000,000	\$1,000,000	\$1,000,000	0.39%
Total Consumer Finance Services		1,000,000	1,000,000	0.39
Total Preferred Equity		\$1,000,000	\$1,000,000	0.39%

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments				
Apparel Products				
Joe's Jeans Inc., Term Loan*	10,500,000	\$10,300,696	\$10,300,581	4.05%
Libor (“L”) + 10.75%, 1.25% L Floor, 9/30/2018				
Totes Isotoner Corporation, Delayed Draw Term Loan*	400,403	400,403	401,155	0.16
L+ 5.75%, 1.50% L Floor, 7/7/2017				
Totes Isotoner Corporation, Initial Term Loan (First Lien)*	4,817,673	4,770,707	4,826,731	1.90
L+ 5.75%, 1.50% L Floor, 7/7/2017				
Total Apparel Products		15,471,806	15,528,467	6.11
Automotive				
BBB Industries LLC, Term Loan*	4,908,750	4,865,936	4,908,750	1.93
L+ 4.25%, 1.25% L Floor, 3/27/2019				
CTC Casting Technologies, Inc. (Compass), Term Loan*	7,631,064	7,574,576	7,574,523	2.98
L+ 8.00%, 1.00% L Floor, 11/27/2016				
Penda Corporation, Term Loan	7,213,936	7,081,475	7,080,998	2.79
L+ 14.00%, 1/26/2019				
Total Automotive		19,521,987	19,564,271	7.70
Broadcasting & Entertainment				
KXLA TV 44, Inc., Term Loan*	8,308,905	8,370,788	8,308,905	3.27
L+ 9.50%, 2.00% L Floor, 3/31/2016				
Sesac Holdco II, LLC, Term Loan (First Lien)*	990,000	981,582	993,713	0.39
L+ 4.00%, 1.00% L Floor, 2/7/2019				
Sesac Holdco II, LLC, Term Loan (Second Lien)*	5,250,000	5,387,088	5,355,000	2.11
L+ 8.75%, 1.25% L Floor, 7/12/2019				
Total Broadcasting & Entertainment		14,739,458	14,657,618	5.77
Chemicals				
Arclin US Holdings Inc., Second Lien Term Loan*	2,598,597	2,565,212	2,598,597	1.02
L+ 6.00%, 1.75% L Floor, 1/15/2015				
Total Chemicals		2,565,212	2,598,597	1.02

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Communications				
Aspect Software, Inc., Tranche B Term Loan* L+ 5.25%, 1.75% L Floor, 5/7/2016	7,732,307	\$7,711,983	\$7,746,844	3.05 %
ConvergeOne Holdings Corp, Term Loan* L+ 8.00%, 1.25% L Floor, 5/8/2019	11,248,571	11,098,514	11,103,240	4.37
HC Cable OpCo, LLC, Term Loan L+ 8.50%, 1.00% L Floor, 7/17/2018	10,983,112	10,808,591	10,808,486	4.26
Northland Cable Television, Inc., Term Loan* L+ 6.00%, 1.75% L Floor, 12/30/2016	2,821,848	2,735,409	2,821,848	1.11
Sirva Worldwide, Loan* L+ 6.25%, 1.25% L Floor, 3/27/2019	4,962,500	4,876,131	5,061,750	1.99
U.S. Telepacific Corp., Term Loan* L+ 4.50%, 1.25% L Floor, 2/23/2017	2,926,005	2,923,286	2,927,468	1.15
Total Communications		40,153,914	40,469,636	15.93
Consumer Finance Services				
PlanMember Financial Corporation, Term Loan* L+ 8.50%, 1.50% L Floor, 2/14/2018	1,477,500	1,445,451	1,477,500	0.58
Total Consumer Finance Services		1,445,451	1,477,500	0.58
Electrical Equipment				
Roberts-Gordon LLC, Term Loan* L+ 10.00%, 2.00% L Floor, 4/20/2016	9,440,983	9,419,121	9,469,436	3.73
Syncsort Incorporated, Term Loan* Base Rate+ 4.25%**, 3/31/2015	3,128,670	3,109,864	3,128,670	1.23
Total Electrical Equipment		12,528,985	12,598,106	4.96
Food Stores – Retail				
Apple & Eve, LLC, Term Loan* L+ 12.50%, 1.25% L Floor, 12/11/2017	8,775,541	8,706,337	8,858,488	3.49
Sagittarius Restaurants LLC (Del Taco), Initial Term Loan* L+ 5.00%, 1.25% L Floor, 10/1/2018	4,642,857	4,602,863	4,642,857	1.83
Sailormen Inc. (Interfoods of America), Term Loan L+ 4.00%, 2.25% L Floor, 6/30/2017	4,212,681	3,438,365	3,412,271	1.34
Sqwincher Corporation (The), Term Loan* L+ 10.00%, 1.50% L Floor, 8/3/2016	6,773,900	6,708,178	6,813,801	2.68

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Total Food Stores – Retail	23,455,743	23,727,417	9.34
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See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Health Services				
Ellman International, Inc., Term Loan L+ 7.50%, 1.50% L Floor, 2/28/2014	3,256,914	\$3,244,920	\$3,244,714	1.27 %
Ellman International, Inc., Revolver Base Rate + 6.50%***, 2/28/2014	794,219	810,730	810,608	0.32
eResearchTechnology, Inc., Term Loan* L+ 4.75%, 1.25% L Floor, 5/2/2018	6,435,000	6,407,882	6,443,044	2.54
Virtual Radiologic Corporation, Term Loan B* L+ 5.50%, 1.75% L Floor, 12/22/2016	4,875,000	4,848,997	2,754,375	1.08
SCG Capital Corporation (Radiation Therapy), Term Loan L+ 12.00%, 3/1/2017	3,227,737	3,227,737	3,227,737	1.27
Theragenics Corporation, Term Loan* L+ 10.25%, 1.25% L Floor, 10/29/2018	9,938,040	9,735,411	9,746,137	3.84
Walnut Hill Physicians' Hospital, Construction Loan 12.50%, 3/31/2014	9,798,642	9,798,642	9,798,642	3.86
Total Health Services		38,074,319	36,025,257	14.18
Hotels and Motels				
Buffalo Thunder Inc., Term Loan* L+ 3.00%, 1/1/2014	280,105	280,105	280,105	0.11
Total Hotels and Motels		280,105	280,105	0.11
Insurance Agents				
Affirmative Insurance Holdings, Inc., Term Loan* L+ 7.25%, 1.25% L Floor, 3/30/2016	7,041,537	6,717,183	6,689,460	2.63
Worley Claims Services, LLC, Term Loan* L+ 11.00%, 1.50% L Floor, 7/6/2017	6,506,431	6,415,070	6,669,923	2.63
Total Insurance Agents		13,132,253	13,359,383	5.26
Machinery				
Paladin Brands Holding, Inc. (IES), Initial Loan L+ 5.50%, 1.25% L Floor, 8/16/2019	797,000	797,000	790,026	0.31
Total Machinery		797,000	790,026	0.31
Metal Mining				
Metal Services LLC (Phoenix), New Term Loans* L+ 5.00%, 1.00% L Floor, 6/30/2017	3,477,728	3,477,728	3,500,333	1.38

Total Metal Mining	3,477,728	3,500,333	1.38
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See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Miscellaneous Manufacturing				
Arctic Glacier USA, Inc., Term Loan (First Lien)* L+ 4.75%, 1.25% L Floor, 5/10/2019	4,701,375	\$4,680,410	\$4,713,128	1.85 %
Alpha Packaging Holdings, Inc., Tranche B Term Loan* L+ 4.50%, 1.25% L Floor, 9/17/2016	3,144,375	3,099,606	3,081,488	1.21
Anchor Hocking, LLC (EveryWare Global), Term Loan L+ 6.25%, 1.25% L Floor, 5/21/2020	6,965,000	6,902,191	7,069,475	2.78
AP Gaming Holdings, LLC, Term Loan B* L+ 8.25%, 1.00% L Floor, 12/20/2020	5,000,000	4,850,821	4,875,000	1.92
Axia Acquisition Corporation, Term Loan A L+ 9.00%, 2.00% L Floor, 3/12/2016	903,851	852,578	903,851	0.36
Expera Specialty Solutions, LLC, Term Loan* L+ 6.25%, 1.25% L Floor, 12/26/2018	6,965,000	6,839,118	7,034,650	2.77
Kranos Acquisition Corp., Term Loan* L+ 11.00%, 1.00% L Floor, 6/15/2017	10,000,000	9,930,942	10,145,479	3.99
Nursery Supplies, Inc., Term Loan* L+ 7.50%, 1.00% L Floor, 6/13/2018	11,356,250	11,305,750	11,520,838	4.53
Ranpak Corp., Second Lien Term Loan* L+ 7.25%, 1.25% L Floor, 4/23/2020	1,000,000	991,035	1,025,000	0.40
Valterra Products Holdings, LLC, Term Loan* L+ 9.00%, 1.00% L Floor, 5/31/2018	8,681,802	8,528,610	8,891,639	3.50
Total Miscellaneous Manufacturing		57,981,061	59,260,548	23.31
Miscellaneous Retail				
PD Products, LLC, Term Loan* L+ 10.50%, 1.50% L Floor, 10/4/2018	10,500,000	10,300,235	10,300,120	4.05
PD Products, LLC, Revolver* L+ 10.50%, 1.50% L Floor, 10/4/2018	278,906	274,926	274,909	0.11
PSP Group, LLC, Term Loan* L+ 4.75%, 1.50% L Floor, 9/13/2016	4,410,206	4,378,877	4,388,155	1.73
Total Miscellaneous Retail		14,954,038	14,963,184	5.89

