

1290 Avenue of the Americas, Suite 914

New York, New York 10104

(Address of principal executive offices)

(212) 372-9590

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of August 3, 2015 the Registrant had 16,758,779 shares of common stock, \$0.001 par value, outstanding.

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Garrison Capital Inc. and Subsidiaries**Consolidated Statements of Financial Condition****Part I. Financial Information****Item 1. Financial Statements**

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Cash	\$28,126,513	\$13,651,269
Restricted cash	20,616,490	14,260,013
Due from counterparties	1,781,998	1,615,125
Investments, at fair value		
Non-control/Non-affiliate investments (amortized cost of \$434,196,881 and \$467,903,883, respectively)	435,072,183	467,769,463
Accrued interest receivable	4,406,476	3,506,456
Deferred debt issuance costs (net of accumulated amortization of \$2,539,041 and \$2,141,113, respectively)	4,455,182	4,418,235
Deferred offering costs	439,629	314,018
Prepaid administrator fee	-	74,455
Other assets	542,554	232,429
Total assets	\$495,441,025	\$505,841,463
Liabilities		
Due to counterparties	\$110,409	\$109,204
Incentive fee payable	1,902,919	2,816,310
Management fee payable	1,983,114	268,098
Administrator fee payable	336,617	-
GLC Trust 2013-2 Class A note (Note 7)	22,787,973	30,512,712
Senior secured revolving note (Note 7)	47,600,000	50,000,000
Senior secured term notes (Note 7)	159,781,013	159,746,787
SBIC borrowings	3,500,000	-
Interest payable	655,446	689,610
Accrued expenses and other payables	564,069	596,674
Total liabilities	\$239,221,560	\$244,739,395

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Commitments and contingencies (Note 12)

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 as of June 30, 2015 and December 31, 2014, respectively	\$ 16,759	\$ 16,759
Paid-in-capital in excess of par	257,740,910	257,740,910
Under distributed net investment income	3,127,323	-
Accumulated net realized (loss)/gain from investments	(5,532,215)	3,478,818
Net unrealized gain/(loss) from investments	866,688	(134,419)
Total net assets	256,219,465	261,102,068
Total liabilities and net assets	\$ 495,441,025	\$ 505,841,463
Shares of common stock outstanding	16,758,779	16,758,779
Net asset value per share	\$ 15.29	\$ 15.58

See accompanying notes to consolidated financial statements

Garrison Capital Inc. and Subsidiaries**Consolidated Schedule of Investments****June 30, 2015 (unaudited)**

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments				
Investments - United States				
Common Equity				
Apparel Products				
Everyware Global, Inc., Common*	242,035	\$2,714,175	\$2,714,175	1.06%
Total Apparel Products		2,714,175	2,714,175	1.06
Health Services				
Juniper TGX Investment Partners, LLC, Common	3,146	670,623	966,288	0.38
Total Health Services		670,623	966,288	0.38
Miscellaneous Manufacturing				
Valterra Products Holdings, LLC, Common Class A	185,847	185,847	407,005	0.16
Valterra Products Holdings, LLC, Common Class B	20,650	20,650	45,223	0.02
Total Miscellaneous Manufacturing		206,497	452,228	0.18
Miscellaneous Retail				
Faraday Holdings, LLC, Common	2,265	110,409	110,409	0.04
Provo Craft Holdings, LLC, Common	1,110	-	-	-
Total Miscellaneous Retail		110,409	110,409	0.04
Transportation Services				
EZE Trucking, LLC, Common	2,898	267,801	-	-
Total Transportation Services		267,801	-	-
Total Common Equity		\$3,969,505	\$4,243,100	1.66%
Preferred Equity				
Consumer Finance Services				
Prosper Marketplace Series B Preferred Stock ⁽¹⁾⁽²⁾	261,912	\$789,962	\$6,512,540	2.54%
Total Consumer Finance Services		789,962	6,512,540	2.54
Total Preferred Equity		\$789,962	\$6,512,540	2.54%
Debt Investments				
Agricultural Services				
BFN Operations LLC , Term Loan*				
Libor ("L") + 10.00%, 1.00% L Floor, 5/15/2020	10,500,000	\$10,294,615	\$10,294,500	4.02%
Total Agricultural Services		10,294,615	10,294,500	4.02
Apparel Products				
Joe's Jeans Inc., Term Loan*				
L+ 12.75%, 1.25% L Floor, 9/30/2018	10,486,963	10,350,621	10,350,506	4.04

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Total Apparel Products		10,350,621	10,350,506	4.04
Automotive				
CTC Casting Technologies, Inc. (Compass), Loan*				
L+ 6.75%, 0.75% L Floor, 3/28/2019	9,887,500	9,813,533	9,813,479	3.83
Penda Corporation, Term Loan ⁽³⁾				
14.00% Cash, 2.00% PIK, 1/26/2019	7,435,543	7,342,070	7,435,543	2.90
Total Automotive		17,155,603	17,249,022	6.73

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

June 30, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Broadcasting & Entertainment				
CF Entertainment Inc. (Entertainment Studios), Term Loan*				
L+ 7.50%, 1.00% L Floor, 6/26/2019	9,885,640	\$9,806,815	\$9,806,718	3.83%
Total Broadcasting & Entertainment		9,806,815	9,806,718	3.83
Building & Real Estate				
ShelterLogic Corp., Term Loan*				
L+ 9.50%, 1.00% L Floor, 7/30/2019	10,303,125	10,134,980	10,134,867	3.96
Total Building & Real Estate		10,134,980	10,134,867	3.96
Chemicals				
Aristech Surfaces LLC, Term Loan B*				
L+ 8.00%, 1.00% L Floor, 10/17/2019	10,368,750	10,212,835	10,212,736	3.99
Galata Chemicals, LLC, Term Loan*				
L+ 8.00%, 1.00% L Floor, 2/28/2019	3,000,000	2,955,276	3,000,000	1.17
Total Chemicals		13,168,111	13,212,736	5.16
Communications				
HC Cable OpCo, LLC, Term Loan*				
L+ 8.50%, 1.00% L Floor, 7/17/2018	10,816,614	10,701,339	10,816,614	4.22
Sirva Worldwide, Loan*				
L+ 6.25%, 1.25% L Floor, 3/27/2019	8,090,146	8,065,957	8,110,371	3.17
TableTop Media, LLC, Lease**				
10.00%, 6/18/2017	1,092,700	1,092,700	1,077,221	0.42
Total Communications		19,859,996	20,004,206	7.81
Consumer Finance Services				
PlanMember Financial Corporation, Term Loan*(1)				
L+ 8.50%, 1.50% L Floor, 2/14/2018	1,282,705	1,264,841	1,282,705	0.50
Project Sunshine IV Pty Ltd (Sensis), New Term Loans*(1)				
L+ 7.00%, 1.00% L Floor, 9/23/2019	6,877,596	6,819,531	6,899,122	2.69
Total Consumer Finance Services		8,084,372	8,181,827	3.19
Electrical Equipment				
AbelConn, LLC (Atrenne Computing), Term Loan A*				
L+ 8.50%, 1.00% L Floor, 7/17/2019	10,470,334	10,300,951	10,300,836	4.02

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Total Electrical Equipment		10,300,951	10,300,836	4.02
Food Stores - Retail				
Specialty Bakers LLC, Term Loan*				
L+ 7.25%, 1.00% L Floor, 8/7/2019	9,434,982	9,269,876	9,269,766	3.62
Sqwincher Corporation (The), Term Loan*				
L+ 10.00%,1.50% L Floor, 8/3/2016	9,061,400	9,007,183	9,152,138	3.57
Total Food Stores - Retail		18,277,059	18,421,904	7.19

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

June 30, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan L+ 7.13%, 1.25% L Floor, 7/31/2019	849,760	\$845,049	\$845,049	0.33 %
Aurora Diagnostics, LLC, Term Loan* L+ 7.13%, 1.25% L Floor, 7/31/2019	5,608,414	5,559,312	5,559,279	2.17
Forest Park Medical Center at Fort Worth, LLC, Lease 13.00%, 2/11/2020	9,246,161	9,096,888	8,321,545	3.25
Forest Park Medical Center at Fort Worth, LLC, Term Loan 14.00%, on Demand	344,377	336,597	309,939	0.12
Forest Park Medical Center at San Antonio, LLC, Lease 13.00%, 2/11/2020	8,981,658	8,828,364	7,185,326	2.80
Forest Park Medical Center at San Antonio, LLC, Term Loan 14.00%, on Demand	1,951,092	1,913,152	1,560,873	0.61
SCG Capital Corporation (Radiation Therapy), Term Note 12.00%, 5/1/2017	4,951,316	4,951,316	4,951,316	1.93
Theragenics Corporation, Term Loan** L+ 12.00%, 1.00% L Floor, 2/26/2020	6,490,572	6,369,381	6,369,310	2.49
Walnut Hill Physicians' Hospital, LLC, Lease 12.50%, 4/16/2020	8,327,248	8,327,248	8,327,248	3.25
Total Health Services		46,227,307	43,429,885	16.95
Insurance Agents				
Worley Claims Services, LLC, Term Loan* L+ 8.00%, 1.00% L Floor, 10/31/2020	10,447,500	10,354,607	10,354,559	4.04
Total Insurance Agents		10,354,607	10,354,559	4.04
Miscellaneous Manufacturing				
AP Gaming I, LLC, Term B Loan* L+ 8.25%, 1.00% L Floor, 12/20/2020	10,273,924	10,106,123	10,206,527	3.98
A.S.V., Inc., Term Loan* L+ 9.50%, 1.00% L Floor, 12/19/2019	9,375,391	9,207,804	9,207,704	3.59

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CR Brands, Inc., Term Loan*					
L+ 9.25%, 1.00% L Floor, 8/23/2017	10,500,000	10,342,558	10,342,442	4.04	
Kranos Acquisition Corp., Term Loan*(3)					
L+ 11.00% Cash, 1.00% PIK, 1.00% L Floor, 6/15/2017	10,074,511	9,996,758	10,012,488	3.91	
Lexmark Carpet Mills, Inc., Term Loan*					
L+ 10.00%, 1.00% L Floor, 12/19/2019	10,500,000	10,265,389	10,265,245	4.01	
NPI Holding Corp. (Nudo Products, Inc.), Term Loan*,**					
L+ 9.75%, 1.00% L Floor, 1/13/2020	10,500,000	10,309,436	10,309,321	4.01	
Nursery Supplies, Inc., Term Loan*					
L+ 7.50%, 1.00% L Floor, 6/13/2018	10,348,120	10,317,574	10,348,120	4.04	
PCCR USA, Inc., Term Loan A*					
L+ 8.00%, 1.00% L Floor, 12/1/2019	6,912,500	6,790,701	6,790,626	2.65	
PCCR USA, Inc., Term Loan B*					
L+ 8.00%, 1.00% L Floor, 12/1/2019	3,456,250	3,380,126	3,380,079	1.32	
Profusion Industries, LLC, Term Loan*					
L+ 9.00%, 0.50% L Floor, 6/19/2020	10,300,000	10,095,353	10,094,000	3.94	
Total Miscellaneous Manufacturing		90,811,822	90,956,552	35.49	