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Miscellaneous Services				
Attachmate Corporation, Second Lien Term Loan* L+ 9.50%, 1.50% L Floor, 11/22/2018	9,865,221	\$9,823,489	\$9,618,590	3.79 %
Global Traffic Technologies, LLC, Term Loan A* L+ 5.25%, 1.25% L Floor, 6/30/2015	2,962,584	2,933,395	2,962,584	1.17
Global Traffic Technologies, LLC, Term Loan B* L+ 5.25%, 1.25% L Floor, 6/30/2015	3,560,206	3,544,534	3,560,206	1.40
NAP Asset Holdings Ltd., Canadian Term Loan* L+ 7.00%, 1.00% L Floor, 3/22/2018	2,888,094	2,863,437	2,888,094	1.14
NAP Asset Holdings Ltd., Term Loan* L+ 7.00%, 1.00% L Floor, 3/22/2018	6,463,830	6,408,645	6,463,830	2.54
Sprint Industrial Holdings, LLC, Term Loan (First Lien)* L+ 5.75%, 1.25% L Floor, 5/14/2019	5,970,000	5,916,719	6,014,775	2.37
Vision Solutions, Inc., Term Loan (First Lien)* L+ 4.50%, 1.50% L Floor, 7/23/2016	7,181,084	7,138,126	7,181,084	2.82
Total Miscellaneous Services		38,628,345	38,689,163	15.23
National Security				
Scitor Corporation, Term Loan* L+ 3.50%, 1.50% L Floor, 2/15/2017	6,639,773	6,631,840	6,531,876	2.57
Sirius Computer Solutions (SCS Holdings I Inc.), Term Loan* L+ 5.75%, 1.25% L Floor, 12/7/2018	3,238,462	3,211,926	3,268,717	1.29
Total National Security		9,843,766	9,800,593	3.86
Oil & Gas				
Varel International Energy Funding Corp., Term Loan* L+ 7.75%, 1.50% L Floor, 7/17/2017	7,760,000	7,638,232	7,876,400	3.10
Total Oil & Gas		7,638,232	7,876,400	3.10
Printing & Publishing				
Penn Foster, Inc., Term Loan* Base Rate+ 5.00%***, 3/31/2015	1,111,639	1,111,639	978,242	0.39
Playboy Enterprises, Inc., Term Loan* L+ 6.00%, 1.25% L Floor, 3/6/2017	6,050,741	6,029,173	5,929,727	2.33
Total Printing & Publishing		7,140,812	6,907,969	2.72
Restaurants				

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BMP/Pennant Holdings, LLC, Term Loan A* L+ 4.00% Cash, L+ 3.00% PIK, 6/27/2014	2,741,812	2,666,385	2,604,722	1.03
BMP/Pennant Holdings, LLC, Term Loan B L+ 6.00% Cash, L+ 5.00% PIK, 6/27/2014	614,445	598,423	460,834	0.18
Total Restaurants		3,264,808	3,065,556	1.21

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Debt Investments – (continued)				
Specialty Services				
Vistronix, LLC, Term Loan*				
L+ 7.50%, 1.00% L Floor, 12/4/2018	10,446,364	\$ 10,342,421	\$ 10,342,363	4.07 %
SI Organization, Inc. (The), New Tranche B Term Loan*				
L+ 4.25%, 1.25% L Floor, 11/22/2016	4,847,243	4,813,693	4,750,297	1.86
Total Specialty Services		15,156,114	15,092,660	5.93
Textile Products				
Universal Fiber Systems, LLC, Term Loan*				
L+ 5.75%, 1.75% L Floor, 6/26/2015	3,875,000	3,862,146	3,875,000	1.53
Total Textile Products		3,862,146	3,875,000	1.53
Transportation Services				
EZE Trucking, LLC, Term Loan*				
L+ 9.75%, 7/31/2018	10,425,000	10,186,355	10,186,213	4.02
Fleetgistics Holdings, Inc., Term Loan*				
L+ 5.88%, 2.00% L Floor, 3/23/2015	1,640,359	1,641,545	1,600,990	0.63
MXD Group, Inc. (fka Exel Direct Inc.), Term Loan*				
L+ 11.00%, 1.00% L Floor, 5/31/2018	13,912,500	13,664,020	13,666,860	5.38
Ozburn-Hessey Holding Company LLC, Term Loan B*				
L+ 5.50%, 1.25% L Floor, 5/23/2019	6,467,500	6,409,408	6,483,103	2.55
Raymond Express International, LLC, Term Loan*				
L+ 7.75%, 1.75% L Floor, 2/28/2018	4,463,343	4,425,340	4,530,293	1.78
Stafford Logistics, Inc., Term Loan*				
L+ 5.50%, 1.25% L Floor, 6/26/2019	3,833,799	3,797,026	3,833,799	1.51
State Class Tankers II LLC, Term Loan				
L+ 5.50%, 1.25% L Floor, 6/20/2020	5,000,000	5,001,911	5,075,000	2.00
Total Transportation Services		45,125,605	45,376,258	17.87
Wholesale Durable Goods				
Howard Berger Co. LLC, Term A Loan*				
L+ 5.75%, 1.25% L Floor, 8/3/2017	1,875,961	1,855,793	1,782,163	0.70
Total Wholesale Durable Goods		1,855,793	1,782,163	0.70
Total Debt Investments		\$ 391,094,681	\$ 391,226,210	154.00 %

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par/Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments – (continued)				
Investments – United States – (continued)				
Financial Assets				
Consumer Finance Services				
GLC Trust 2013-2 ⁽¹⁾	16,698,585	\$ 16,698,585	\$ 16,888,126	6.65 %
Total Consumer Finance Services		16,698,585	16,888,126	6.65
Total Financial Assets		\$ 16,698,585	\$ 16,888,126	6.65 %
Total Non-Control/Non-Affiliate Investments		\$ 409,938,187	\$ 410,107,032	161.41 %
Unfunded Obligations				
Communications				
HC Cable OpCo, LLC, Revolver ⁽²⁾ 0.50%, 7/17/2018	489,362	\$(7,776)	\$(7,781)	— %
Total Communications		(7,776)	(7,781)	—
Health Services				
Ellman International, Inc., Revolver ⁽²⁾ 0.50%, 2/28/2014	1,191,328	(23,823)	(23,827)	(0.01)
Total Health Services		(23,823)	(23,827)	(0.01)
Miscellaneous Manufacturing				
CTC Casting Technologies, Inc. (Compass), Delayed Draw Term Loan* ⁽²⁾ 0.00%, 11/27/2016	265,049	(1,962)	(1,964)	—
Valterra Products Holdings, LLC, Revolver ⁽²⁾ 0.50%, 5/31/2018	1,588,437	(28,028)	38,392	0.01
Total Miscellaneous Manufacturing		(29,990)	36,428	0.01
Miscellaneous Retail				
PD Products, LLC, Revolver ⁽²⁾ 0.50%, 10/4/2018	1,361,719	\$(27,233)	\$(27,234)	(0.01)%
Total Miscellaneous Retail		(27,233)	(27,234)	(0.01)
Miscellaneous Services				
Global Traffic Technologies, LLC, Revolver ⁽²⁾ 0.50%, 6/30/2015	1,458,439	(6,420)	—	—
Total Miscellaneous Services		(6,420)	—	—
Specialty Services				
Vistrionix, LLC, Revolver* ⁽²⁾ 0.50%, 12/4/2018	870,530	(8,662)	(8,667)	—
Total Specialty Services		(8,662)	(8,667)	—
Transportation Services				

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EZE Trucking, LLC, CapEx A Loan ⁽²⁾ 0.60%, 7/31/2018	1,400,000	(32,048)	(32,067)	(0.01)
Raymond Express International, LLC, Revolver ⁽²⁾ 0.50%, 2/28/2018	537,752	(4,579)	8,066	—
Total Transportation Services		(36,627)	(24,001)	(0.01)
Total Unfunded Obligations		\$(140,531)	\$(55,082)	(0.02)%

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments – (continued) December 31, 2013

Security Description, December 31, 2013	Par/Shares	Cost	Fair Value	% of Net Assets
Affiliate Investments				
Investments – United States – (continued)				
Common Equity				
Oil & Gas				
Anchor Drilling Fluids USA, Inc., Common	959	2,038,456	2,137,779	0.84 %
Total Oil & Gas		2,038,456	2,137,779	0.84
Total Common Equity		2,038,456	2,137,779	0.84 %
Preferred Equity				
Oil & Gas				
Anchor Drilling Fluids USA, Inc., Preferred, 10.00% PIK	1,723	\$2,721,574	\$4,453,182	1.75 %
Total Oil & Gas		2,721,574	4,453,182	1.75
Total Preferred Equity		\$2,721,574	\$4,453,182	1.75 %
Debt Investments				
Oil & Gas				
Anchor Drilling Fluids USA, Inc., Term Loan B L+ 9.25%, 2.00% L Floor, 3/5/2014	12,438,568	\$12,430,765	\$12,438,568	4.90 %
Total Oil & Gas		12,430,765	12,438,568	4.90
Total Debt Investments		\$12,430,765	\$12,438,568	4.90 %
Total Affiliate Investments		\$17,190,795	\$19,029,529	7.49 %
Total Investments – United States		\$426,988,451	\$429,081,479	168.88 %

*Denotes that all or a portion of the loan secures the loans under the CLO (see Note 7).

**Reference to an alternate base rate is commonly based on the Federal Funds Rate or the Prime Rate.

GLC Trust 2013-2 includes 1,609 small balance consumer loans with an average par of \$10,408, a weighted average adjusted rate of 16.8% and a weighted average maturity of September 23, 2017. As of December 31, 2013, (1) the Company had an outstanding commitment to purchase an additional \$524,000 of loans. See Note 4 for additional information.

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

All debt and preferred equity investments were income producing as of December 31, 2013. Common equity investments are non-income producing unless otherwise noted.

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Operations For the years ended December 31, 2014, December 31, 2013 and December 31, 2012

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Investment income			
Interest Income			
Non-Control/Non-Affiliate investments	\$46,787,709	\$31,455,976	\$23,267,999
Other Income	2,822,972	1,146,057	381,357
Affiliate Investments	462,080	1,202,663	—
Dividend Income			
Non-Control/Non-Affiliate investments	—	—	—
Affiliate Investments	385,765	—	—
Total investment income	50,458,526	33,804,696	23,649,356
Expenses			
Interest	7,157,100	6,574,505	6,154,826
Loss on refinancing of GLC Trust 2013-2 revolver (see Note 7)	242,643	—	—
Loss on refinancing of senior secured notes (see Note 7)	—	426,714	3,352,725
Loss on write off of deferred offering expenses (see Note 2)	—	—	1,676,117
Management fee	8,065,476	6,326,115	2,565,251
Incentive fee	8,408,581	1,392,894	—
Professional fees	1,160,405	1,448,161	983,234
Directors' fees	378,856	368,300	293,499
Administrator expenses	711,676	786,923	248,725
Ratings fees	—	—	127,086
Other expenses	2,261,073	1,391,162	294,043
Total expenses	28,385,810	18,714,774	15,695,506
Base management fee waived	—	(3,815,756)	(288,343)
Incentive fees waived	—	(293,995)	—
Directors' fees waived	—	(34,426)	(31,191)
Administrator expenses waived	—	(101,197)	(48,417)
Net expenses	28,385,810	14,469,400	15,327,555
Net investment income before excise taxes	22,072,716	19,335,296	—
Excise tax expense	(63,250)	—	—
Net investment income	22,009,466	19,335,296	8,321,801
Realized and unrealized gain/(loss) on investments			
Net realized gain/(loss) from investments			
Non-Control/Non-Affiliate investments	2,200,061	(11,777,909)	3,374,154
Affiliate Investments	8,501,681	8,143	—

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Net change in unrealized gain/(loss) from investments			
Non-Control/Non-Affiliate investments	(388,714)	14,095,525	(7,321,528)
Affiliate Investments	(1,838,734)	1,838,734	—
Net realized and unrealized gain/(loss) on investments	8,474,294	4,164,493	(3,947,374)
Net increase in net assets resulting from operations	\$30,483,760	\$23,499,789	\$4,374,427
Net investment income per common share/members' capital per unit ⁽¹⁾	\$1.31	\$1.27	\$0.79
Net increase in net assets resulting from operations per common share/members' capital per unit ⁽²⁾	\$1.82	\$1.55	\$0.42
Basic weighted average common shares/members' capital units outstanding ⁽¹⁾	16,758,779	15,203,166	10,498,544
Dividends and distributions declared per common share/members' capital per unit ⁽²⁾	\$1.40	\$1.97	\$0.17

(1) Adjusted for Reverse Stock Split for the years ended December 31, 2013 and December 31, 2012. See Note 1.

(2) Calculated using basic weighted average common shares/members' capital units outstanding.

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets/Members' Capital For the years ended December 31, 2014, December 31, 2013 and December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Increase in net assets from operations:			
Net investment income	\$22,009,466	\$19,335,296	\$8,321,801
Net realized gain/(loss) from investments	10,701,742	(11,769,766)	3,374,154
Net change in unrealized (depreciation)/appreciation on investments	(2,227,448)	15,934,259	(7,321,528)
Net increase in net assets/members' capital from operations	30,483,760	23,499,789	4,374,427
Dividends and distributions to stockholders:			
Return of capital – Distributions-in-kind ⁽¹⁾	—	(9,991,329)	—
Return of capital	—	(868,069)	(778,195)
From net investment income	(20,907,681)	(19,128,664)	(627,047)
From realized gains	(2,554,609)	—	(371,698)
Total dividends and distributions to stockholders ⁽²⁾	(23,462,290)	(29,988,062)	(1,776,940)
Common Share transactions			
Issuance of common stock, net of underwriting costs	—	87,463,519	—
Offering costs	—	(564,140)	—
Net increase in net assets/members' capital from common share transactions:	—	86,899,379	—
Total increase in net assets	7,021,470	80,411,106	2,597,487
Net assets at beginning of year	254,080,598	173,669,492	171,072,005
Net assets at end of year	\$261,102,068	\$254,080,598	\$173,669,492
Net asset value per common share	\$15.58	\$15.16	\$16.54
Common shares outstanding at end of year ⁽³⁾	16,758,779	16,758,779	10,498,544
Undistributed net investment income included in net assets	\$—	\$—	\$—

(1) Distributions-in-kind were made to only those investors which held shares of the Company's common stock prior to the IPO.

(2) 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.

(3) Adjusted for Reverse Stock Split. See Note 1 for discussion of share transactions.

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Statements of Cash Flows For the years ended December 31, 2014, December 31, 2013 and December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Cash flows from operating activities			
Net increase in net assets/members' capital resulting from operations	\$30,483,760	\$23,499,789	\$4,374,427
Adjustments to reconcile net increase in net assets/members' capital resulting from operations to net cash provided (used) in operating activities:			
Net accretion of discounts on investments	(1,883,082)	(1,557,419)	(1,699,040)
Net realized (gain)/loss from investments	(10,701,742)	11,769,766	(3,374,154)
Amortization of discount on senior secured notes payable	175,300	18,342	67,494
Loss on refinancing of GLC Trust 2013-2 revolving note	242,643	—	—
Loss on refinancing of senior secured notes	—	426,714	3,352,725
Amortization of deferred debt issuance costs	740,756	965,686	830,431
Net change in unrealized depreciation/(appreciation) on investments	2,227,448	(15,934,259)	7,321,528
Paid-in-kind interest	(678,832)	(260,747)	—
Purchases of investments	(427,123,270)	(435,712,205)	(128,384,308)
Paydowns of investments	293,859,576	161,474,908	191,269,778
Sales of investments	105,611,918	61,654,262	35,539,036
Changes in operating assets and liabilities:			
Decrease (Increase) in restricted cash	13,704,494	41,937,629	(52,909,104)
Decrease (Increase) in due from counterparties	5,045,007	(6,660,132)	—
(Increase) Decrease in accrued interest receivable	(842,040)	(1,530,401)	127,694
(Increase) Decrease in deferred offering costs	(314,018)	—	971,933
(Increase) in prepaid administrator fee	(74,455)	—	—
(Increase) Decrease in other assets	(72,003)	(160,426)	10,417
(Decrease) Increase in due to counterparties	(7,730,936)	(7,902,306)	15,742,446
(Decrease) Increase in payables to affiliates	1,767,901	1,204,096	(143,703)
(Decrease) Increase in interest payable on notes payable	(797,929)	977,122	(276,028)
(Decrease) Increase in accrued expenses and other payables	(338,912)	(18,406)	407,660
Net cash provided by (used in) operating activities	3,301,584	(165,807,987)	73,229,232
Cash flows from financing activities			
Capital contributions	—	87,463,519	—
Distributions paid to stockholders	(23,462,290)	(19,996,733)	(1,776,940)
Offering costs	—	(564,140)	—
Payments for financing	(513,481)	(3,530,310)	(3,199,375)
Repayment of revolving note	—	—	(219,500,000)

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Repayment of GLC Trust 2013-2 revolving note	(9,741,676)	—	—
Net proceeds from GLC Trust 2013-2 notes	30,402,549	9,741,676	—
Proceeds from borrowing on term note	—	34,677,767	125,000,000
Proceeds from borrowing on revolving note	—	50,000,000	—
Net cash (used in) provided by financing activities	(3,314,898)	157,791,779	(99,476,315)
Net (decrease) in cash	(13,314)	(8,016,208)	(26,247,083)
Cash at beginning of year	13,664,583	21,680,791	47,927,874
Cash at end of year	\$13,651,269	\$13,664,583	\$21,680,791
Supplemental disclosure of cash flow information			
Cash paid for interest expense	\$7,065,277	\$4,595,060	\$5,533,031

See accompanying notes to consolidated financial statements.

Supplemental disclosure of non-cash information

On February 25, 2013, our board of directors approved a distribution-in-kind, or the Distribution-in-Kind, in the amount of \$9,991,329 or \$0.95 per share. Assets distributed were Next Generation Vending, LLC, Priority Revolving Loan in the amount of \$2,000,000, Next Generation Vending, LLC, Revolver in the amount of \$750,000, Next Generation Vending, LLC, Term Loan in the amount of \$6,840,000 and \$401,329 of accrued interest.

See accompanying notes to consolidated financial statements.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

1. Organization

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

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

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

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

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

On April 19, 2012, GARS formed Garrison Funding 2012-1 Manager LLC, a Delaware limited liability company ("GF 2012-1 Manager"). This entity is a wholly owned consolidated subsidiary of GARS created for the purpose of acquiring and holding an investment in Garrison Funding 2012-1 LLC, a Delaware limited liability company ("GF 2012-1"). On September 23, 2013, in anticipation of refinancing the credit facility of GF 2012-1, GF 2012-1 Manager effectuated a name change to Garrison Funding 2013-2 Manager LLC ("GF 2013-2 Manager").

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

1. Organization – (continued)

On April 19, 2012, GARS formed GF 2012-1 LLC for the purpose of acquiring or participating in U.S. dollar-denominated senior secured or second lien corporate loans and to acquire up to \$150,000,000 in financing.

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

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

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

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

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

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

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

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

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

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

1. Organization – (continued)

GARS entered into a custody agreement, which was effective as of October 9, 2012 (the “Custody Agreement”), with Deutsche Bank Trust Company Americas (the “Custodian”) to act as custodian for GARS. Deutsche Bank Trust Company Americas is also the trustee of GF 2013-2.

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

SEI Investments Global Fund Services, Inc. (the “Sub-Administrator”) was the Company’s sub-administrator through September 30, 2013. The Sub-Administrator performed certain accounting and administrative services for the Company and received a monthly fee from the Company equal to a percentage of the total net assets of the Company. The Sub-Administrator was also reimbursed by the Company for all reasonable out-of-pocket expenses.

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

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

2. Significant Accounting Policies and Recent Updates

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for financial information. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The accounts of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Certain reclassifications have been made for previous periods in order to conform to the current period’s presentation.

Basis for Consolidation

Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, codified in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services — Investment Companies*, the Company is precluded from consolidating any entity other than another investment company.

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

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

Investment Classification

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

Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if it owns more than 25% of the voting securities of such company. The Company is deemed to be an affiliate of a company in which it has invested if it owns 5% or more of the voting securities of such company.

As of December 31, 2014, \$467,769,463 of the Company's investments were Non-Control/Non-Affiliate investments and \$0 were Affiliate investments, and as of December 31, 2013, \$410,051,950 of the Company's investments were Non-Control/Non-Affiliate investments and \$19,029,529 were Affiliate investments.

Use of Estimates

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

Cash and Cash Equivalents

The Company defines cash equivalents as highly liquid financial instruments with original maturities of three months or less, including those held in overnight sweep bank deposit accounts. As of December 31, 2014 and December 31, 2013, cash held in designated bank accounts with its custodian was \$7,635,552 and \$11,277,605, respectively. As of December 31, 2014 and December 31, 2013, cash held in designated bank accounts with other major financial institutions was \$6,015,717 and \$2,386,978, respectively. At times, these balances may exceed federally insured limits

and this potentially subjects the Company to a concentration of credit risk. The Company believes it is not exposed to any significant credit risk associated with its cash custodian.