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

June 30, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Miscellaneous Retail				
Confluence Outdoor, LLC, Term Loan*				
L+ 7.00%, 1.00% L Floor, 4/18/2019	6,656,997	\$6,568,507	\$6,568,443	2.56 %
Confluence Outdoor, LLC, Delayed Draw Term Loan				
L+ 7.00%, 1.00% L Floor, 4/18/2019	998,549	998,549	985,267	0.38
Interior Specialists, Inc., Term Loan*				
L+ 8.00%, 1.00% L Floor, 6/30/2020	10,300,000	10,094,113	10,094,000	3.94
PD Products, LLC, Term Loan*(3)				
L+ 10.50% Cash, 2.50% PIK, 1.50% L Floor,				
10/4/2018	9,893,800	9,767,078	9,893,800	3.87
PD Products, LLC, Revolver(3)				
L+ 10.50% Cash, 2.50% PIK, 1.50% L Floor,				
10/4/2018	818,909	818,909	818,909	0.32
Total Miscellaneous Retail		28,247,156	28,360,419	11.07
Miscellaneous Services				
NAP Asset Holdings Ltd., Canadian Term Loan*				
L+ 7.00%, 1.00% L Floor, 3/22/2018	2,405,936	2,392,673	2,405,936	0.94
NAP Asset Holdings Ltd., Term Loan*				
L+ 7.00%, 1.00% L Floor, 3/22/2018	5,384,713	5,355,030	5,384,713	2.10
SC Academy Holdings, Inc., Term Loan(4)				
L+ 14.00%, 7/16/2016	7,760,599	5,587,631	4,066,554	1.59
Speed Commerce, Inc., Term Loan*(3)				
L+ 11.00% PIK, 1.00% L Floor, 11/21/2019	10,825,450	10,642,238	10,663,068	4.17
Sprint Industrial Holdings, LLC, Term Loan (First Lien)*				
L+ 5.75%, 1.25% L Floor, 5/14/2019	4,848,387	4,823,829	4,290,822	1.67
YourMembership Holding Company, Term Loan A**				
L+ 7.00%, 1.00% L Floor, 9/12/2019	10,326,744	10,253,587	10,235,957	3.99
Total Miscellaneous Services		39,054,988	37,047,050	14.46
Oil & Gas				
Badlands Production Company (fka Gasco), Term Loan*				
L+ 12.50%, 1.00% L Floor, 5/14/2018	10,500,000	10,310,712	10,310,045	4.02
Rooster Energy Ltd., Term Loan*				

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L+ 11.50%, 1.50% L Floor, 6/25/2018	5,937,705	5,849,127	5,848,640	2.28
Total Oil & Gas		16,159,839	16,158,685	6.30
Printing & Publishing				
Dodge Data & Analytics LLC, Term Loan*				
L+ 8.75%, 1.00% L Floor, 10/31/2019	9,381,056	9,217,957	9,217,854	3.60
Total Printing & Publishing		9,217,957	9,217,854	3.60
Restaurants				
Ted's Cafe Escondido Holdings, Inc., Term Loan A*				
L+ 8.00%, 1.50% L Floor, 12/31/2018	6,650,000	6,650,000	6,650,000	2.59
Ted's Cafe Escondido Holdings, Inc., Revolver				
L+ 8.00%, 1.50% L Floor, 12/31/2018	300,000	300,000	300,000	0.12
Ted's Cafe Escondido Holdings, Inc., Delayed Draw Term				
Loan B				
L+ 8.00%, 1.50% L Floor, 12/31/2018	1,000,000	1,000,000	1,000,000	0.39
Total Restaurants		7,950,000	7,950,000	3.10

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

June 30, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Debt Investments (continued)				
Specialty Services				
Vistronix, LLC, Term Loan*				
L+ 8.00%, 0.50% L Floor, 12/4/2018	9,762,157	\$9,694,519	\$9,694,465	3.78 %
Vistronix, LLC, Revolver				
L+ 8.00%, 0.50% L Floor, 12/4/2018	350,000	350,000	347,573	0.14
Total Specialty Services		10,044,519	10,042,038	3.92
Transportation Services				
Fleetgistics Holdings, Inc., Term Loan*				
L+ 6.13%, 2.00% L Floor, 12/31/2018	1,020,745	1,020,745	918,670	0.36
MXD Group, Inc. (fka Exel Direct Inc.), Term Loan*(3)				
L+ 3.00% Cash, 10.00% PIK, 1.00% L Floor, 5/31/2018	13,661,423	13,512,565	12,978,351	5.07
Raymond Express International, LLC, Term Loan*				
L+ 7.75%, 1.75% L Floor, 2/28/2018	2,466,210	2,452,759	2,466,210	0.96
Total Transportation Services		16,986,069	16,363,231	6.39
Total Debt Investments		\$402,487,387	\$397,837,395	155.27 %
Financial Assets				
Consumer Finance Services				
GLC Trust 2013-2 Consumer Loan Pool ⁽¹⁾⁽⁵⁾	27,083,106	\$27,083,106	\$26,547,436	10.36 %
Total Consumer Finance Services		27,083,106	26,547,436	10.36
Total Financial Assets		\$27,083,106	\$26,547,436	10.36 %
Total Non-Control/Non-Affiliate Investments		\$434,329,959	\$435,140,471	169.83 %
Unfunded Obligations				
Communications				
HC Cable OpCo, LLC, Revolver				
0.50%, 7/17/2018	954,784	\$(10,175)	\$-	- %
TableTop Media, LLC, Lease**				
0.00%, 6/18/2017	5,127,178	(15,436)	-	-
Total Communications		(25,611)	-	-
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan				

B⁽⁶⁾

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0.00%, 7/31/2019	2,392,923	(22,682)	(20,840)	(0.01)
Aurora Diagnostics, LLC, Revolver ⁽⁶⁾							
0.38%, 7/31/2019	1,019,712	(8,928)	(8,934)	(0.01)
Total Health Services		(31,610	)	(29,774	)	(0.02)
Miscellaneous Retail							
Confluence Outdoor, LLC, Delayed Draw Term							
Loan ⁽⁶⁾							
2.00%, 4/18/2019	2,329,949	(44,244	)	(30,994	)	(0.01)
PD Products, LLC, Revolver ⁽³⁾							
0.50%, 10/4/2018	821,716	(21,251)	-		-	
Total Miscellaneous Retail		(65,495	)	(30,994	)	(0.01)

See accompanying notes to consolidated financial statements

Garrison Capital Inc. and Subsidiaries

Consolidated Schedule of Investments

June 30, 2015 (unaudited)

Security Description	Par / Shares	Cost	Fair Value	% of Net Assets
Non-Control/Non-Affiliate Investments (continued)				
Investments - United States (continued)				
Unfunded Obligations (continued)				
Miscellaneous Services				
YourMembership Holding Company, Revolver ⁽⁶⁾ 0.00%, 9/12/2019	441,314	\$(3,126	) \$(3,880) - %
Total Miscellaneous Services		(3,126	) (3,880) -
Restaurants				
Ted's Cafe Escondido Holdings, Inc., Revolver 0.50%, 12/31/2018	200,000	-	-	-
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 ⁽⁶⁾ 0.50%, 12/4/2018	525,000	(6,063	) (3,640) -
Total Specialty Services		(6,063	) (3,640) -
Transportation Services				
Raymond Express International, LLC, Revolver 0.50%, 2/28/2018	215,101	(1,173) -	-
Total Transportation Services		(1,173) -	-
Total Unfunded Obligations		\$(133,078	) \$(68,288	) (0.03)%
Total Investments - United States		\$434,196,881	\$435,072,183	169.80 %

*

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

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

L = London Interbank Offered Rate.

Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any (1) non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company’s total assets.

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

(3) Coupon is payable in cash, and/or payment-in-kind (“PIK”), or a combination thereof.

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

GLC Trust 2013-2 includes 3,163 small balance consumer loans with an average par of \$8,562, a weighted average (5) rate of 15.6% and a weighted average maturity of March 17, 2018. See Note 4 for additional information. See exhibit 99.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 for detail on underlying loans.

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

All debt investments were income producing as of June 30, 2015, 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, 2014**

Security Description	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%	
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					
	10,150,000		10,064,008	10,063,953	3.85

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CTC Casting Technologies, Inc. (Compass), Loan*				
L+ 6.75%, 0.75% L Floor, 3/28/2019				
Penda Corporation, Term Loan ⁽⁵⁾	7,361,334	7,254,936	7,361,334	2.82
L+ 12.00% Cash, 2.00% PIK, 1/26/2019				
Total Automotive		17,318,944	17,425,287	6.67
Broadcasting & Entertainment				
CF Entertainment Inc. (Entertainment Studios), Term Loan*	9,935,568	9,846,496	9,846,420	3.77
L+ 7.50%, 1.00% L Floor, 6/26/2019				
Total Broadcasting & Entertainment		9,846,496	9,846,420	3.77
Building & Real Estate				
ShelterLogic Corp., Term Loan*	10,368,750	10,178,978	10,178,864	3.90
L+ 8.50%, 1.00% L Floor, 7/30/2019				
Total Building & Real Estate		10,178,978	10,178,864	3.90
Chemicals				
Aristech Surfaces LLC, Term Loan B*	10,500,000	10,323,898	10,323,797	3.96
L+ 8.00%, 1.00% L Floor, 10/17/2019				
Galata Chemicals, LLC, Term Loan*	8,750,000	8,601,908	8,750,000	3.35
L+ 8.00%, 1.00% L Floor, 2/28/2019				
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

December 31, 2014

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

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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

December 31, 2014

Security Description	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				
	998,550	998,550	948,499	0.36

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Confluence Outdoor, LLC, Delayed Draw Term Loan L+ 7.00%, 1.00% L Floor, 4/18/2019				
PD Products, LLC, Term Loan* L+ 10.50%, 1.50% L Floor, 10/4/2018	9,969,032	9,819,062	9,969,032	3.82
PD Products, LLC, Revolver L+ 10.50%, 1.50% L Floor, 10/4/2018	803,873	803,873	803,873	0.31
PSP Group, LLC, Term Loan* L+ 4.75%, 1.50% L Floor, 9/13/2016	4,360,206	4,340,698	4,273,002	1.64
Total Miscellaneous Retail		22,519,142	22,551,302	8.64

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries**Consolidated Schedule of Investments****December 31, 2014**

Security Description	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⁾ 14.00%, 7/16/2016	7,760,599	5,587,631	4,066,554	1.56
Speed Commerce, Inc., Term Loan* L+ 7.50%, 1.00% L Floor, 11/21/2019	10,500,000	10,296,113	10,342,500	3.96
Sprint Industrial Holdings, LLC, Term Loan (First Lien)* L+ 5.75%, 1.25% L Floor, 5/14/2019	4,873,123	4,845,239	4,605,101	1.76
Tecta America Corp., Term Loan* L+ 4.00%, 1.00% L Floor, 7/1/2018	4,039,525	3,873,166	3,837,548	1.47
YourMembership Holding Company, Term Loan A** L+ 7.00%, 1.00% L Floor, 9/12/2019	8,504,666	8,421,130	8,421,081	3.23
Total Miscellaneous Services		67,392,310	65,720,876	25.17
Printing & Publishing				
Dodge Data & Analytics LLC, Term Loan* L+ 8.75%, 1.00% L Floor, 10/31/2019	10,500,000	10,296,573	10,296,458	3.94

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries**Consolidated Schedule of Investments****December 31, 2014**

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

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Total Non-Control/Non-Affiliate Investments		\$468,298,267	\$468,076,073	179.28%
Unfunded Obligations				
Communications				
HC Cable OpCo, LLC, Revolver	489,362	\$(6,064)	\$-	-%
0.50%, 7/17/2018				
Total Communications		(6,064)	-	-
Health Services				
Aurora Diagnostics, LLC, Delayed Draw Term Loan ⁽²⁾	520,053	(5,280)	(3,291)	-
0.00%, 7/31/2019				
Aurora Diagnostics, LLC, Revolver ⁽²⁾	1,019,712	(10,012)	(10,017)	(0.01)
0.38%, 7/31/2019				
Total Health Services		(15,292)	(13,308)	(0.01)
Miscellaneous Manufacturing				
Valterra Products Holdings, LLC, Revolver	1,588,437	(21,678)	22,522	0.01
0.50%, 5/31/2018				
Total Miscellaneous Manufacturing		(21,678)	22,522	0.01
Miscellaneous Retail				
Confluence Outdoor, LLC, Delayed Draw Term Loan	2,329,949	(50,019)	-	-
2.00%, 4/18/2019				
PD Products, LLC, Revolver	836,752	(24,654)	-	-
0.50%, 10/4/2018				
Total Miscellaneous Retail		(74,673)	-	-
Miscellaneous Services				
Dorsey School of Business Holdings, Inc., Revolver	1,000,000	-	-	-
0.50%, 6/28/2018				
Global Traffic Technologies, LLC, Revolver	1,458,439	(3,911)	-	-
0.50%, 6/30/2015				
Tecta America Corp., Revolver ⁽²⁾	6,268,988	(258,853)	(313,449)	(0.12)
0.50%, 7/1/2018				
YourMembership Holding Company, Revolver ^{(2)**}	355,844	(3,495)	(3,497)	-
0.00%, 9/12/2019				
Total Miscellaneous Services		\$(266,259)	\$(316,946)	(0.12)%

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries**Consolidated Schedule of Investments****December 31, 2014**

Security Description	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 is held as collateral by the CLO (see Note 7).

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

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- (1) GLC Trust 2013-2 includes 3,731 small balance consumer loans with an average par of \$9,875, a weighted average rate of 15.6% and a weighted average maturity of February 6, 2018. See Note 4 for additional information.
- (2) The negative fair value is the result of the unfunded commitment being valued below par. These amounts may or may not be funded to the borrowing party currently or in the future.
- (3) Investment is currently in default, not income producing and placed on non-accrual status.
Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any
- (4) non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets.
- (5) Coupon is payable in cash and/or PIK, or a combination thereof.
- (6) See exhibit 99.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as amended, for detail on underlying loans.
Net of incentive fee payable to a third party equal to 20% of any distribution after the Company has received its
- (7) full net capital investment plus a 12% preferred return in GLC Trust 2013-2 and Prosper Marketplace Series B Preferred Stock.

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries**Consolidated Statements of Operations (unaudited)**

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Investment income				
Interest income				
Non-Control/Non-Affiliate investments	\$ 12,276,546	\$ 11,882,358	\$25,234,603	\$21,980,438
Other income	875,259	965,152	1,396,035	1,301,150
Affiliate investments	-	-	-	462,080
Dividend income				
Affiliate investments	-	-	-	385,765
Total investment income	13,151,805	12,847,510	26,630,638	24,129,433
Expenses				
Interest expense	1,815,949	1,608,142	3,666,262	3,356,665
Management fee	1,983,114	2,016,078	3,972,658	3,973,859
Incentive fee	1,017,153	2,189,556	1,712,134	5,795,889
Professional fees	299,069	261,005	614,823	660,563
Directors' fees	101,495	94,046	207,731	187,251
Administrator expenses	271,647	198,400	513,294	403,635
Other expenses	529,922	501,716	1,082,723	884,428
Total expenses	6,018,349	6,868,943	11,769,625	15,262,290
Net investment income before excise taxes	7,133,456	5,978,567	14,861,013	8,867,143
Excise tax expense	42,957	-	(2,543)	-
Net investment income	7,176,413	5,978,567	14,858,470	8,867,143
Realized and unrealized (loss)/gain on investments				
Net realized (loss)/gain from investments				
Non-Control/Non-Affiliate investments	(8,521,258)	799,494	(9,011,033)	1,570,115
Affiliate investments	-	-	-	8,126,034
Net change in unrealized gain from investments				
Non-Control/Non-Affiliate investments	5,221,316	2,280,499	1,001,107	3,010,489
Affiliate investments	-	-	-	(1,838,734)
Net realized and unrealized (loss)/gain on investments	(3,299,942)	3,079,993	(8,009,926)	10,867,904
Net increase in net assets resulting from operations	\$ 3,876,471	\$ 9,058,560	\$6,848,544	\$ 19,735,047
Net investment income per common share	\$ 0.43	\$ 0.36	\$0.89	\$0.53
	\$ 0.23	\$ 0.54	\$0.41	\$1.18

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Net increase in net assets resulting from operations per common share				
Basic weighted average common shares outstanding	16,758,779	16,758,779	16,758,779	16,758,779
Dividends and distributions declared per common share ⁽¹⁾	\$ 0.35	\$ 0.35	\$0.70	\$0.70

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries**Consolidated Statements of Changes in Net Assets (unaudited)**

	Six months ended June 30, 2015	Six months ended June 30, 2014
Increase in net assets from operations:		
Net investment income	\$ 14,858,470	\$ 8,867,143
Net realized (loss)/gain from investments	(9,011,033)	9,696,149
Net change in unrealized gain on investments	1,001,107	1,171,755
Net increase in net assets from operations	6,848,544	19,735,047
Dividends and distributions to stockholders:		
From net investment income ⁽¹⁾	(11,731,147)	(11,731,145)
Total dividends and distributions to stockholders	(11,731,147)	(11,731,145)
Total (decrease)/increase in net assets	(4,882,603)	8,003,902
Net assets at beginning of period	261,102,068	254,080,598
Net assets at end of period	\$ 256,219,465	\$ 262,084,500
Net asset value per common share	\$ 15.29	\$ 15.64
Common shares outstanding at end of period	16,758,779	16,758,779
Under/(over) distributed net investment income included in net assets	\$ 3,127,323	\$ (2,864,002)

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

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries**Consolidated Statements of Cash Flows (unaudited)**

	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$6,848,544	\$19,735,047
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net accretion of discounts on investments	(830,851)	(1,085,943)
Net realized loss/(gain) from investments	9,011,033	(9,696,149)
Amortization of discount on senior secured notes payable	157,547	34,226
Amortization of deferred debt issuance costs	397,928	340,934
Net change in unrealized (gain) on investments	(1,001,107)	(1,171,755)
Payment-in-kind interest	(1,211,347)	(340,355)
Purchases of investments	(88,573,389)	(212,326,406)
Paydowns of investments	111,932,425	154,002,493
Sales of investments	3,370,516	66,112,089
Changes in operating assets and liabilities:		
(Increase) decrease in cash and cash equivalents, restricted	(6,356,477)	255,099
(Increase) in due from counterparties	(166,873)	(9,175,099)
(Increase) in accrued interest receivable	(900,020)	(263,007)
(Increase) in deferred offering costs	(125,611)	(258,492)
Decrease in prepaid administrator fee	74,455	-
Increase in other assets	(310,125)	(404,108)
Increase (decrease) in due to counterparties	1,205	(37,477)
Increase in payables to affiliates	1,138,242	4,250,638
(Decrease) in interest payable on notes payable	(34,164)	(815,259)
(Decrease) in accrued expenses and other payables	(32,605)	(248,377)
Net cash provided by operating activities	33,389,326	8,908,099
Cash flows from financing activities		
Dividends and distributions paid to stockholders	(11,731,147)	(11,731,145)
Payments for financing costs on Garrison SBIC borrowings	(434,875)	-
Repayment of senior secured revolving notes	(2,400,000)	-
Repayment of GLC Trust 2013-2 Class A notes	(7,848,060)	-
Proceeds from GLC Trust 2013-2 revolving notes	-	5,258,324
Proceeds from Garrison SBIC borrowings	3,500,000	-
Net cash (used in) financing activities	(18,914,082)	(6,472,821)
Net increase in cash and cash equivalents	14,475,244	2,435,278
Cash and cash equivalents at beginning of period	13,651,269	13,664,583

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Cash and cash equivalents at end of period	\$28,126,513	\$16,099,861
Supplemental disclosure of cash flow information		
Cash paid for interest expense	\$3,144,951	\$3,826,951
Supplemental disclosure of non-cash activities		
Restructuring of portfolio investment	\$2,735,885	\$-

See accompanying notes to consolidated financial statements.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

1. Organization

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

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

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

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

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

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

On April 19, 2012, GARS formed Garrison Funding 2012-1 Manager LLC, a Delaware limited liability company (“GF 2012-1 Manager”). This entity is a wholly owned consolidated subsidiary of GARS created for the purpose of acquiring and holding an investment in Garrison Funding 2012-1 LLC, a Delaware limited liability company (“GF 2012-1”). GARS formed GF 2012-1 for the purpose of acquiring or participating in U.S. dollar-denominated senior secured or second lien corporate loans and to acquire up to \$150,000,000 in financing. On September 23, 2013, in anticipation of refinancing the credit facility of GF 2012-1, GF 2012-1 Manager effectuated a name change to Garrison Funding 2013-2 Manager LLC (“GF 2013-2 Manager”).

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

1. Organization – (continued)

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

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

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

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

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

2013-2 Notes”) collateralized by the GLC Trust 2013-2 consumer loan portfolio, to refinance the GLC Trust 2013-2 Revolver (see Note 7).

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

On May 29, 2014, Garrison Capital SBIC LP (“Garrison SBIC”), which has an investment objective substantially similar to GARS was formed in accordance with SBIC regulations and may acquire up to \$150,000,000 in financing. Garrison SBIC received a license from the U.S Small Business Administration (the “SBA”) on May 26, 2015.

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.

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”).

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

1. Organization – (continued)

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”). A new Investment Advisory Agreement was approved by the Company’s stockholders on May 1, 2015.

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, GARS Administrator, U.S. Bank National Association, Wilmington Trust, National Association and Manufacturers and Traders Trust Company to act as servicer, securities administrator, indenture trustee and custodian, respectively, for GLC Trust 2013-2.

2. Significant Accounting Policies and Recent Updates

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and the instructions to Form 10-Q and Articles 6 or 10 of Regulation S-X. The consolidated financial statements, including the notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all

necessary adjustments, consisting of only normal recurring items, so that the consolidated financial statements are presented fairly and that estimates made in preparing its consolidated financial statements are reasonable and prudent. Certain reclassifications have been made for previous periods in order to conform to the current period's presentation. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as amended, filed with the Securities and Exchange Commission (the "SEC").

Basis for Consolidation

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.

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

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

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

Investment Classification

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

Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if it owns more than 25% of the voting securities of such company. The Company is deemed to be an affiliate of a company in which it has invested if it owns 5% or more of the voting securities of such company. As of both June 30, 2015 and December 31, 2014, all of the Company's investments were Non-Control/Non-Affiliate investments.

Use of Estimates

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

Cash and Cash Equivalents

As of June 30, 2015 and December 31, 2014, cash held in designated bank accounts with its custodian was \$26,643,890 and \$7,635,552, respectively. As of June 30, 2015 and December 31, 2014, cash held in designated bank accounts with other major financial institutions was \$1,482,623 and \$6,015,717, respectively. At times, these balances may exceed federally insured limits and this potentially subjects the Company to a concentration of credit risk. The Company believes it is not exposed to any significant credit risk associated with its cash custodian.

The Company defines cash equivalents as highly liquid financial instruments with original maturities of three months or less, including those held in overnight sweep bank deposit accounts. As of both June 30, 2015 and December 31, 2014, the Company held no cash equivalents.

Cash and Cash Equivalents, Restricted

Restricted cash as of June 30, 2015 and December 31, 2014 included cash of \$18,874,317 and \$12,559,986, respectively, held by GF 2013-2 in designated bank accounts with its Custodian. GF 2013-2 is required to use a portion of these amounts to pay interest expense, reduce borrowings at the end of the investment period and to pay other amounts in accordance with the terms of the indenture of the CLO. Funds held by GF 2013-2 are not available for general use by the Company. Restricted cash as of June 30, 2015 and December 31, 2014 also included cash of \$1,742,173 and \$1,700,027, respectively, held by GLC Trust 2013-2 in designated restricted bank accounts.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

GLC Trust 2013-2 is required to use a portion of these amounts to make principal payments and pay interest expense in accordance with the terms of the indenture governing the GLC Trust 2013-2 Notes.

As of both June 30, 2015 and December 31, 2014, the Company held no restricted cash equivalents.