There were no cash equivalents held as of December 31, 2014 and December 31, 2013.

Cash and Cash Equivalents, restricted

Restricted cash as of December 31, 2014 and December 31, 2013 included cash of \$12,559,986 and \$27,351,608, respectively, held by GF 2013-2 in designated bank accounts with its Custodian. GF 2013-2 is required to use a portion of these amounts to pay interest expense, reduce borrowings at the end of the investment period and to pay other amounts in accordance with the terms of the indenture of the CLO. Funds held by GF 2013-2 are not available for general use by the Company. Restricted cash as of December 31, 2014 and December 31, 2013 also included cash of \$1,700,027 and \$612,899, respectively, held by GLC Trust 2013-2 in designated restricted bank accounts. GLC Trust 2013-2 is required to use a portion of these amounts to make principal payments and pay interest expense in accordance with the terms of the indenture governing the GLC Trust 2013-2 Notes.

There were no cash equivalents, restricted held as of December 31, 2014 and December 31, 2013.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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 could possibly settle on a subsequent date depending on the transaction type. All related revenue and expenses attributable to these transactions are reflected on the consolidated statements of operations commencing on the trade date unless otherwise specified by the transaction documents. Realized gains and losses on investment transactions are recorded using the specific identification method.

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

The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. For consumer loans, any loan which is 120 past due is considered defaulted and 100% of the principal is charged off with no expected recovery or sale of defaulted receivables. The Company had recognized \$1,165,035 and \$52,454 in charge offs in realized losses from investments for consumer loans held by GLC Trust 2013-2 for the years ended December 31, 2014 and December 31, 2013, respectively. As of December 31, 2014 the Company had one investment that was placed on non-accrual status, and as of December 31, 2013, no investments were placed 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 purchase discount until all principal and interest is current through payment or until a restructuring occurs, such that the income is deemed to be collectible.

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

Interest Expense

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

Expenses

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

Loan Origination, Facility, Commitment and Amendment Fees

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

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

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

Valuation of Investments

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

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

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

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

In valuing the Company’s unsecured consumer loans, the Investment Adviser generally uses a discounted cash flow methodology based upon a set of assumptions. The primary assumptions used to value the unsecured consumer loans

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

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

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

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

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

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

The Company's valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Investment Adviser responsible for credit monitoring.

Preliminary valuation conclusions are then documented and discussed with our senior management and the Investment Adviser.

The valuation committee of the Board reviews these preliminary valuations.

At least once annually, the valuation for each portfolio investment that does not have a readily available quotation is reviewed by an independent valuation firm, subject to the de minimis exception described above.

The Board discusses valuations and determines the fair value of each investment in the Company's portfolio in good faith.

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

Offering Costs

Deferred offering costs consist of fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity or debt offerings and are charged against proceeds from the offerings when received. Total offering costs of \$564,140 were charged against proceeds for the year ended December 31, 2013. As of December 31, 2014, \$314,018 of expenses associated with the shelf registration statement initially filed on April 3, 2014 ("Registration Statement") were deferred and included in deferred offering costs. These amounts will be charged against

proceeds from offerings of securities when received.

The Company previously expensed \$1,676,117 of costs related to its delayed offering in 2012. Of those costs, \$0 was included in accrued expenses and other payables as of December 31, 2014 and December 31, 2013.

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.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

The Company adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if the Board authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not 'opted out' of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock acquired by AST through open-market purchases, rather than receiving the cash distribution. As of December 31, 2014, no new shares were issued to fulfill the dividend reinvestment plan.

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

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

Earnings and net asset value per share

The earnings per share, net asset value per share and average shares outstanding calculations for the years ended December 31, 2013 and December 31, 2012 are based on the assumption that the number of shares issued on the date of the Conversion (10,498,544 shares of common stock) had been issued on January 1, 2012, as adjusted for the Reverse Stock Split.

Income Taxes

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

As discussed in Note 1, for tax purposes, GARS elected to be treated as a RIC under Subchapter M of the Code, for the period from the date of the Conversion, beginning October 9, 2012, and intends to qualify annually thereafter. Such election was made upon the filing of the Company's first tax return. Accordingly, no provision for federal income tax has been made in the financial statements for the years ended December 31, 2014, December 31, 2013 or December 31, 2012.

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

Depending on the level of taxable income earned in a tax year, the Company may choose to retain taxable income in excess of current year dividend distributions, and would distribute such taxable income in the next tax year. The Company would then pay a 4% excise tax on such taxable income, as required. To the extent that the Company determines that its estimated current year annual taxable income, determined on a calendar basis, could exceed estimated current calendar year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the years ended December 31, 2014, December 31, 2013, and December 31, 2012, \$63,250, \$0 and \$0, respectively, was recorded for U.S. federal excise tax.

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

RIC status and resultant tax advantages. The Taxable Subsidiaries are not consolidated for U.S. federal income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

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

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

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

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

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

	December 31, 2014
Net Increase in Net Assets Resulting from Operations	\$30,483,760
Net Change in Unrealized Appreciation/(Depreciation) on Investments	2,227,448
Permanent Book-to-Tax Differences	63,250
Temporary Book-to-Tax Differences	(3,663,853)
Taxable Income Before Deductions for Distribution	\$29,110,605
As of December 31, 2014, the accumulated earnings/(deficit) on a tax basis is:	

December 31,

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

The tax character of distributions paid for the years ended December 31, 2014 and December 31, 2013 were as follows:

	2014	2013
Ordinary	\$23,462,290	\$16,295,282
Long-term Capital Gain	—	—
Return of Capital	—	1,301,434
Total	\$23,462,290	\$17,596,716

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

As of December 31, 2014, the components of accumulated losses on a tax basis, as detailed below, differ from the amounts reflected per GARS' consolidated statement of assets and liabilities by temporary book-to-tax differences arising from book-to-tax differences related to the deductibility of accrued Incentive Fees payable to the Investment Adviser attributable to unrealized appreciation (depreciation) on investments and book-to-tax differences on taxable income inclusions of investment income earned on certain securities that was accrued for tax but not for U.S. GAAP.

Other Temporary Differences	\$(2,169,496)
Unrealized (Depreciation)/Appreciation	(134,419)
Total Components of Unrealized Income	\$(2,303,915)

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

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

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

The Company has concluded that it was not necessary to record a liability for any such tax positions as of December 31, 2014, December 31, 2013 and December 31, 2012. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including ongoing analyses of, and changes to, tax laws, regulations and interpretations thereof.

The Company's activities from commencement of operations remain subject to examination by U.S. federal, state, and local tax authorities. No interest expense or penalties have been assessed as of December 31, 2014, December 31, 2013 and December 31, 2012. If the Company were required to recognize interest and penalties, if any, related to unrecognized tax benefits this would be recognized as income tax expense in the consolidated statement of operations.

As of December 31, 2014 and December 31, 2013, the Company had cumulative capital loss carryforwards of \$0 and \$5,833,349, respectively.

Recent accounting pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. 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. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016, and early application is not permitted. The Company does not expect ASU 2014-09 to have a material impact on the Company's consolidated financial position or disclosures.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

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

In August 2014, FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and Financial Liabilities of a Consolidated Collateralized Financing Entity, containing new guidance for fair valuing the financial assets and financial liabilities of a consolidated collateralized financing entity. This guidance is effective for annual and interim periods beginning after December 15, 2015. The Company does not expect ASU 2014-13 to have a material impact on the Company's consolidated financial position or disclosures.

3. Investments

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

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

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

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

The terms of the Debt Investments may require the Company to extend to a borrower additional credit or provide funding for any unfunded portion of such Debt Investments at the request of the borrower. This exposes the Company to potential liabilities that are not reflected on the consolidated statements of financial condition. As of December 31, 2014 and December 31, 2013, the Company had \$18,180,287 and \$9,162,616 of unfunded obligations with a fair value of \$(306,610) and \$(55,082) respectively. The negative fair value is the result of the unfunded commitment being valued below par. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of December 31, 2014 and December 31, 2013, respectively, subject to the terms of each loan's respective credit agreement.

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments

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

U.S. GAAP requires enhanced disclosures about investments that are measured and reported on a fair value basis. Under U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The inputs are summarized in three broad levels listed below:

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

Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.).

Level 3 — significant unobservable inputs (including the reporting entity's own assumptions about the assumptions market participants would use in determining the fair values of investments or indicative bid prices from unaffiliated market makers or independent third party pricing services).

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

For those investments valued using quotations, the bid price is generally used, unless the Company determines that it is not representative of an exit price. To the extent observable market data is available, such information may be the result of consensus pricing information or broker quotes. Due to the fact that the significant inputs used by the contributors of the consensus pricing source or the broker are unobservable and evidence with respect to trading levels is not available, any investments valued using indicative bid prices from unaffiliated market makers and independent third party pricing services have been classified within Level 3.

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

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments – (continued)

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

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

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

The following table summarizes the valuation of the Company's investments measured at fair value based on the fair value hierarchy detailed above as of December 31, 2014 and December 31, 2013:

	As of December 31,			Total
	2014		Level 3	
	Level 1	Level 2		
Senior Secured ⁽¹⁾	\$—	\$—	\$399,188,829	\$399,188,829
Second Lien	—	—	13,652,140	13,652,140
Mezzanine	—	—	7,361,336	7,361,336
Subordinated	—	—	4,066,554	4,066,554
Preferred Equity Investments	—	—	5,791,276	5,791,276
Common Equity Investments	—	—	1,379,521	1,379,521
Financial Assets	—	—	36,329,807	36,329,807
	\$—	\$—	\$467,769,463	\$467,769,463

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

	As of December 31,			Total
	2013		Level 3	
	Level 1	Level 2		
Senior Secured ⁽¹⁾	\$—	\$—	\$382,888,163	\$382,888,163
Second Lien	—	—	13,680,535	13,680,535

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Mezzanine	—	—	7,080,998	7,080,998
Preferred Equity Investments	—	—	5,453,182	5,453,182
Common Equity Investments	—	—	3,090,475	3,090,475
Financial Assets	—	—	16,888,126	16,888,126
	\$—	\$	\$429,081,479	\$429,081,479

(1) Includes unfunded obligations with a fair value of \$(55,082).