Investment Transactions and Related Investment Income and Expense

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

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

The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. For consumer loans, any loan that is 120 days past due is considered defaulted and 100% of the principal is charged off with no expected recovery or sale of defaulted receivables.

For the three and six months ended June 30, 2015, the Company recognized \$564,593 and \$1,334,351, respectively, of charge offs in realized losses from investments for consumer loans held by GLC Trust 2013-2. The Company had one investment placed on non-accrual status as of both June 30, 2015 and December 31, 2014.

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

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

Interest Expense

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

Expenses

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

Loan Origination, Facility, Commitment and Amendment Fees

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

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

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

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

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.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

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.

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

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

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

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

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

• The valuation committee of the Board reviews these preliminary valuations.

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

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

Offering Costs

Deferred offering costs consist of fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity or debt offerings and are charged against proceeds from the offerings when received. As of June 30, 2015, \$439,629 of expenses associated with the shelf registration statement initially filed with the SEC on April 3, 2014, the “Registration Statement”, have been deferred and included in deferred offering costs. These amounts will be charged against proceeds from offerings of securities when received.

Dividends and Distributions

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

The Company adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if the Board authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not ‘opted out’ of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock acquired by AST through open-market purchases, rather than receiving the cash distribution. As of June 30, 2015, no new shares have been issued to fulfill the dividend reinvestment plan.

No action is required on the part of a registered stockholder to have its cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by

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

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

Income Taxes

As discussed in Note 1, for tax purposes, GARS has elected to be treated as a RIC under Subchapter M of the Code, and intends to qualify each taxable year for such treatment. In addition, 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, accordingly, no provision for federal income tax was made in the consolidated financial statements for the six months ended June 30, 2015 or the year ended December 31, 2014.

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

However, GARS is subject to U.S. federal income taxes at regular corporate tax rates on any net ordinary income or net capital gain not distributed to its stockholders assuming at least 90% of its investment company taxable income is distributed timely.

Depending on the level of taxable income earned in a tax year, the Company may choose to retain taxable income in excess of current year dividend distributions, and would distribute such taxable income in the next tax year. The Company would then pay a 4% excise tax on such taxable income, as required. To the extent that the Company determines that its estimated current year annual taxable income, determined on a calendar basis, could exceed estimated current calendar year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

For the three months ended June 30, 2015, the Company reversed previously accrued U.S. federal excise tax in the amount of \$(42,957). No U.S. federal excise tax expense was recorded for the three or six months ended June 30, 2014.

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

interests in LLCs (or other pass-through entities) are owned by the Taxable Subsidiaries, however, the income from such interests is taxed to the Taxable Subsidiaries and does not flow through to the RIC, thereby helping GARS preserve its RIC status and resultant tax advantages. The Taxable Subsidiaries are not consolidated for U.S. federal income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies.

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

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

Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****2. Significant Accounting Policies and Recent Updates – (continued)**

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

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

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

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

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

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

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

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

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

The Company has concluded that it was not necessary to record a liability for any such tax positions as of June 30, 2015 and December 31, 2014. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including ongoing analyses of, and changes to, tax laws, regulations and interpretations thereof.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

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 June 30, 2015 and December 31, 2014.

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

During 2014, the Company utilized capital loss carryforwards of \$5,833,349. As of December 31, 2014, the Company had post-enactment long-term capital loss carryforwards of \$0.

Recent Accounting Pronouncements

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

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

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

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This new guidance is effective retrospectively for annual and interim periods beginning on or after December 15, 2016, and for interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact ASU 2015-07 will have on the Company’s consolidated financial position and disclosures.

3. Investments

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

3. Investments – (continued)

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. 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 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.

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 provide for the extension to a borrower of additional credit or funding at the request of the borrower, subject to the terms of each loan's respective credit agreement. This exposes the Company to potential liabilities that are not reflected on the consolidated statements of financial condition. As of June 30, 2015 and December 31, 2014, the Company had \$14,527,677 and \$18,180,287 of unfunded obligations with a fair value of \$(68,288) and \$(306,610), respectively. The negative fair value is the result of the unfunded commitment being valued below par. These amounts may or may not be funded to the borrowing party now or in the future.

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

4. Fair Value of Financial Instruments

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

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

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

The inputs are summarized in three broad hierarchies listed below:

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

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

4. Fair Value of Financial Instruments – (continued)

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.

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.

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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.

Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****4. Fair Value of Financial Instruments – (continued)**

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 June 30, 2015 and December 31, 2014:

	As of June 30, 2015			Total
	Level 1	Level 2	Level 3	
Senior Secured (1)	\$-	\$ -	\$386,267,009	\$386,267,009
Mezzanine	-	-	7,435,544	7,435,544
Subordinated	-	-	4,066,554	4,066,554
Preferred Equity Investments	-	-	6,512,540	6,512,540
Common Equity Investments	-	-	4,243,100	4,243,100
Financial Assets	-	-	26,547,436	26,547,436
	\$-	\$ -	\$435,072,183	\$435,072,183

(1) Includes unfunded obligations with a fair value of \$(68,288).

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

The net change in unrealized gain for the six months ended June 30, 2015 and June 30, 2014 reported within the net change in unrealized gain on investments in the Company's consolidated statements of operations attributable to the Company's Level 3 assets was \$1,001,107 and \$1,171,755, respectively.

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Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****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 six months ended June 30, 2015:

	Six Months Ended June 30, 2015							Total
	Senior Secured Investments	Second Lien Investments	Mezzanine Investments	Subordinated Investments	Preferred Equity Investments	Common Equity Investments	Financial Assets	
Fair value, beginning of period	\$399,188,829	\$13,652,140	\$7,361,336	\$4,066,554	\$5,791,276	\$1,379,521	\$36,329,807	\$467,375,023
Total net realized and unrealized (loss)/gain on investments	(7,601,832)	284,274	(12,925)	-	721,264	38,995	(1,357,707)	(7,968,021)
Total net accretion of discounts on investments	786,804	31,122	12,925	-	-	-	-	830,851
Purchases/Issuances	89,621,829	-	74,208	-	-	2,824,584	-	92,446,621
Sales	126,987	(3,497,503)	-	-	-	-	-	(3,370,516)
Paydowns	(95,855,608)	(10,470,033)	-	-	-	-	(8,424,664)	(114,750,305)
Fair value, end of period	\$386,267,009	\$-	\$7,435,544	\$4,066,554	\$6,512,540	\$4,243,100	\$26,547,436	\$435,078,143
Net change in unrealized gain/(loss) on investments in our Consolidated Statement of Operations attributable to our	\$(2,898,433)	\$-	\$(12,925)	\$-	\$721,264	\$38,995	\$(23,357)	\$(2,174,356)

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Level 3 assets ⁽¹⁾

(1) Net change in unrealized gain included in earnings related to investments still held at reporting date.

There were no transfers of investments between levels by the Company for the six months ended June 30, 2015.

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the six months ended June 30, 2014:

	Six Months ended June 30, 2014							
	Senior Secured Investments	Second Lien Investments	Mezzanine Investments	Real Estate Loan Investments	Subordinated Investments	Unsecured Investments	Preferred Equity Investments	Common Equity Investments
Fair value, beginning of period	\$382,888,163	\$13,680,535	\$7,080,998	\$-	\$-	\$-	\$5,453,182	\$3,000,000
Transfers into Level 3 ⁽¹⁾	-	4,916,653	-	-	-	-	-	-
Transfers out of Level 3 ⁽¹⁾	(4,916,653)	-	-	-	-	-	-	-
Total net realized and unrealized gain/(loss) on investments	785,385	268,935	120,014	118,785	(56,736)	-	4,356,267	6,200,000
Total net accretion of discounts on investments	933,152	1,916	12,925	81,215	56,735	-	-	-
Purchases/Issuances	150,753,575	5,010,986	72,722	9,964,896	5,587,631	6,592,692	-	-
Sales	(53,292,233)	-	-	-	-	-	(4,882,616)	(7,000,000)
Paydowns	(142,787,172)	(5,937,918)	-	-	-	-	-	-
Fair value, end of period	\$334,364,217	\$17,941,107	\$7,286,659	\$10,164,896	\$5,587,630	\$6,592,692	\$4,926,833	\$1,400,000
Net change in unrealized gain/(loss) on investments in our Consolidated Statement of Operations attributable to our Level 3 assets ⁽²⁾	\$(1,086,868)	\$308,732	\$120,014	\$118,785	\$(56,736)	\$-	\$3,926,833	\$440,000

- (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 six months ended June 30, 2014.
- (2) Net change in unrealized gain included in earnings related to investments still held at reporting date.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

4. Fair Value of Financial Instruments – (continued)

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value at June 30, 2015:

Quantitative Information about Level 3 Fair Value Measurements						
	Fair Value at June 30, 2015	Valuation Technique	Unobservable Input	Range Low	High	Weighted Average
Senior Secured Investments ⁽¹⁾	\$ 386,267,009	Comparable yield approach	Market rate ⁽²⁾	7.4%	21.5%	11.1%
Mezzanine Investments	7,435,544	Market comparable companies Comparable yield approach	EBITDA multiple ⁽⁵⁾	1.9x	11.0x	5.8x
		Market comparable companies	EBITDA multiple ⁽⁵⁾	5.0x	5.0x	5.0x
Subordinated Investments	4,066,554	Market comparable companies	EBITDA multiple	4.1x	4.1x	4.1x
Equity Investments ⁽³⁾	10,755,640	Market comparable companies	EBITDA multiple	5.0x	7.0x	5.0x
		Market comparable companies	Origination fees multiple	20.0x	20.0x	20.0x
		Discounted cash				

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Financial Assets ⁽⁴⁾	26,547,436 flows	Interest rate	6.3%	31.3%	15.6%
		Conditional prepayment rate ("CPR")	18.5%	83.6%	39.8%
		Constant default rate ("CDR")	6.5%	33.0%	14.5%
		Discount rate	8.3%	8.3%	8.3%
Total	\$ 435,072,183				

(1) Includes total unfunded obligations with a fair value of \$(68,288).

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

(4) borrower's self-reported income range, occupation and employment status at origination. Financial Asset risk ratings are assigned on a scale from A through F, with A having the lowest level of risk and F having the highest level of risk. As of June 30, 2015, 25.0%, 31.4%, 32.1%, 7.8%, 3.5% and 0.2% of the total fair value of Financial Assets was comprised of A, B, C, D, E and F risk rated loans, respectively. See exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 for detail on underlying loans.

Excludes non-operating portfolio companies, which we define as those with loans collateralized by real estate,

(5) proved developed producing value ("PDP") or other hard assets. PDPs are proven revenues that can be produced with existing wells.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 Valuation	Unobservable Input	Range		Weighted	
			Low	High	Average	
	December 31, 2014	Technique				
Senior Secured Investments ⁽¹⁾	\$390,188,829	Comparable yield approach	Market rate ⁽²⁾	3.9%	19.7%	10.7 %
		Market comparable companies	EBITDA multiple ⁽⁵⁾	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 ⁽⁵⁾	5.0x	9.3x	8.1x
Mezzanine Investments	7,360,336	Comparable yield approach	Market rate ⁽²⁾	14.0%	14.0%	14.0 %
		Market comparable companies	EBITDA multiple ⁽⁵⁾	5.0x	5.0x	5.0x
Subordinated Investments	4,066,154	Market comparable companies	EBITDA multiple ⁽⁵⁾	5.1x	5.1x	5.1x
Equity Investments ⁽³⁾	7,170,797	Market comparable companies	EBITDA multiple ⁽⁵⁾	5.0x	7.0x	5.6x
		Market comparable companies	Origination fees multiple	20.0x	20.0x	20.0x
Financial Assets ⁽⁴⁾	36,329,807	Discounted cash flows	Interest rate	10.3%	31.3%	15.7 %

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		Conditional prepayment rate (“CPR”)	18.5%	83.6%	43.5 %
		Constant default rate (“CDR”)	6.5%	33.0%	14.7 %
		Discount rate	8.3%	8.3%	8.3 %
Total	\$467,769,463				

(1) Includes total unfunded obligations with fair value 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.

(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 income range, occupation and employment status at origination. Financial Asset risk

(4) 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, as amended, for detail on underlying loans.

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

4. Fair Value of Financial Instruments – (continued)

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.

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 June 30, 2015 was as follows:

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Industry	Cost of Investments		Fair Value of Investments	
Miscellaneous Manufacturing	\$91,018,318	20.9	% \$91,408,780	21.0
Health Services	46,866,320	10.8	44,366,399	10.2
Miscellaneous Services	39,051,862	9.0	37,043,170	8.5
Consumer Finance Services	35,957,440	8.3	41,241,803	9.5
Miscellaneous Retail	28,292,070	6.5	28,439,834	6.5
Communications	19,834,385	4.6	20,004,206	4.6
Food Stores - Retail	18,277,059	4.2	18,421,904	4.2
Transportation Services	17,252,697	4.0	16,363,231	3.8
Automotive	17,155,603	4.0	17,249,022	4.0
Oil & Gas	16,159,839	3.7	16,158,685	3.7
Chemicals	13,168,111	3.0	13,212,736	3.0
Apparel Products	13,064,796	3.0	13,064,681	3.0
Insurance Agents	10,354,607	2.4	10,354,559	2.4
Electrical Equipment	10,300,951	2.4	10,300,836	2.4
Agricultural Services	10,294,615	2.4	10,294,500	2.4
Building & Real Estate	10,134,980	2.3	10,134,867	2.3
Specialty Services	10,038,456	2.3	10,038,398	2.3
Broadcasting & Entertainment	9,806,815	2.3	9,806,718	2.3
Printing & Publishing	9,217,957	2.1	9,217,854	2.1
Restaurants	7,950,000	1.8	7,950,000	1.8
	\$434,196,881	100.0%	\$435,072,183	100.0%

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

Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****4. Fair Value of Financial Instruments – (continued)**

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

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

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

5. Indemnifications

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

6. Due To and Due From Counterparties

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

Amounts due to counterparties were \$110,409 and \$109,204 as of June 30, 2015 and December 31, 2014, respectively. Amounts due from counterparties were \$1,781,998 and \$1,615,125 as of June 30, 2015 and December 31, 2014, respectively.

7. Financing

As of June 30, 2015, the total carrying value of the Company's aggregate debt outstanding was \$233,668,986 with a weighted average effective interest rate of 2.97%. The Company's debt outstanding as of June 30, 2015 was comprised of notes issued by GF 2013-2 and GLC Trust 2013-2 Notes as well as Garrison SBIC borrowings.

Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****7. Financing – (continued)**

The table below provides details of our outstanding debt as of June 30, 2015:

June 30, 2015	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Rating ⁽²⁾	Stated Maturity
Senior Secured Notes:					
Class A-1R Notes	\$47,600,000	\$47,600,000	LIBOR + 1.90% ⁽¹⁾	AAA(sf)	9/25/2023
Class A-1T Notes	110,808,598	111,175,000	LIBOR + 1.80%	AAA(sf)	9/25/2023
Class A-2 Notes	24,050,510	24,150,000	LIBOR + 3.40%	AA(sf)	9/25/2023
Class B Notes	24,921,905	25,025,000	LIBOR + 4.65%	A (sf)	9/25/2023
Garrison SBIC Borrowings:					
SBIC Borrowings	3,500,000	3,500,000	LIBOR + 1.04% ⁽³⁾	N/A	9/23/2015 ⁽⁴⁾
GLC Trust 2013-2 Notes:					
Class A Notes	22,787,973	23,061,881	3.00%	N/A	7/15/2021
	\$233,668,986	\$234,511,881			

(1) May bear interest at either the CP Rate (as defined in the indenture governing the CLO) or the London Interbank Offered Rate (“LIBOR”). As of June 30, 2015, the Class A-1R Notes’ base rate was LIBOR.

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

(3) Interim interest rate and annual charge.

(4) Represents maturity date of our interim financing as well as the next debenture pooling date upon which our financing will be replaced with SBA-guaranteed Debentures.

The table below provides details of our outstanding debt as of December 31, 2014:

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

- (1) May bear interest at either the CP Rate (as defined in the indenture governing the CLO) or the London Interbank Offered Rate (“LIBOR”). As of December 31, 2014, the Class A-1R Notes’ base rate was LIBOR.
- (2) Represents an S&P rating as of the closing of the CLO.

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 Garrison SBIC, as permitted by exemptive relief the Company has been granted by the SEC). As of June 30, 2015 and December 31, 2014, the Company’s asset coverage for borrowed amounts was 210.6% and 207.8%, respectively.

Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****7. Financing – (continued)**

The table below shows the weighted average interest rates and weighted average effective interest rates, inclusive of deferred debt issuance costs, of our debt as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014	
Senior Secured Revolving Notes:			
Weighted average interest rate	2.18%	2.16	%
Weighted average effective interest rate ⁽¹⁾	2.26	2.25	
Senior Secured Term Notes:			
Weighted average interest rate	2.76	2.74	
Weighted average effective interest rate ⁽¹⁾	3.17	3.15	
GLC Trust 2013-2 Class A Note:			
Weighted average interest rate	3.00	3.00	
Weighted average effective interest rate ⁽¹⁾	3.29	4.01	
SBIC Borrowing:			
Weighted average interest rate	1.32	N/A	
Weighted average effective interest rate ⁽¹⁾	2.53	N/A	
Total			
Total weighted average interest rate	2.64	2.65	
Total weighted average effective interest rate	2.97	3.04	

⁽¹⁾ Includes the effects of deferred debt issuance costs

Senior Secured Notes

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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 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 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, which consisted of \$125,000,000 of Class A-T loans and \$50,000,000 of Class A-R loans. All other terms of the Credit Facility remained unchanged.

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

On September 25, 2013, GF 2013-2 completed the CLO through a private placement of (1) \$50,000,000 Class A-1R revolving notes (“Class A-1R Notes”); (2) \$111,175,000 of Class A-1T notes (“Class A-1T Notes”); (3) \$24,150,000 of 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”); (4) \$25,025,000 of Class B notes (“Class B Notes”); (5) \$13,650,000 of Class C notes (“Class C Notes”), which bear interest at three-month LIBOR plus 5.50% (collectively, the Class A Notes, Class B Notes and Class C Notes are referred to as the “Secured Notes”); and (6) \$126,000,000 of subordinated notes (“Subordinated Notes”), which do not have a stated interest rate,(collectively, the Class A Notes, Class B Notes, Class C Notes and the Subordinated Notes as the “GF 2013-2 Notes”).

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

7. Financing – (continued)

We utilized the proceeds of the GF 2013-2 Notes, 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 June 30, 2015, GARS had retained 100% of the Class C Notes, which are eliminated in consolidation. The Subordinated Notes represent the residual interest in GF 2013-2. Immediately following the completion of the CLO, GF 2013-2 Manager owned 100% of the Subordinated Notes, which are eliminated in consolidation.

At June 30, 2015, \$2.4 million of the Class A-1R Notes were undrawn. As of December 31, 2014, the Class A-1R Notes were fully drawn. The Class A-1R Notes bear a 1.00% annual fee on undrawn amounts. The fair value of the GF 2013-2 Notes approximated its carrying value on the consolidated statements of financial condition as of June 30, 2015 and December 31, 2014, respectively.

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

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

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

Class A Notes, Class B Notes and Class C Notes, taken together.

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

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 June 30, 2015 and December 31, 2014, the trustee for the CLO has asserted that all of the coverage tests were met.

Garrison SBIC Borrowings

As discussed in Note 1, Garrison SBIC received a license to operate as an SBIC from the SBA on May 26, 2015. The SBIC License allows Garrison SBIC to obtain SBA-guaranteed debentures in an amount equal to 2.0x equity up to \$150,000,000 of leverage, subject to the issuance of a capital commitment by the SBA and other customary procedures. On June 16, 2015 the SBA issued Garrison SBIC a commitment to provide \$35,000,000 of leverage.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

7. Financing – (continued)

The SBA issues SBA-guaranteed debentures bi-annually on pooling dates in March and September of each year. These debentures are non-recourse, interest only debentures with a 10 year stated maturity, but may be prepaid at any time without penalty. The interest rate of the debentures is fixed at the time of issuance and is based on a coupon rate over the ten year treasury rate at the time of issuance. Interest on the debentures is payable on a semi-annual basis. The SBA issues interim financings to SBICs on non-pooling dates that carry a lower interest rate than the debentures and mature on the next pooling date.

The SBA, as a creditor, will have a superior claim to Garrison SBIC's assets over the Company's stockholders if Garrison SBIC were to be liquidated, or the SBA exercises its remedies under the SBA-guaranteed debentures issued by Garrison SBIC upon an event of default.

As of June 30, 2015, Garrison SBIC had regulatory capital of \$35,000,000 and total SBIC borrowings outstanding of \$3,500,000 that carried an interim interest rate of LIBOR + 0.30% and an annual charge of 0.74% until September 23, 2015, the next expected debenture pooling date. The fair value of the SBIC borrowings approximated its carrying value on the consolidated statement of financial condition as of June 30, 2015.

GLC Trust 2013-2 Notes

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 fair value of the GLC Trust 2013-2 Notes approximated the carrying value on the consolidated statements of financial condition as of June 30, 2015 and December 31, 2014, respectively.

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.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

7. Financing – (continued)

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 June 30, 2015, all of the coverage tests were met.

Deferred Debt Issuance Costs and other Fees

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. For the six months ended June 30, 2015, we paid upfront fees of \$434,875, or 3.43%, on our SBIC borrowings. The upfront fees comprised of a 1.00% commitment fee, a 2.00% leverage fee and 0.43% of 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 \$4,455,182 and \$4,418,235 of deferred debt issuance costs remaining as of June 30, 2015 and December 31, 2014, respectively.

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. A new Investment Advisory Agreement was approved by the Company's stockholders on May 1, 2015. 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.

For the three and six months ended June 30, 2015, the Investment Adviser earned management fees under the Investment Advisory Agreement in the amount of \$1,983,114 and \$3,972,658, respectively. For the three and six months ended June 30, 2014, the Investment Adviser earned management fees in the amount of \$2,016,078 and \$3,973,859, respectively.

Management fees in the amount of \$1,983,114 and \$268,098 were payable as of June 30, 2015 and December 31, 2014, respectively, and are included in management fee payable on the consolidated statements of financial condition.

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

8. Related Party Transactions – (continued)

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 PIK interest or original issue discount) will be paid to the Investment Adviser, together with any other interest accrued on the loan from the date of deferral to the date of payment, only if and to the extent the Company actually receives such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. Any reversal of such amounts would reduce net income for the quarter by the net amount of the reversal (after taking into account the reversal of incentive fees payable) and would result in a reduction and possible elimination of the incentive fees for such quarter. For the avoidance of doubt, no incentive fee will be paid to the Investment Adviser on amounts accrued and not paid in respect of deferred interest. For the three and six months ended June 30, 2015, the Investment Adviser earned an income-based incentive fee on pre-incentive fee net investment income, as calculated under the Investment Advisory Agreement, of \$1,638,713 and \$3,314,121, respectively. For the three and six months ended June 30, 2014, the Investment Adviser earned an income-based incentive fee on pre-incentive fee net investment income, as calculated under the Investment Advisory Agreement, of \$1,626,537 and \$2,932,607, respectively.