The net change in unrealized (depreciation)/appreciation for the year ended December 31, 2014 and December 31, 2013 reported within the net change in unrealized appreciation/(depreciation) on investments in the Company's consolidated statements of operations attributable to the Company's Level 3 assets was \$(2,227,448) and \$15,934,259, respectively.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments – (continued)

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

	Year Ended December 31, 2014						
	Senior Secured Investments	Second Lien Investments	Mezzanine Investments	Real Estate Loan Investments	Subordinated Investments	Unsecured Investments	Pre Equ Inv
Fair value, beginning of year	\$382,888,163	\$13,680,535	\$7,080,998	\$—	\$—	\$—	\$5,
Transfers into Level 3 ⁽¹⁾	(4,916,653)	4,916,653	—	—	—	—	—
Total net realized and unrealized gain/(loss) on investments	(1,204,048)	103,640	106,875	33,149	(1,521,077)	—	6,
Total net accretion of discounts on investments	1,629,143	61,024	26,064	166,851	—	—	—
Purchases/Issuances	355,820,327	14,810,986	147,399	10,150,374	5,587,631	6,592,692	—
Sales	(91,416,414)	—	—	—	—	—	(5,
Paydowns	(243,611,689)	(19,920,698)	—	(10,350,374)	—	(6,592,692)	—
Fair value, end of year	\$399,188,829	\$13,652,140	\$7,361,336	\$—	\$4,066,554	\$—	\$5,
Net change in unrealized appreciation/(depreciation) on investments in our Consolidated Statement of Operations attributable to our Level 3 assets	\$(3,148,739)	\$(35,709)	\$106,875	\$—	\$(1,521,077)	\$—	\$5,

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

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the year ended December 31, 2013:

	Year Ended December 31, 2013						
	Senior Secured Investments	Second Lien Investments	Mezzanine Investments	Preferred Equity	Common Equity	Financial Assets	Total

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				Investments	Investments		
Fair value, beginning of year	\$217,225,589	\$2,625,596	\$—	\$—	\$254,600	\$—	\$220,105,785
Transfers into Level 3 ⁽¹⁾	—	—	—	—	—	—	—
Transfers out of Level 3 ⁽¹⁾	—	—	—	—	—	—	—
Total net realized and unrealized gain/(loss) on investments	2,607,834	(227,209)	(477)	1,731,608	(93,001)	145,738	4,164,493
Total net accretion of discounts on investments	1,508,389	37,676	11,354	—	—	—	1,557,419
Purchases/Issuances	391,730,629	12,411,250	7,070,121	3,721,574	2,928,876	18,110,502	435,972,952
Sales ⁽²⁾	(70,239,262)	(1,005,000)	—	—	—	—	(71,244,262)
Paydowns	(159,945,016)	(161,778)	—	—	—	(1,368,114)	(161,474,908)
Fair value, end of year	\$382,888,163	\$13,680,535	\$7,080,998	\$5,453,182	\$3,090,475	\$16,888,126	\$429,081,479
Net change in unrealized appreciation/ (depreciation) on investments in our Consolidated Statement of Operations attributable to our Level 3 assets	\$1,645,825	\$(235,944)	\$(477)	\$—	\$1,638,629	\$—	\$3,048,033

(1) Transfers into or out of Level 1, 2 or 3 are recognized at the reporting date. There were no transfers of investments between levels by the Company for the year ended December 31, 2013.

(2) Includes \$9,590,000 Distribution-in-Kind.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments – (continued)

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

	Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value at December 31, 2014	Valuation Technique	Unobservable Input	Range		Weighted Average
				Low	High	
Senior Secured Investments ⁽¹⁾	\$399,188,829	Comparable yield approach	Market rate ⁽²⁾	3.9 %	19.7 %	10.7 %
		Market comparable companies	EBITDA multiple ⁽⁴⁾	1.9x	11.0x	6.4x
Second Lien Investments	13,652,140	Comparable yield approach	Market rate ⁽²⁾	6.6 %	11.5 %	10.1 %
		Market comparable companies	EBITDA multiple ⁽⁴⁾	5.0x	9.3x	8.1x
Mezzanine Investments	7,361,336	Comparable yield approach	Market rate ⁽²⁾	14.0 %	14.0 %	14.0 %
		Market comparable companies	EBITDA multiple ⁽⁴⁾	5.0x	5.0x	5.0x
Subordinated Investments	4,066,554	Market comparable companies	EBITDA multiple ⁽⁴⁾	5.1x	5.1x	5.1x
Equity Investments ⁽²⁾	7,170,797	Market comparable companies	EBITDA multiple ⁽⁴⁾	5.0x	7.0x	5.6x
Financial Assets ⁽³⁾	36,329,807	Discounted cash flows	Interest rate	20.0x	20.0x	20.0x
				10.3 %	31.3 %	15.7 %
				18.5 %	83.6 %	43.5 %

				Conditional prepayment rate ("CPR")				
				Constant default rate ("CDR")	6.5	%	33.0	% 14.7 %
				Discount rate	8.3	%	8.3	% 8.3 %
Total		\$467,769,463						

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

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

Financial Assets are aggregated by the level of risk associated with the underlying loan, measured by the estimated loss rate. The estimated loss rate is based on the historical performance of loans with similar characteristics, the borrower's credit score obtained from an official credit reporting agency at origination, debt-to-income ratios at origination, information from the borrower's credit report at origination, as well as the borrower's self-reported (3) income range, occupation and employment status at origination. Financial Asset risk ratings are assigned on a scale from A through F, with A having the lowest level of risk and F having the highest level of risk. As of December 31, 2014, 26.0%, 30.2%, 31.8%, 7.7%, 3.8% and 0.5% of the total fair value of Financial Assets was comprised of A, B, C, D, E and F risk rated loans, respectively. See exhibit 99.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for detail on underlying loans.

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments – (continued)

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value at December 31, 2013:

	Fair Value at December 31, 2013	Valuation Technique	Unobservable Input	Range		Weighted Average
				Low	High	
Senior Secured Investments ⁽¹⁾	\$382,888,163	Comparable yield approach	Market rate ⁽²⁾	3.2 %	29.8 %	9.7 %
		Market comparable companies	EBITDA multiple	4.2x	11.0x	6.8x
Second Lien Investments	13,680,535	Comparable yield approach	Market rate ⁽²⁾	7.8 %	11.7 %	10.3 %
		Market comparable companies	EBITDA multiple	6.5x	10.6x	7.8x
Mezzanine Investments	7,080,998	Comparable yield approach	Market rate ⁽²⁾	14.5 %	14.5 %	14.5 %
		Market comparable companies	EBITDA multiple	6.0x	6.0x	6.0x
Equity Investments ⁽³⁾	8,543,657	Market comparable companies	EBITDA multiple	5.0x	7.0x	5.8x
		Market comparable companies	Origination fees multiple	2.6x	11.0x	5.4x
Financial Assets ⁽⁴⁾	16,888,126	Discounted cash flows	Interest rate	10.9 %	31.3 %	16.9 %
			Conditional prepayment rate ("CPR")	18.5 %	83.6 %	41.9 %
			Constant default rate ("CDR")	6.5 %	33.0 %	14.8 %
			Discount rate	10.0 %	10.0 %	10.0 %
Total	\$429,081,479					

(1) Includes total unfunded obligations with a fair value of \$(55,082).

Market rate is calculated based on the fair value of the investments and interest expected to be received using the
(2) 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.

Financial Assets are aggregated by the level of risk associated with the underlying loan, measured by the estimated loss rate. The estimated loss rate is based on the historical performance of loans with similar characteristics, the borrower's credit score obtained from an official credit reporting agency at origination, debt-to-income ratios at origination, information from the borrower's credit report at origination, as well as the borrower's self-reported (4) 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, 2013, 25.0%, 30.6%, 30.4%, 8.6%, 4.7% and 0.7% of the total fair value of Financial Assets was comprised of A, B, C, D, E and F risk rated loans, respectively.

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments – (continued)

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

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

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

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

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

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

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Broadcasting & Entertainment	9,846,496	2.1	9,846,420	2.1
Oil & Gas	9,766,635	2.1	9,766,407	2.2
Total	\$467,903,883	100.0%	\$467,769,463	100.0%

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

4. Fair Value of Financial Instruments – (continued)

The composition of the Company's portfolio by industry at cost and fair value as of December 31, 2013 was as follows:

Industry	Cost of Investments		Fair Value of Investment	
Miscellaneous Manufacturing	\$58,157,568	13.6 %	\$59,578,972	13.9 %
Transportation Services	45,356,779	10.6	45,352,257	10.6
Communications	40,146,138	9.4	40,461,855	9.4
Miscellaneous Services	38,621,925	9.0	38,689,163	9.0
Health Services	38,721,119	9.1	36,672,053	8.5
Oil & Gas	24,829,027	5.8	26,905,929	6.3
Food Stores – Retail	23,455,743	5.5	23,727,417	5.5
Automotive	19,521,987	4.6	19,564,271	4.6
Consumer Finance	19,144,036	4.5	19,365,626	4.5
Apparel Products	15,471,806	3.6	15,528,467	3.6
Specialty Services	15,147,452	3.5	15,083,993	3.5
Miscellaneous Retail	14,926,805	3.5	14,936,027	3.5
Broadcasting & Entertainment	14,739,458	3.5	14,657,618	3.4
Insurance Agents	13,132,253	3.1	13,359,383	3.1
Electrical Equipment	12,528,985	2.9	12,598,106	2.9
National Security	9,843,766	2.3	9,800,593	2.3
Printing & Publishing	7,140,812	1.7	6,907,969	1.6
Textile Products	3,862,146	0.9	3,875,000	0.9
Metal Mining	3,477,728	0.8	3,500,333	0.8
Restaurants	3,264,808	0.8	3,065,556	0.7
Chemicals	2,565,212	0.6	2,598,597	0.6
Wholesale Durable Goods	1,855,793	0.4	1,782,163	0.4
Machinery	797,000	0.2	790,026	0.2
Hotels and Motels	280,105	0.1	280,105	0.1
Total	\$426,988,451	100.0 %	\$429,081,479	100.0 %

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

5. Indemnifications

In the normal course of business, the Company enters into certain contracts that provide a variety of indemnifications. The Company's maximum exposure under these indemnifications is unknown. However, no liabilities have arisen under these indemnifications in the past and, while there can be no assurances in this regard, there is no expectation

that any will occur in the future. Therefore, the Company does not consider it necessary to record a liability for any indemnifications under U.S. GAAP.