The second component, which is capital gains-based, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and equals 20% of the Company's cumulative aggregate realized capital gains through the end of such year, computed net of the Company's aggregate cumulative realized capital losses and aggregate cumulative unrealized capital loss through the end of such year, less the aggregate amount of any previously paid capital gains incentive fees and subject to the Incentive Fee Cap and Deferral Mechanism described below. The capital-gains component of the incentive fee excludes any portion of realized gains (losses) that are associated with the reversal of any portion of unrealized gain/(loss) attributable to periods prior to April 1, 2013. The capital gains component of the incentive fee is not subject to any minimum return to stockholders. For the three and six months ended June 30, 2015 the Investment Adviser reversed previously accrued capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$0 and \$(846,720), respectively. The Investment Adviser reversed previously accrued capital gains-based incentive fee, as calculated under the Investment Advisory Agreement, of \$(241,931) for the three months ended June 30, 2014. The Investment Adviser accrued a capital gains-based incentive fee of \$1,182,523, as calculated under the Investment Advisory Agreement, for the six months ended June 30, 2014.

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

8. Related Party Transactions – (continued)

The Investment Advisory Agreement does not permit unrealized capital gains for purposes of calculating the amount payable to the Investment Adviser. Amounts due related to unrealized capital gains, if any, will not be paid to the Investment Adviser until realized under the terms of the Investment Advisory Agreement (as described above). For the three and six months ended June 30, 2015 the Investment Adviser reversed previously accrued capital gains-based incentive fee, as calculated under U.S. GAAP of \$(621,560) and \$(755,267), respectively. For the three and six months ended June 30, 2014, the Investment Adviser accrued capital gains-based incentive fee, as calculated under U.S. GAAP of \$797,862 and \$1,680,759, respectively.

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. In the aggregate, the Investment Adviser earned incentive fees of \$1,017,153 and \$1,712,134, for the three and six months ended June 30, 2015, respectively. In the aggregate, the Investment Adviser earned incentive fees of \$2,189,556 and \$5,795,889, for the three and six months ended June 30, 2014, respectively. Incentive fees in the amount of \$1,902,919 and \$2,816,310 were payable as of June 30, 2015 and December 31, 2014, 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 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 six months ended June 30, 2015 and June 30, 2014.

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

As discussed in Note 1, GLC Trust 2013-2 entered into the GLC Trust 2013-2 Administration Agreement with an affiliate of our manager, fees incurred under this agreement are included in total administrator expenses presented on the consolidated statement of operations.

Administrator charges for the three and six months ended June 30, 2015 were \$271,647 and \$543,294, respectively. Administrator charges for the three and six months ended June 30, 2014 were \$198,400 and \$403,635, respectively. Administration fees of \$336,617 were payable to the GARS Administrator as of June 30, 2015 and \$74,455 were prepaid as of December 31, 2014.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

8. Related Party Transactions – (continued)

Directors' Fees

The Company's independent directors each receive an annual fee of \$75,000. They also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each in-person Board meeting and receive \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting.

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

For the three and six months ended June 30, 2015, independent directors earned Directors' Fees of \$101,495 and \$207,731, respectively. For the three and six months ended June 30, 2014, independent directors earned Directors' Fees of \$94,046 and \$187,251, respectively. No directors' fees were payable as of June 30, 2015 and December 31, 2014.

Affiliated Stockholders

GSOFF LLC, GSOFF 2014 LLC, GSOFF-SP LLC, GSOFF-SP 2014 LLC, GSOFF-SP II LLC, GSOFF-SP 2014 II LLC, GSOFF-SP DB LLC (subsidiaries of Garrison Special Opportunities Fund LP), GSOIF Corporate Loan Pools Ltd. (a subsidiary of Garrison Special Opportunities Institutional Fund LP), GCOH SubCo 2014-1 LLC (a subsidiary of Garrison Credit Opportunities Holdings L.P.), GCOH SubCo 2014-2 LLC (a subsidiary of Garrison Credit

Opportunities Holdings L.P.), Garrison Capital Fairchild I Ltd. (a subsidiary of Fairchild Offshore Fund L.P.), Garrison Capital Fairchild II Ltd. (a subsidiary of Fairchild Offshore Fund II L.P.) and Garrison Capital Adviser Holdings MM LLC (collectively, the “Garrison Funds”) are all entities that are owned by funds that are managed by the Investment Manager.

As of December 31, 2014, the Garrison Funds owned an aggregate of 2,024,372 or 12.1%, of the total outstanding common shares of GARS, and the officers and directors of the Company directly owned an aggregate of 73,032, or 0.4%, of the total outstanding common shares of GARS. On March 19, 2015, GSOF LLC, GSOF-SP LLC, GSOF-SP II LLC, GSOF-SP DB LLC, GSOIF Corporate Loan Pools Ltd., and GCOH SubCo 2014-1 LLC. (collectively, the “Garrison Offering Funds”) sold an aggregate 884,990 shares of GARS common stock in a secondary offering. In connection with this sale, the Garrison Offering Funds agreed to reimburse the Company for certain fees and expenses in the amount of \$18,654 incurred in connection with the filing of the Company’s Registration Statement. On March 23, 2015, the Garrison Offering Funds sold an aggregate of 125,000 shares of GARS common stock in a private offering. On May 8, 2015, Garrison Capital Fairchild I Ltd. and Garrison Capital Fairchild II Ltd sold an aggregate 200,000 shares of GARS common stock in a secondary offering. As of June 30, 2015, the Garrison Offering Funds held zero shares of GARS common stock.

As of June 30, 2015, GSOF 2014 LLC, GSOF-SP 2014 LLC, GSOF-SP 2014 II LLC, GCOH SubCo 2014-2 LLC, Garrison Capital Fairchild I Ltd., Garrison Capital Fairchild II Ltd. and Garrison Capital Adviser Holdings MM LLC owned an aggregate of 814,382, or 4.9%, of the total outstanding shares of GARS common stock, and the officers and directors of the Company directly owned an aggregate of 84,107, or 0.5%, of the total outstanding shares of GARS common stock.

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 six months ended June 30, 2015 and June 30, 2014.

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

9. Financial Highlights

The following table represents financial highlights for the Company for the six months ended June 30, 2015 and June 30, 2014:

Per share data	June 30, 2015	June 30, 2014
Net asset value per common share at beginning of period	\$15.58	\$15.16
Increase in net assets from operations:		
Net investment income	0.89	0.53
Net realized (loss)/gain on investments	(0.54)	0.58
Net unrealized gain on investments	0.06	0.07
Net increase in net assets from operations	0.41	1.18
Stockholder transactions		
Distributions from net investment income	(0.70)	(0.70)

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Total additions from and dividends and distributions to stockholders	(0.70)	(0.70)
Net asset value per common share at end of period	\$ 15.29		\$ 15.64	
Per share market value at end of period	\$ 14.99		\$ 15.30	
Total book return ⁽¹⁾	2.63	%	7.78	%
Total market return ⁽²⁾	8.70	%	15.54	%
Common shares outstanding at beginning of period	16,758,779		16,758,779	
Common shares outstanding at end of period	16,758,779		16,758,779	
Weighted average common shares outstanding	16,758,779		16,758,779	
Net assets at beginning of period	\$ 261,102,068		\$ 254,080,598	
Net assets at end of period	\$ 256,219,465		\$ 262,084,500	
Average net assets ⁽³⁾	\$ 261,645,274		\$ 261,575,482	
Ratio of net investment income to average net assets ⁽³⁾⁽⁵⁾	10.75	%	7.87	%
Ratio of net expenses to average net assets ⁽⁴⁾⁽⁵⁾	9.61	%	10.57	%
Ratio of portfolio turnover to average investments at fair value ⁽⁴⁾	19.78	%	48.46	%
Asset coverage ratio ⁽⁶⁾	210.55	%	216.02	%
Average outstanding debt ⁽⁷⁾	\$ 234,879,701		\$ 217,599,351	
Average debt per common share	\$ 14.02		\$ 12.98	

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

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

(3) Calculated utilizing monthly net assets.

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

(5) There were no fee waivers for the six months ended June 30, 2015 or June 30, 2014.

(6) 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.

(7) Calculated based on monthly debt outstanding.

Garrison Capital Inc. and Subsidiaries**Notes to Consolidated Financial Statements (unaudited)****June 30, 2015****10. Earnings per Share**

The following table sets forth the computation of the net increase in net assets per share resulting from operations, pursuant to FASB ASC 260, *Earnings per Share* (“ASU 260”), for the six months ended June 30, 2015 and June 30, 2014:

	Six months ended June 30, 2015	Six months ended June 30, 2014
Net increase in net asset resulting from operations	\$6,848,544	\$19,735,047
Basic weighted average shares/members’ capital outstanding	16,758,779	16,758,779
Basic earnings per share/unit	0.41	1.18

11. Dividends and Distributions

The Company’s dividends and distributions are recorded on the ex-dividend date. The following table reflects the cash distributions, including dividends and returns of capital per share, that we have declared on our common stock for the six months ended June 30, 2015 and June 30, 2014:

Record Dates	Board Approval Date	Payment Date	Distribution Declared	Distribution Declared per Share
Six months ended June 30, 2015 ⁽¹⁾				
March 20, 2015	March 3, 2015	March 27, 2015	\$5,865,573	\$ 0.35
June 12, 2015	April 30, 2015	June 26, 2015	\$5,865,574	\$ 0.35
			\$11,731,147	\$ 0.70

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

Record Dates	Board Approval Date	Payment Date	Distribution Declared	Distribution Declared per Share
Six months ended June 30, 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	\$5,865,572	\$ 0.35
			\$11,731,145	\$ 0.70

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

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

12. Commitments and Contingencies

The Company had outstanding commitments to fund investments totaling \$14,527,677 and \$18,180,287 under various undrawn revolvers and other credit facilities as of June 30, 2015 and December 31, 2014, respectively.

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

Garrison Capital Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

13. Subsequent Events

On July 30, 2015, the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which will be paid on September 25, 2015 to stockholders of record as of September 10, 2015.

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

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

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. References to "we," "us," "our" and "Garrison Capital" refer to Garrison Capital LLC and its consolidated subsidiaries.

Forward-Looking Statements

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

- our future operating results;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of increased competition;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our prospective portfolio companies to achieve their objectives;
- the relative and absolute performance of Garrison Capital Advisers LLC, or the investment adviser;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- our ability to make distributions to our stockholders;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies; and
- the impact of future acquisitions and divestitures.

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

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

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

Overview

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

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

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

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

Our investment activities are managed by our Investment Adviser. Our five member investment committee is comprised of Joseph Tansey, Rafael Astruc, Brian Chase, Mitch Drucker and Susan George. Our Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. Under an investment advisory agreement, or the Investment Advisory Agreement, with the Investment Adviser, we pay the Investment Adviser a base management fee and an incentive fee for its services. Garrison Capital Administrator LLC, or the Administrator, provides certain administrative services and facilities necessary for us to operate, including office facilities and equipment and clerical, bookkeeping and record-keeping services, pursuant to an administration agreement, or the Administration Agreement. The

Administrator oversees our financial reporting and prepares our reports to stockholders and reports required to be filed with the SEC.

The Administrator also manages the determination and publication of our net asset value and the preparation and filing of our tax returns and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. The Administrator may retain third parties to assist in providing administrative services to us. To the extent that the Administrator outsources any of its functions, we pay the fees associated with such functions on a direct basis without any profit to the Administrator.

As of June 30, 2015, we held investments in 54 portfolio companies with a fair value of \$435.1 million, including investments in 40 portfolio companies held through the collateralized loan obligation (the "CLO"). The investments held by the CLO as of June 30, 2015 consisted of senior secured loans fair valued at \$327.4 million and related indebtedness of \$207.4. The loans held by the CLO (held at fair value), together with cash and other assets held by the CLO, equaled approximately \$352.5 million as of June 30, 2015. As of June 30, 2015, our portfolio had an average investment size of approximately \$7.3 million, a weighted average yield of 11.0% and a weighted average contractual maturity of 44 months.