6. Due To and Due From Counterparties

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

6. Due To and Due From Counterparties – (continued)

Amounts due to counterparties were \$109,204 and \$7,840,140 as of December 31, 2014 and December 31, 2013, respectively. Amounts due from counterparties as of December 31, 2014 and December 31, 2013 were \$1,615,125 and \$6,660,132, respectively.

7. Financing

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing (other than the SBA debentures of an SBIC subsidiary, as permitted by exemptive relief we have been granted by SEC). As of December 31, 2014 and December 31, 2013, the Company's asset coverage for borrowed amounts was 207.8% and 215.1%, respectively.

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

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

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

The redemption of the GF 2010-1 Notes resulted in a \$3,352,725 loss for the year ended December 31, 2012 due to the write off of deferred debt issuance costs in the amount of \$2,397,825 and the recognition of \$954,900 of unamortized original issue discount on the GF 2010-1 Notes, which are included in loss on refinancing of senior secured notes on the consolidated statements of operations. For purposes of the Company's consolidated financial statements, there were no gains or losses recognized as part of the sale from GF 2010-1 to GF 2012-1.

GARS had the ability to refinance the Credit Facility through a collateralized loan obligation as provided by certain provisions of the Credit Facility agreement.

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

7. Financing – (continued)

December 31, 2014, GARS had retained 100% of the Class C Notes, which are eliminated in consolidation. The Subordinated Notes represent the residual interest in GF 2013-2. Immediately following the completion of the CLO, GF 2013-2 Manager owned 100% of the Subordinated Notes, which are eliminated in consolidation.

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

On July 11, 2014, GARS increased the GLC Trust 2013-2 Revolver commitment by \$15,000,000, for a total commitment of \$30,000,000. On July 18, 2014, GARS completed a \$39,167,000 million term debt securitization collateralized by the GLC Trust 2013-2 consumer loan portfolio (“GLC Trust 2013-2 Securitization”). The notes offered in the GLC Trust 2013-2 Securitization were issued by GLC Trust 2013-2 and consisted of \$36,916,000 of Class A Notes (“GLC Trust 2013-2 Class A Notes”) and \$2,251,000 of Class B Notes (“GLC Trust 2013-2 Class B Notes”), and collectively with the GLC Trust 2013-2 Class A Notes, the “GLC Trust 2013-2 Notes”). As of December 31, 2014, GARS has retained all of the Class B Notes, which are eliminated in consolidation. The GLC Trust 2013-2 Class A Notes bear interest at 3.00% per annum and are scheduled to mature on July 15, 2021. The proceeds of the GLC Trust 2013-2 Notes were used to refinance the GLC Trust 2013-2 Revolver, which was fully paid down and terminated concurrent with the issuance of the GLC Trust 2013-2 Notes.

The refinance of the GLC Trust 2013-2 Revolver resulted in a \$242,643 loss for the year ended December 31, 2014 due to the write-off of the remaining deferred debt issuance costs paid as part of the execution of the GLC Trust 2013-2 Revolver and third party expenses incurred to effect the refinancing, which is included in loss on refinancing of GLC Trust 2013-2 Revolver on the consolidated statements of operations.

Fees paid as part of the execution of the Credit Facility, the refinance of the Credit Facility and the execution of the CLO in the amount of \$6,154,758 consisted of facility fees of \$4,280,250 and other costs of \$1,874,508, which included rating agency fees and legal fees. Fees paid as part of the execution of the GLC Trust 2013-2 Securitization in the amount of \$365,100 consisted of legal and other fees. These costs are included in deferred debt issuance costs on the consolidated statements of financial condition and will be amortized over the stated maturity of the respective loans, with \$4,418,235 and \$4,884,271 of deferred debt issuance costs remaining as of December 31, 2014 and December 31, 2013, respectively.

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

December 31, 2014

Interest Rate

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

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

7. Financing – (continued)

The table below shows the loans outstanding under the Credit Facility as of December 31, 2013:

December 31, 2013	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Stated Maturity
Senior Secured Notes:				
Class A-1R Notes	\$50,000,000	\$50,000,000	CP Rate or LIBOR + 1.90%	9/25/2023
Class A-1T Notes:				
Class A-1T Notes	110,742,112	111,175,000	LIBOR + 1.80%	9/25/2023
Class A-2 Notes:				
Class A-2 Notes	24,032,457	24,150,000	LIBOR + 3.40%	9/25/2023
Class B Notes:				
Class B Notes	24,903,198	25,025,000	LIBOR + 4.65%	9/25/2023
GLC Trust 2013-2 Revolving Note:				
Revolving Note:	9,741,676	9,741,676	LIBOR + 3.50%	12/6/2015
	\$219,419,443	\$220,091,676		

At December 31, 2014 and December 31, 2013, \$0 and \$0, respectively, of the Class A-1R Notes remained undrawn. The Class A-1R Notes bear a 1.00% annual fee on undrawn amounts.

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

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

The indenture governing the notes issued as part of the CLO provides that, to the extent cash is available from cash collections, the holders of the GF 2013-2 Notes are to receive quarterly interest payments on the 20th day or, if not a business day, the next succeeding business day of February, May, August and November of each year, commencing in February 2014, until the stated maturity.

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

interest payable on the Class A Notes and Class B Notes, taken together, and 115% of the interest payable on the Class A Notes, Class B Notes and Class C Notes, taken together.

The second test compares the aggregate principal amount of the collateral loans, as calculated in accordance with the indenture, to the aggregate outstanding principal amount of the Secured Notes in respect of the amounts drawn. To meet this second test at any time, the aggregate principal amount of the collateral loans must equal at least 173.4% of the aggregate outstanding principal amount of the Class A Notes, 156.1% of the aggregate principal amount of the Class A Notes and Class B Notes, taken together, and 148.1% of the aggregate outstanding principal amount of the Class A Notes, Class B Notes and Class C Notes, taken together.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

7. Financing – (continued)

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

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

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

If these tests are not satisfied with respect to a monthly payment date and are not cured within 45 days, an event of default will be deemed to have occurred and the GLC Trust 2013-2 Notes will become immediately due and payable, in accordance with the terms of the indenture. As of December 31, 2014, all of the coverage tests were met.

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

	December 31, 2014	December 31, 2013
Senior Secured Revolving Note:		
Weighted average interest rate	2.16 %	2.23 %

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Weighted average effective interest rate ⁽¹⁾	2.25	2.36
Senior Secured Term Notes:		
Weighted average interest rate	2.74	2.81
Weighted average effective interest rate ⁽¹⁾	3.15	3.22
GLC Trust 2013-2 Revolving Note:		
Weighted average interest rate	NA	4.00
Weighted average effective interest rate ⁽¹⁾	NA	4.79

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

7. Financing – (continued)

	December 31, 2014	December 31, 2013
GLC Trust 2013-2 Class A Note:		
Weighted average interest rate	3.00	NA
Weighted average effective interest rate ⁽¹⁾	4.01	NA
Total		
Total Weighted average interest rate	2.65	2.73
Total Weighted average effective interest rate	3.04	3.03

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

8. Related Party Transactions

Investment Advisory Agreement

GARS entered into the Investment Advisory Agreement with the Investment Adviser, which was effective as of October 9, 2012 and subsequently amended and restated on May 6, 2014. The Investment Adviser agreed irrevocably to waive its base management fee and incentive fee commencing from the IPO Pricing Date through September 30, 2013. The waived fees are not subject to recoupment by the Investment Adviser.

Prior to the Conversion, GARS paid a management fee to the Investment Adviser in arrears for the preceding fiscal quarter equal to 0.375% (1.50% per annum) of the value of the Company's consolidated members' capital (excluding the average amount of cash held during the period).

Under the Investment Advisory Agreement, the Investment Adviser is entitled to a base management fee for its services calculated at an annual rate of 1.75% of gross assets, excluding cash and cash equivalents, and cash and cash equivalents, restricted, but including assets purchased with borrowed funds. For purposes of the Investment Advisory Agreement, cash equivalents means U.S. government securities and commercial paper maturing within 270 days of purchase.

From the date of Conversion through the IPO Pricing Date, the Investment Adviser waived that portion of the management fee due under the Investment Advisory Agreement in excess of a base management fee equal to an annual rate of 1.50% of the average of the value of the Company's net assets (including cash and cash equivalents) calculated at the end of the two most recently completed calendar quarters, payable in arrears. Under no circumstances would the Investment Adviser have received a base management fee greater than 1.75% of gross assets, 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.

For the year ended December 31, 2014, the Investment Adviser earned management fees under the Investment Advisory Agreement in the amount of \$8,065,476. For the year ended December 31, 2013, the Investment Adviser earned management fees under the Investment Advisory Agreement in the amount of \$6,326,115, of which \$3,815,756 was waived. For the year ended December 31, 2012, the Investment Adviser earned management fees in the amount of \$2,565,251, of which \$288,343 was waived.

Management fees in the amount of \$268,098 and \$217,608 were payable as of December 31, 2014 and December 31, 2013, respectively, and are included in management fee payable on the consolidated statements of financial condition.

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

8. Related Party Transactions – (continued)

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

no incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's pre-incentive fee net investment income does not exceed the Hurdle Rate;

100% of the Company's pre-incentive fee net investment income with respect to that portion of the Company's pre-incentive fee net investment income, if any, that exceeds the Hurdle Rate but is less than 2.50% in any calendar quarter (10.00% annualized). We refer to this portion of the Company's pre-incentive fee net investment income (which exceeds the Hurdle Rate but is less than 2.50%) as the "catch-up". The effect of the "catch-up" provision is that, if the Company's pre-incentive fee net investment income exceeds 2.50% in any calendar quarter, the Investment Adviser will receive 20% of such pre-incentive fee net investment income as if the Hurdle Rate did not apply; and 20% of the amount of the Company's pre-incentive fee net investment income, if any, that exceeds 2.50% in any calendar quarter (10.00% annualized) (once the Hurdle Rate is reached and the catch-up is achieved).