Weighted average yield is calculated based on the fair value of the investments and interest expected to be received using the current rate of interest at the balance sheet date to maturity, excluding the effects of future schedule principal amortizations. Weighted average yield represents the portfolio yield and may be higher than what investors will realize because it does not reflect our expenses or any sales load paid by investors.

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

Revenues

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

Expenses

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

our organization;
calculating our net asset value and net asset value per share (including the cost and expenses of any independent valuation firm);
fees and expenses, including travel expenses, incurred by the Investment Adviser or payable to third parties in performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
offerings of our common stock and other securities;
distributions on our shares;
transfer agent and custody fees and expenses;
amounts payable to third parties relating to, or associated with, evaluating, making and disposing of investments;
brokerage fees and commissions;
registration fees;

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

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

Recent Developments

On July 30, 2015, our board of directors (the “Board”), approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which will be paid on September 25, 2015 to stockholders of record as of September 10, 2015.

Since June 30, 2015, the Company closed additional investments totaling \$29.0 million of par value across three new portfolio companies and deployed \$10.5 million of additional SBIC leverage bringing our total leverage drawn to \$14.0 million.

Market Trends

We believe that capital remains limited in the lower middle-market as many traditional lenders to these companies have exited the business due to regulatory restrictions, and many competitors have moved up-market to focus their attention on larger borrowers. Sponsor and club business continues to represent the majority of direct lending opportunities in the lower middle-market, although we have seen banks, other non-bank finance companies and funds participate in select one-off financings. Lower middle-market opportunities continued to command better pricing and structures than in the broadly syndicated market and upper middle-market. Portfolio leverage multiples overall are in line with the previous quarter and historical averages.

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

Consolidated Results of Operations

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

Consolidated operating results for the three and six months ended June 30, 2015 and June 30, 2014 are as follows:

	Three months ended	Three months ended	Three Months	Six Months ended	Six Months ended	Six Months
Dollar amounts in thousands, except per share data	June 30, 2015	June 30, 2014	Variance	June 30, 2015	June 30, 2014	Variance
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Net investment income	\$ 7,176	\$ 5,979	\$ 1,197	\$ 14,858	\$ 8,867	\$ 5,991
Total investment income	13,152	12,848	304	26,631	24,129	2,501
Total expenses	5,976	6,869	(893)	11,772	15,262	(3,490)
Net realized (loss)/gain on investments	(8,521)	800	(9,321)	(9,011)	9,696	(18,707)
Net change in unrealized gain on investments	5,221	2,280	2,941	1,001	1,172	(171)
Net increase in net assets resulting from operations	3,876	9,059	(5,183)	6,849	19,735	(12,887)
Net investment income per share	0.43	0.36	0.07	0.89	0.53	0.36
Net realized/unrealized (loss)/gain from investments per share	(0.20)	0.18	(0.39)	(0.47)	0.65	(1.12)
Net earnings per share	0.23	0.54	(0.32)	0.41	1.18	(0.76)
Net asset value per share	15.29	15.64	(0.35)	15.29	15.64	(0.35)

Net Investment Income

Net investment income for the three and six months ended June 30, 2015 was \$7.2 million and \$14.9 million, respectively. Net investment income for the three and six months ended June 30, 2014 was \$6.0 million and \$8.9 million, respectively.

Net investment income increased by \$1.2 million for the three months ended June 30, 2015 from the three months ended June 30, 2014 and increased by \$6.0 million for the six months ended June 30, 2015 from the six months ended June 30, 2014, as described below under “Investment Income” and “Expenses.”

Investment Income

Investment income for the three and six months ended June 30, 2015 was \$13.2 million and \$26.6 million, respectively. Investment income for the three and six months ended June 30, 2014 was \$12.8 million and \$24.1 million, respectively.

Investment income increased by \$0.4 million for the three months ended June 30, 2015 from the three months ended June 30, 2014 due to an increase in interest income in the amount of \$0.4 million. The increase in interest income was largely driven by an increased weighted average yield on investments during the three months ended June 30, 2015 as compared to June 30, 2014.

Investment income increased by \$2.5 million for the six months ended June 30, 2015 from the six months ended June 30, 2014 due to an increase in interest income in the amount of \$2.8 million, an increase in other income of \$0.1 million offset by a decrease in dividend income of \$(0.4) million. The increase in interest income was largely driven by the increase in the average portfolio investment balance and an increased weighted average yield on investments during the six months ended June 30, 2015 as compared to June 30, 2014.

Expenses

Total expenses for the three and six months ended June 30, 2015 were \$6.0 million and \$11.8 million, respectively. Total expenses for the three and six months ended June 30, 2014 were \$6.9 million and \$15.3 million, respectively.

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The following tables summarize our expenses, excluding accrued excise tax for the three and six months ended June 30, 2015 and June 30, 2014:

(in thousands)	Three months ended June 30, 2015 (Unaudited)	Three months ended June 30, 2014 (Unaudited)	Three Months Variance	Six Months ended June 30, 2015 (Unaudited)	Six Months ended June 30, 2014 (Unaudited)	Six Months Variance
Interest	\$ 1,816	\$ 1,608	\$208	\$ 3,666	\$ 3,357	\$309
Management fees	1,983	2,016	(33)	3,973	3,974	(1)
Incentive Fees	1,017	2,190	(1,173)	1,712	5,796	(4,084)
Professional fees	299	261	38	615	661	(46)
Directors fees	101	94	7	208	187	21
Administrator expenses	272	198	74	513	404	109
Other expenses	530	502	28	1,083	883	200
Total expenses	\$ 6,018	\$ 6,869	\$(851)	\$ 11,770	\$ 15,262	\$(3,492)

Interest expense increased \$0.2 million and \$0.3 million, for the three and six months ended June 30, 2015, respectively, from the three and six months ended June 30, 2014, primarily due to an increase in average debt outstanding. As of the six months ended June 30, 2015 and June 30, 2014, we had \$233.7 million and \$224.7 million of debt outstanding, respectively.

Incentive fees decreased by \$(1.2) million and \$(4.1) million for the three and six months ended June 30, 2015, respectively, from the three and six months ended June 30, 2014, primarily due to increased realized and unrealized losses on investments.

Other expenses for the six months ended June 30, 2015 increased by \$0.2 million from the six months ended June 30, 2014, primarily due to increased deal costs incurred during the six months ended June 30, 2015 as compared to June 30, 2014.

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

For the three and six months ended June 30, 2015 we realized a net loss on investments of \$(8.5) million and \$(9.0) million, respectively.

Net realized losses for the three months ended June 30, 2015 were primarily driven by \$(4.4) million of realized losses incurred from the early full repayment of one portfolio investment, \$(4.1) million of realized losses incurred from the significant restructuring of one portfolio investment and \$(0.6) million of realized losses in GLC Trust 2013-2's consumer loan portfolio, offset by \$0.6 million of realized gains on the early full repayment of eight portfolio investments, the sale of one portfolio investment and other partial repayments.

Net realized losses for the six months ended June 30, 2015 were primarily driven by \$(4.4) million of realized losses incurred from the early full repayment of one portfolio, \$(4.1) million of realized losses incurred from the significant restructuring of one portfolio investment and \$(1.3) million of realized losses in GLC Trust 2013-2's consumer loan portfolio, offset by \$0.8 million of realized gains on the early full repayment of eleven portfolio investments, the sale of one portfolio investment and other partial repayments.

For the three and six months ended June 30, 2014, we realized net gain on investments of \$0.8 million and \$9.7 million, respectively.

Net realized gains for the three months ended June 30, 2014 were incurred as a result of the sale of eight portfolio investments, the early full repayment of eleven portfolio investments and other partial repayments.

Net realized gains for the six months ended June 30, 2014 were driven primarily by \$8.1 million of realized gains incurred from the sale of the parent company of one portfolio investment, Anchor Drilling Fluids USA, Inc., or Anchor, resulting in the early full repayment of the debt and sale of the equity, with the remaining net realized gain of \$1.6 million resulting from the sale of eight portfolio investments, early full repayment of nineteen portfolio investments and other partial repayments.

For the three and six months ended June 30, 2015 the net change in unrealized gain on investments was \$5.2 million and \$1.0 million, respectively.

The net change in unrealized gain for the three months ended June 30, 2015 was driven primarily the reversal of prior period unrealized losses in the amount of \$6.5 million offset by \$(1.3) million of unrealized losses in the value of the remaining portfolio. Reversal of prior period unrealized losses were as a result of the early full repayment of two portfolio investments in the amount of \$3.2 million and the significant restructuring of one portfolio investment in the amount of \$3.3 million. Decreases in the value of the remaining portfolio were primarily as a result of the negative credit related adjustment of one portfolio investment in the amount of \$(1.1) million and \$(0.2) million of losses in the market value of the remaining portfolio.

The net change in unrealized gain for the six months ended June 30, 2015 was driven primarily the reversal of prior period unrealized losses in the amount of \$3.2 million offset by \$(2.2) million of unrealized losses in the value of the remaining portfolio. Reversal of prior period unrealized losses were as a result of the early full repayment of one portfolio investment in the amount of \$1.0 million and the significant restructuring of one portfolio investment in the amount of \$2.7 million offset by repayments of \$(0.5) million. Decreases in the value of the remaining portfolio were primarily as a result of the negative credit related adjustment of two portfolio investments in the amount of \$(2.8) million offset by \$0.6 million of gains in the market value of the remaining portfolio.

For the three and six months ended June 30, 2014, the net change in unrealized gain on investments was \$2.3 million and \$1.2 million, respectively.

The net change in unrealized gain for the three months ended June 30, 2014 was driven primarily by the increase in value of two portfolio companies in the amount of \$4.5 million and the negative credit related adjustment of one portfolio company in the amount of \$(1.6) million. The remaining net change in unrealized gain on investments was due to the reversal of prior period unrealized gain of \$(0.4) million and the decrease in the market value of the remaining portfolio of \$(0.2) million.

The net change in unrealized gain for the six months ended June 30, 2014 was driven primarily by the increase in value of two portfolio companies in the amount of \$4.6 million, offset by the reversal of prior period unrealized gain in the amount of \$(1.8) million as a result of the sale of the parent company of Anchor and the negative credit related adjustment of one portfolio company in the amount of \$(2.1) million. The remaining net change in unrealized gain on

investments was due to the increase in the market value of the remaining portfolio in the amount of \$0.6 million, offset by the reversal of prior period unrealized gain of \$(0.1) million.

Net Increase in Net Assets from Operations

We had a net asset value per common share outstanding on June 30, 2015 of \$15.29. We had a net asset value per common share outstanding on December 31, 2014 of \$15.58.

Based on 16,758,779 basic weighted average shares outstanding, the net increase in net assets from operations per share for the six months ended June 30, 2015 was \$0.41.

Based on 16,758,779 basic weighted average shares outstanding, the net increase in net assets from operations per share for the six months ended June 30, 2014 was \$1.18.

Liquidity and Capital Resources

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

In addition to proceeds from public and private offerings of securities, our CLO, Garrison SBIC borrowings and GLC Trust 2013-2 Notes, as of June 30, 2015 we have identified two portfolio companies with a total par value of \$12.9 million and a fair value of \$12.4 million which are transitory, which we define as those investments that generally yield less than 9.0%. We view these investments as an additional source of liquidity to meet our investment objectives.

Our primary use of funds from operations includes investments in portfolio companies, cash distributions to holders of our common stock, payments of interest on our debt, and payments of fees and other operating expenses we incur. We believe that our existing cash and cash equivalents and our transitory portfolio as of June 30, 2015 will be sufficient to fund our anticipated funding requirements through at least June 30, 2016.

On March 3, 2015, the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which was paid on March 27, 2015 to stockholders of record as of March 20, 2015. On April 30, 2015, the Board approved a distribution in the amount of \$5.9 million, or \$0.35 a share, which was paid on June 26, 2015 to stockholders of record as of June 12, 2015.