The portion of such incentive fee that is attributable to deferred interest (such as payment-in-kind 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 Investment Adviser earned an income-based incentive fee on pre-incentive fee net investment income, as calculated under the Investment Advisory Agreement, of \$6,069,060, \$1,286,603 and \$0, respectively, for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

The second component, which is capital gains-based, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and equals 20% of the Company's cumulative aggregate realized capital gains through the end of such year, computed net of the Company's aggregate cumulative realized capital losses and aggregate cumulative unrealized capital depreciation 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 appreciation/depreciation 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. The Investment Adviser earned a capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$740,429, \$106,921 and \$0, respectively, for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

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 appreciation and depreciation on investments held at the end of each period. If such amount is positive at the end of a period, then the Company will record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. The Investment Advisory Agreement does not permit unrealized capital

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

8. Related Party Transactions – (continued)

appreciation for purposes of calculating the amount payable to the Investment Adviser. Amounts due related to unrealized capital appreciation, if any, will not be paid to the Investment Adviser until realized under the terms of the Investment Advisory Agreement (as described above). The Company accrued an incentive fee on capital gains as calculated under U.S. GAAP, of \$1,599,092, \$0 and \$0, respectively, for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Incentive Fee Cap and Deferral Mechanism

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

For the three months ending December 31, 2013, our Investment Adviser agreed to waive that portion of its income-based incentive fee, if any, necessary for the Company’s net investment income per share plus net realized gain (loss) per share (excluding any portion of realized gains (losses) that are associated with the reversal of any portion of unrealized appreciation/depreciation attributable to periods prior to April 1, 2013) for the three months ending December 31, 2013 to equal \$0.35 per share, net of fee waivers.

Incentive fees in the amount of \$8,408,581 and \$1,392,894 were earned for the years ended December 31, 2014 and December 31, 2013, respectively, and no incentive fee was earned for the year ended December 31, 2012. The Investment Adviser waived \$293,995 of incentive fees for the year ended December 31, 2013. Incentive fees in the amount of \$2,816,310 and \$1,098,899 were payable as of December 31, 2014 and December 31, 2013, respectively, and are included in incentive fee payable on the consolidated statements of financial condition.

Administration Agreement

As discussed in Note 1, GARS entered into the Administration Agreement with GARS Administrator. Under the Administration Agreement, the GARS Administrator provides the Company with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the GARS Administrator, subject to review by the Board, from time to time determines to be necessary or useful to perform its obligations under the Administration Agreement. The GARS Administrator is responsible for the financial and other records that the Company is required to maintain and prepare reports to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the “SEC”). The GARS Administrator provides on the Company’s behalf significant managerial assistance to those portfolio companies to which the Company is required to provide such

assistance. No managerial assistance was provided to any portfolio companies for the years ended December 31, 2014 or December 31, 2013.

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.

The GARS Administrator agreed to waive any amounts due to it under the Administration Agreement from the date of the Conversion through the quarter in which the Company executed the IPO. These amounts are not subject to recoupment by the GARS Administrator. Gross Administrator charges for the years ended December 31, 2014 and December 31, 2013, including amounts prepaid or payable to the Sub-Administrator

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

8. Related Party Transactions – (continued)

as discussed in Note 1, were \$711,676 and \$786,923, respectively. The amount of these charges waived by the GARS Administrator for the years ended December 31, 2014 and December 31, 2013 was \$0 and \$101,197, respectively. No expense was charged by the GARS Administrator for the year ended December 31, 2012. Administration fees in the amount of \$74,455 were prepaid as of December 31, 2014, and \$0 were payable to the GARS Administrator as of December 31, 2013.

Directors' Fees

The Company's independent directors each receive an annual fee of \$70,000. They also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each in-person Board meeting and receive \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting.

In addition, the chairman of the audit committee receives an annual fee of \$10,000, the chairman of the valuation committee receives an annual fee of \$10,000 and each chairman of any other committee receives an annual fee of \$5,000 for their additional services in these capacities (all such fees and reimbursements collectively, "Directors' Fees"). No compensation is paid to directors who are not independent of the Company and the Investment Adviser.

Our independent directors agreed to irrevocably waive a portion of their fees from the date of the Conversion through the quarter in which the Company executed the IPO. These fees are not subject to recoupment by the directors.

Independent directors earned Directors' Fees of \$378,856, \$333,874 (net of fee waivers of \$34,426), \$262,308 (net of fee waivers of \$31,191) for the years ended December 31, 2014 and December 31, 2013, respectively. No directors' fees were payable as of December 31, 2014 or December 31, 2013.

Affiliated Stockholders

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

In connection with the secondary offering of shares of GARS common stock on July 17, 2014 under the Registration Statement on behalf of GSOF LLC, GSOF-SP LLC, GSOF-SP II LLC, GSOF-SP DB LLC, GSOF Corporate Loan Pools Ltd., and GCOH SubCo 2014-1 LLC. (collectively, the “Garrison Offering Funds”), the Garrison Offering Funds agreed to reimburse the Company for certain fees and expenses in the amount of \$46,413 incurred in connection with the filing of the Company’s Registration Statement and the SEC’s review of the Registration Statement, based on the proportion of gross proceeds of the \$250 million offering and certain fees and expenses in the amount of \$21,838.

As of December 31, 2014, the Garrison Funds owned an aggregate of 2,024,372 or 12.1%, of the total outstanding common shares of GARS, and the officers and directors of the Company directly owned an aggregate of 73,032, or 0.4%, of the total outstanding common shares of GARS. As of December 31, 2013, the Garrison Funds owned an aggregate of 5,444,562, or 32.5%, of the total outstanding common shares of GARS, and the officers and directors of the Company directly owned an aggregate of 47,646, or 0.3%, of the total outstanding common shares of GARS.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

8. Related Party Transactions – (continued)

Other

Garrison Loan Agency Services LLC acts as the administrative and collateral agent for certain loans held by the Company. No fees were paid by the Company to Garrison Loan Agency Services LLC during the years ended December 31, 2014, December 31, 2013 or December 31, 2012.

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

On September 30, 2014, we received exemptive relief from the SEC to permit us to exclude the debt of our small business investment company, or SBIC, subsidiary from our 200% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage.

9. Financial Highlights

The following table represents financial highlights for the Company for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Per share data	December 31, 2014	December 31, 2013	December 31, 2012
Net asset value per common share at beginning of year	\$15.16	\$16.54	\$16.29
Increase in net assets from operations:			
Net investment income	1.31	1.27	0.79
Net realized gain/(loss) on investments	0.64	(0.77)	0.32
Net unrealized appreciation/(depreciation) on investments	(0.13)	1.05	(0.69)
Net increase in net assets from operations	1.82	1.55	0.42
Stockholder transactions			
Return of capital	-	(0.06)	(0.07)
Distributions-in-kind ⁽¹⁾	-	(0.95)	-
Cash distributions	(1.40)	(1.22)	-
From net investment income	-	-	(0.06)
From realized gains	-	-	(0.04)
Dilutive impact of share issuance ⁽²⁾	-	(0.70)	-
Total additions from and dividends and distributions to stockholders	(1.40)	(2.93)	(0.17)

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Net asset value per common share at end of year	15.58		15.16		16.54	
Per share market value at end of year	14.44		13.88		N/A	
Total book return ⁽³⁾	12.01	%	9.37	%	2.56	%
Total market return ⁽⁴⁾	14.35	%	-7.47	%	N/A	
Common shares outstanding at beginning of year	16,758,779		10,498,544		10,498,544	
Common shares outstanding at end of year	16,758,779		16,758,779		10,498,544	
Weighted average common shares outstanding	16,758,779		15,203,166		10,498,544	
Net assets at beginning of year	\$254,080,598		\$173,669,492		\$171,072,005	
Net assets at end of year	\$261,102,068		\$254,080,598		\$173,669,492	
Average net assets ⁽⁵⁾	\$261,834,060		\$229,500,970		\$176,869,652	
Ratio of net investment income to average net assets ⁽⁹⁾	8.41	%	8.42	%	4.71	%
Ratio of net expenses to average net assets ⁽⁵⁾	10.87	%	6.30	%	8.67	%
Ratio of portfolio turnover to average investments at fair value ⁽⁶⁾	90.57	%	62.33	%	49.39	%
Asset coverage ratio ⁽⁷⁾	207.81	%	215.14	%	238.94	%
Average outstanding debt ⁽⁸⁾	\$228,162,364		\$164,884,637		\$153,829,288	
Average debt per common share	\$13.61		\$9.84		\$14.65	

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

9. Financial Highlights – (continued)

(1) Distributions-in-kind were made to only those investors which held shares of the Company's common stock prior to the IPO.

(2) Dilution due to the issuance of shares at IPO at \$15.00 per share, which was below net asset value.

(3) Total book return equals the net increase of ending net asset value from operations over the net asset value per common share/members' capital per unit at beginning of the year.

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. Additionally, total market return for the year ended (4) December 31, 2013 is based on the change in price per share from the initial public offering price per share as of March 27, 2013 to the closing price per share on December 31, 2013.

(5) Calculated utilizing monthly net assets/members' capital.

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

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts (7) such that its asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing (other than the SBA debentures of an SBIC subsidiary, as permitted by exemptive relief we have been granted by SEC).

(8) Calculated based on monthly debt outstanding.

During the year ended December 31, 2013, the Investment Adviser waived \$3,815,756 of management fees and \$293,995 of incentive fees, the independent directors waived \$34,426 of Directors' fees and the GARS

(9) Administrator waived \$101,197 of Administrator expenses. Had these expenses not been waived, the ratio of net investment income to average net assets and the ratio of total expenses to average net assets would have been 6.63% and 8.23%, respectively. There were no fee waivers for the year ended December 31, 2014.

10. Net Assets/Members' Capital

The Company's authorized stock consists of 100,000,000 shares of common stock, par value \$0.001 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share.

As discussed in Note 1, on the date of the Conversion, the members of Garrison Capital LLC became stockholders of GARS. An aggregate of 16,758,779 shares of common stock, par value \$0.001 per share, were issued and outstanding as of December 31, 2013.

As discussed in Note 1, GARS priced its IPO on March 26, 2013, selling 6,133,334 shares at a public offering price of \$15.00 per share. The closing of the IPO took place on April 2, 2013 and all shares were issued as of that date. Concurrent with the IPO, the Company's directors, officers, employees and an affiliate of the Investment Adviser purchased an additional 126,901 shares through the Concurrent Private Placement at a price of \$15.00 per share.