As of June 30, 2015 and December 31, 2014, we had cash of \$28.1 million and \$13.7 million, respectively. Also, as of June 30, 2015 and December 31, 2014, we had restricted cash of \$20.6 million and \$14.3 million, respectively.

During the six months ended June 30, 2015, cash increased by \$14.5 million as a result of net cash provided by operating activities of \$33.4 million offset by net cash used in financing activities in the amount of \$(18.9) million.

During the six months ended June 30, 2015, cash provided by operating activities resulted mainly from \$14.9 million of net investment income and \$26.7 million of net repayments and sales of investments. This was offset by a \$(6.4) million change in restricted cash. Net cash used in financing activities resulted from \$(11.7) million in cash distributions, \$(7.8) million in repayments of the GLC Trust 2013-2 Class A notes and \$(2.4) million in repayments of the CLO revolving notes, offset by proceeds from Garrison SBIC borrowing in the amount of \$3.5 million.

During the six months ended June 30, 2014, cash and cash equivalents increased by \$2.4 million as a result of net cash provided by operating activities of \$8.9 million offset by cash used in financing activities in the amount of \$6.5 million.

During the six months ended June 30, 2014, cash provided by operating activities resulted mainly from net investment income in the amount of \$8.9 million, \$9.7 million of realized gains, repayments and sales of investments in the amount of \$154.0 million and \$66.1 million, respectively, as well as an increase in payables to affiliates in the amount of \$4.3 million, offset by purchases of investments in the amount of \$212.3 million and an increase in due from

counterparties in the amount of \$9.2 million. Net cash used in financing activities resulted from cash distributions in the amount of \$11.7 million, offset by proceeds from borrowings on the GLC Trust 2013-2 Revolver in the amount of \$5.3 million.

As of June 30, 2015 and December 31, 2014, we had \$14.5 million and \$18.2 million, respectively, of unfunded obligations with a fair value of \$(0.1) million and \$(0.3) million, respectively. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of June 30, 2015 and December 31, 2014, respectively, subject to the terms of each loan's respective credit agreement.

Subject to leverage and borrowing base restrictions, as of June 30, 2015, we had approximately \$2.4 million available for additional borrowings under the CLO and no available borrowings under the GLC Trust 2013-2 Revolver. As of December 31, 2014, we had approximately \$0.0 and \$0.8 million available for additional borrowings under the CLO and GLC Trust 2013-2 Revolver, respectively.

Portfolio Composition and Select Portfolio Information

As of June 30, 2015, we held investments in 54 portfolio companies with a fair value of \$435.1 million. As of June 30, 2015, our portfolio had an average investment size of approximately \$7.3 million, a weighted average yield of 11.0% and a weighted average contractual maturity of 44 months.

The following table shows select information of our portfolio for the periods from June 30, 2014 to June 30, 2015.

Summary of Portfolio characteristics (\$ in millions)	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Total Market Value	\$435.1	\$452.0	\$467.8	\$448.6	\$433.6
Number of portfolio companies	54	57	57	56	62
Average investment size (1)	\$7.3	\$6.7	\$6.8	\$6.6	\$5.8
Weighted average yield (2)	11.0 %	10.8 %	10.5 %	10.0 %	10.4 %
Weighted average price (1)	97.1	95.9	97.1	98.0	98.3
First lien	88.8 %	85.8 %	85.3 %	78.8 %	77.1 %
Second lien & mezzanine/subordinated	2.6 %	5.5 %	5.4 %	8.7 %	7.1 %
Consumer loans	6.1 %	6.9 %	7.8 %	9.0 %	10.5 %
Equity & other	2.5 %	1.8 %	1.5 %	3.5 %	5.3 %
Originated (3)	55.3 %	50.4 %	48.1 %	46.9 %	39.6 %
Club (4)	28.7 %	27.0 %	27.4 %	24.2 %	24.7 %
Purchased	16.0 %	22.6 %	24.5 %	28.9 %	35.7 %
Fixed (1)	9.0 %	9.1 %	9.2 %	13.8 %	12.3 %
Floating (1)	91.0 %	90.9 %	90.8 %	86.2 %	87.7 %
Performing (1)	99.0 %	99.1 %	99.1 %	99.1 %	98.8 %
Non-accrual(1)	1.0 %	0.9 %	0.9 %	0.9 %	1.2 %
Weighted average debt/EBITDA (1) (2) (5)	3.7 x	3.6 x	3.6 x	3.4 x	3.5 x
Weighted average risk rating (1)	2.51	2.48	2.52	2.40	2.33

(1) Excludes consumer loans and equity investments.

(2) Excludes investments with a risk rating of 4, unfunded revolvers and equity investments.

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

(4) Club positions include investments where we provided direct lending to a borrower with one or two other lenders but did not lead the deal.

Excludes non-operating portfolio companies, which we define as those with loans collateralized by real estate, (5)proved developed producing value (“PDP”) or other hard assets. PDPs are proven revenues that can be produced with existing wells.

Ongoing Monitoring

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

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

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

- periodic and regular contact with portfolio company management and, if appropriate, the portfolio company's financial or strategic sponsor, to discuss financial position, requirements and accomplishments;

- comparisons to other portfolio companies in the industry, if any;

- attendance at and participation in board meetings; and

- review of monthly and quarterly financial statements and financial projections for portfolio companies.

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

- a rating of 1 denotes a high quality investment with no loss of principal expected;

- a rating of 2 denotes a moderate to high quality investment with no loss of principal expected;

- a rating of 3 denotes a moderate quality investment with market rates of expected loss of principal and potential non-compliance with financial covenants; and

- a rating of 4 denotes a low quality investment with an expected loss of principal. In case of risk grade 4 loans, our Investment Adviser will assign a recovery value to the loan.

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The following table shows the distribution of our investments on the 1 to 4 investment performance rating scale at fair value, excluding our interest in GLC Trust 2013-2 and equity investments as of as of June 30, 2015 and December 31, 2014:

(\$ in millions)	As of June 30, 2015			As of December 31, 2014		
	Investments		Percentage	Investments		Percentage
	at		of	at		of
	Total		Total	Total		Total
	Fair Value	Investments		Fair Value	Investments	
Risk Rating 1	\$11.2	2.7 %		\$5.4	1.3 %	
Risk Rating 2	184.8	45.2		211.6	49.9	
Risk Rating 3	203.5	49.7		199.1	46.9	
Risk Rating 4	9.8	2.4		8.2	1.9	
	\$409.3	100.0 %		\$424.3	100.0 %	

The weighted average risk rating of the portfolio was 2.51 and 2.52 as of June 30, 2015 and December 31, 2014, respectively.

Inflation

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

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of June 30, 2015 and December 31, 2014, we had \$14.5 million and \$18.2 million of outstanding commitments to fund such investments, respectively.

Contractual Obligations

A summary of our significant contractual payment obligations as of June 30, 2015 is as follows:

	Payments Due by Period (in millions)				
	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years	Total
CLO Facility II	\$-	\$ -	\$ -	\$208.0	\$208.0
GLC Trust 2013-2 Class A Note	-	-	-	23.1	23.1
SBIC Borrowings	3.5	-	-	-	3.5
Total contractual obligations	\$3.5	\$ -	\$ -	\$231.1	\$234.6

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

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

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

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

Critical Accounting Policies

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

Basis for Consolidation

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

Valuation of Portfolio Investments

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

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

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

Level 3 – significant unobservable inputs (including the Investment Adviser's own assumptions about the assumptions market participants would use in determining the fair values of investments).

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

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

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

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

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

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

Our Board has retained several independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period. To the extent a security is reviewed in a particular quarter, it is reviewed and valued by only one service provider. However, our Board does not intend to have de minimis investments of less than 0.5% of our total assets (up to an aggregate of 10% of our total assets) independently reviewed. Our Board is ultimately and solely responsible for determining the fair value of our assets using a documented valuation policy and consistently applied valuation process.

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

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

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

• Our quarterly valuation process begins with each portfolio company or investment being initially valued by investment professionals of our Investment Adviser responsible for credit monitoring.

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

• The valuation committee of the Board reviews these preliminary valuations.

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

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

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

Investment Transactions and Related Investment Income and Expense

We record our investment transactions on a trade date basis, which is the date when management has determined that all material legal terms have been contractually defined for the transactions. These transactions could possibly settle on a subsequent date depending on the transaction type.

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

We accrue interest income if we expect that ultimately we 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 we will cease recognizing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed to be collectible. However, we remain contractually entitled to this interest.

We may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. For consumer loans, any loan which is 120 days past due is considered defaulted and 100% of the principal is charged off with no expected recovery or sale of defaulted receivables. We had one investment that was placed on non-accrual status as of both June 30, 2015 and December 31, 2014.

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

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

Interest Expense

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

Other Expenses

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

Loan Origination, Facility, Commitment and Amendment Fees

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

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

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

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

Distributions

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

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

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

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

Income Tax

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

We intend to comply with all RIC qualification provisions contained in the Code including certain source-of-income and asset diversification requirements as well as the annual distribution requirements, which require us to distribute to our stockholders an amount generally equal to at least 90% of "investment company taxable income." "Investment

company taxable income” is generally defined as net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses. As a RIC, we do not have to pay corporate-level U.S. federal income taxes on any net ordinary income or net capital gains that we distribute to our stockholders in a timely manner. However, we are subject to U.S. federal income taxes at regular corporate tax rates on any net ordinary income or net capital gain not distributed to our stockholders assuming at least 90% of our investment company taxable income is distributed each taxable year.

Depending on the level of taxable income earned in a tax year, the Company may choose to retain taxable income in excess of current year dividend distributions, and would distribute such taxable income in the next tax year. The Company would then pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income, determined on a calendar basis, could exceed estimated current calendar year dividend distributions, we accrue excise tax, if any, on estimated excess taxable income as taxable income is earned.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

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

Assuming that the interim and unaudited consolidated statement of financial condition as of June 30, 2015 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates (dollars in thousands)	Increase (decrease) in interest income		Net increase (decrease) in investment income
	in interest income	(decrease) in interest expense	in investment income
Down 25 basis points	\$-	\$ (410)	\$ 410
Up 50 basis points	61	954	(893)
Up 100 basis points	962	2,011	(1,049)
Up 200 basis points	3,930	4,126	(196)
Up 300 basis points	8,059	6,240	1,819

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

We may in the future hedge against currency and interest rate fluctuations by using standard hedging instruments such as futures, forward contracts, currency options and interest rate swaps, caps, collars and floors, and the collateral manager may engage in similar hedging activities with respect to the obligations of the CLO, to the extent permitted under the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in currency exchange and interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates. We, our Investment Adviser and the collateral manager have not hedged any of the obligations of the CLO.

Item 4: Controls and Procedures

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

Part II — Other Information

Item 1: Legal Proceedings

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

Item 1A: Risk Factors

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our Annual Report on Form 10-K filed with the SEC on March 4, 2015 and amended on July 21, 2015, and Post-Effective Amendment No. 6 to our Form N-2, filed on July 28, 2015, which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

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

None.

Item 3: Defaults Upon Senior Securities

None.

Item 4: Mine Safety Disclosures

Not applicable.

Item 5: Other Information

None.

Item 6: Exhibits

EXHIBIT INDEX

Number Description

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

* Filed herewith.

SIGNATURES

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

Garrison Capital Inc.

By /s/ Joseph Tansey

Dated: August 4, 2015 Joseph Tansey

Chief Executive Officer

(Principal Executive Officer)

By /s/ Brian Chase

Dated: August 4, 2015 Brian Chase

Chief Financial Officer

(Principal Financial Officer)

By /s/ Michelle Rancic

Dated: August 4, 2015 Michelle Rancic

Chief Accounting Officer

(Principal Accounting Officer)