For the years ended December 31, 2014 and December 31, 2013, there were no shares of preferred stock issued.

Prior to the Conversion, the Company issued limited liability interests (“Units”), as approved by the Board. The Units issued by the Company were not certificated.

The Company did not issue any new Units during the year ended December 31, 2012.

11. Allocation of Profits and Losses

Prior to the Conversion, the Company’s members were issued Units of the Company that represented their limited liability company interests in Garrison Capital LLC. Profits and losses were allocated on a pro-rata basis to all members based on the number of Units held by each member in proportion to the aggregate number of all outstanding Units of the Company.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

12. Earnings per share

The following table sets forth the computation of the net increase in net assets per share/members' capital units resulting from operations, pursuant to FASB ASC 260, *Earnings per Share* ("ASU 260"), for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

	December 31, 2014	December 31, 2013	December 31, 2012
Net increase in net asset resulting from operations	\$30,483,760	\$23,499,789	\$4,374,427
Basic weighted average shares/members' capital outstanding	16,758,779	15,203,166	10,498,544
Basic earnings per share/unit	\$1.82	\$1.55	\$0.42

As a result of the Reverse Stock Split, which resulted in the conversion of one share of common stock into 0.9805106 shares of common stock, all amounts related to shares/units, share/unit prices, earnings per share/per unit and dividends per share/unit have been retroactively restated for the year ended December 31, 2012.

13. Dividends and Distributions

The Company's dividends and distributions are recorded on the ex-dividend date.

The following table reflects the cash distributions, including dividends and returns of capital per share that we have declared on our common stock for the fiscal year ended December 31, 2014.

Record Dates	Board Approval Date	Payment Date	Distribution Declared	Distribution Declared per Share
Fiscal year ended December 31, 2014⁽¹⁾				
March 21, 2014	March 11, 2014	March 28, 2014	\$5,865,573	\$ 0.35
June 13, 2014	May 6, 2014	June 27, 2014	5,865,573	0.35
September 12, 2014	August 4, 2014	September 26, 2014	5,865,573	0.35
December 12, 2014	October 31, 2014	December 29, 2014	5,865,571	0.35
			\$23,462,290	\$ 1.40

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

The following table reflects the cash distributions, including dividends and returns of capital per share that we have declared on our common stock for the fiscal year ended December 31, 2013.

Record Dates	Board Approval Date	Payment Date	Distribution Declared	Distribution Declared per Share
Fiscal year ended December 31, 2013				
February 25, 2013 ⁽¹⁾	February 25, 2013	March 13, 2013	\$2,400,000	\$ 0.23
June 13, 2013 ⁽²⁾	May 9, 2013	June 27, 2013	5,865,573	0.35
September 12, 2013 ⁽²⁾	August 6, 2013	September 26, 2013	5,865,573	0.35
December 13, 2013 ⁽²⁾	November 5, 2013	December 27, 2013	5,865,587	0.35
			\$19,996,733	\$ 1.28

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

(2) Includes a return of capital for tax purposes of approximately \$0.08 for the year ended December 31, 2013.

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

13. Dividends and Distributions – (continued)

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. All of the company's dividends and distributions for the tax years ended December 31, 2014 were considered "interest-related dividends" as defined in Section 871(k) of the Code.

14. Commitments and Contingencies

The Company had outstanding commitments to fund investments totaling \$18,180,287 and \$9,162,617 under various undrawn revolvers and other credit facilities as of December 31, 2014 and December 31, 2013, respectively.

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

15. Subsequent Events

On March 3, 2015, the Board re-approved the Investment Advisory Agreement and the Administration Agreement.

On March 3, 2015, the Board approved an increase in the annual fee payable to the Company's independent directors from \$70,000 to \$75,000 effective January 1, 2015.

On March 3, 2015 the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which will be paid on March 27, 2015 to stockholders of record as of March 12, 2015.

These consolidated financial statements were approved by the Board and were available for issuance on March 4, 2015. Subsequent events have been evaluated through this date. No material subsequent events other than as disclosed above have occurred through this date.

16. Selected Quarterly Financial Data (Unaudited)

Selected Quarterly Data (unaudited)

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	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total investment income	\$13,385,162	\$12,943,931	\$12,847,510	\$11,281,923
Net investment income	6,881,199	6,261,124	5,978,567	2,888,576
Net gain (loss) on investments	(1,213,336)	(1,180,274)	3,079,993	7,787,911
Net increase (decrease) in net assets resulting from operations	5,667,863	5,080,850	9,058,560	10,676,487
Earnings per share	0.34	0.30	0.54	0.64
Net asset value per share	15.58	15.59	15.64	15.45

Selected Quarterly Data (unaudited)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total investment income	\$11,382,363	\$9,337,744	\$7,611,496	\$5,473,093
Net investment income	5,334,118	5,914,322	5,046,841	3,040,015
Net gain (loss) on investments	1,338,885	839,002	1,750,356	236,250
Net increase (decrease) in net assets resulting from operations	6,673,003	6,753,324	6,797,197	3,276,265
Earnings per share	0.40	0.40	0.41	0.31
Net asset value per share	15.16	15.11	15.06	15.67

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Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014

16. Selected Quarterly Financial Data (Unaudited) – (continued)

	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Total investment income	\$5,156,151	\$5,857,704	\$5,910,861	\$6,724,640
Net investment income	1,034,482	3,488,885	50,616	3,747,818
Net gain (loss) on investments	(5,343,769)	(3,691)	(2,518,185)	3,918,271
Net increase (decrease) in net assets resulting from operations	(4,309,286)	3,485,195	(2,467,569)	7,666,087
Earnings per share	(0.41)	0.33	(0.23)	0.73
Net asset value per share	16.54	17.12	16.79	17.03

As a result of the Reverse Stock Split, which resulted in the conversion of one share of common stock into 0.9805106 shares of common stock, all amounts related to shares/units, share/unit prices, earnings per share/per unit and dividends per share/unit have been retroactively restated for 2012.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

- (1) Financial Statements — Refer to Item 8 starting on page 2.
- (2) Financial Statement Schedules — None.
- (3) Exhibits.

Number Description

- 3.1 Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 814-00878), filed on May 13, 2013).
- 3.2* Amended and Restated Bylaws.
- 4.1 Form of Stock Certificate (Incorporated by reference to Exhibit (2)(d) to the Registrant’s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-173026), filed on June 8, 2011).
- 10.1 Second Amended and Restated Investment Advisory Agreement between the Registrant and Garrison Capital Advisers LLC (Incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 814-00878), filed on May 12, 2014).
- 10.2 Administration Agreement between the Registrant and Garrison Capital Administrator LLC (Incorporated by reference to Exhibit (2)(k)(2) to the Registrant’s Pre-effective Amendment No. 9 to the Registration Statement on Form N-2 (File No. 333-173026), filed on February 26, 2013).
- 10.3 Trademark License Agreement between the Registrant and Garrison Investment Group LP (Incorporated by reference to Exhibit (2)(k)(3) to the Registrant’s Registration Statement on Form N-2 (File No. 333-173026), filed on March 23, 2011).
- 10.4 Dividend Reinvestment Plan (Incorporated by reference to Exhibit (2)(e) to the Registrant’s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-173026), filed on June 8, 2011).
- 10.5 Indenture dated as of September 25, 2013, among Garrison Funding 2013-2 Ltd., Garrison Funding 2013-2 LLC and Deutsche Bank Trust Company Americas (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 814-00878), filed on September 30, 2013).
- 10.6 Class A-1R Note Purchase Agreement dated as of September 25, 2013, among Garrison Funding 2013-2 Ltd., Garrison Funding 2013-2 LLC, each of the Class A-1R Noteholders party thereto and Natixis, New York Branch (Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 814-00878), filed on September 30, 2013).
- 10.7 Class A-1T Note Purchase Agreement dated as of September 25, 2013, among Garrison Funding 2013-2 Ltd., Garrison Funding 2013-2 LLC and Capital One, National Association (Incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K (File No. 814-00878), filed on September 30, 2013).
- 10.8 Collateral Management Agreement dated as of September 25, 2013, by and between Garrison Funding 2013-2 Ltd. and Garrison Funding 2013-2 Manager LLC (Incorporated by reference to Exhibit 10.4 to the Registrant’s Current Report on Form 8-K (File No. 814-00878), filed on September 30, 2013).
- 10.9 Sub-Collateral Management Agreement dated as of September 25, 2013, by and between Garrison Funding 2013-2 Manager LLC and Garrison Capital Advisers LLC (Incorporated by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K (File No. 814-00878), filed on September 30, 2013).
- 11.1 Computation of per share earnings (included in the notes to the audited financial statements included in this report).
- 14.1 Joint Code of Ethics of the Registrant and Garrison Capital Advisers LLC (Incorporated by reference to Exhibit (2)(r) to the Registrant’s Registration Statement on Form N-2 (File No. 333-195003), filed on April 3, 2014).

- 21.1* List of Subsidiaries
- 23.1* Consent of Independent Registered Public Accounting Firm
- 24 Power of attorney
- 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

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Number Description

99.1* Privacy Policy of the Registrant

99.2** GLC Trust 2013-2 Consumer Loan Pool Schedule of Investments.

* Previously filed with our Annual Report on Form 10-K submitted on March 4, 2015.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

GARRISON CAPITAL INC.

By: /s/ Joseph Tansey

Name: Joseph Tansey

Title: Chief Executive Officer

Date: July 21, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Amendment No. 1 to the Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Joseph Tansey</u> Joseph Tansey	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	July 21, 2015
<u>/s/ Brian Chase</u> Brian Chase	Chief Financial Officer, Treasurer and Director (Principal Financial Officer)	July 21, 2015
<u>/s/ Michelle Rancic</u> Michelle Rancic	Chief Accounting Officer (Principal Accounting Officer)	July 21, 2015
* Rafael Astruc	Director	July 21, 2015
* Roy Guthrie	Director	July 21, 2015
* Cecil Martin	Director	July 21, 2015
* Bruce Shewmaker	Director	July 21, 2015
* Matthew Westwood	Director	July 21, 2015

*By: /s/ Joseph Tansey

Name: Joseph Tansey

Title: Attorney-in-fact

