

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Quarterly Period Ended June 30, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 814-00878

**Garrison Capital Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**1290 Avenue of the Americas, Suite 914**

**New York, New York 10104**

(Address of principal executive offices)

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

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	GARS	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of August 6, 2019 the Registrant had 16,049,352 shares of common stock, \$0.001 par value, outstanding.

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**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Statements of Financial Condition**  
(\$ in thousands, except share and per share amounts)

**Part I. Financial Information**

**Item 1. Financial Statements**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	(unaudited)	
<b>Assets</b>		
Cash	\$ 853	\$ 6,191
Restricted cash	29,131	39,531
Due from counterparties	2,219	58
Investments, at fair value		
Non-control/non-affiliate investments (amortized cost of \$481,492 and \$466,500, respectively)	474,016	452,347
Non-control/affiliate investments (amortized cost of \$3,685 and \$3,715, respectively)	1,480	1,630
Control/affiliate investments (amortized cost of \$11,209 and \$0, respectively)	11,209	—
Accrued interest receivable	3,312	2,585
Other assets	1,465	1,624
<b>Total assets</b>	<u>\$ 523,685</u>	<u>\$ 503,966</u>
<b>Liabilities</b>		
Due to counterparties	\$ 5,895	\$ 23,390
Senior secured revolving note (Note 4)	47,500	8,000
Senior secured term notes (Note 4)	241,240	241,149
SBIC borrowings (Note 4)	58,432	58,343
Management fee payable (Note 5)	1,680	49
Incentive fee payable (Note 5)	620	271
Administrator fee payable (Note 5)	203	—
Accrued interest payable	2,169	3,040
Accrued expenses and other payables	613	812
<b>Total liabilities</b>	<u>\$ 358,352</u>	<u>\$ 335,054</u>
<b>Commitments and contingencies (Note 9)</b>		
<b>Net assets</b>		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 16,758,779 shares issued and 16,049,352 shares outstanding as of both June 30, 2019 and December 31, 2018	\$ 17	\$ 17
Paid-in-capital in excess of par	249,124	249,124
Total distributable earnings/(loss)	(83,808)	(80,229)
<b>Total net assets</b>	<u>165,333</u>	<u>168,912</u>
<b>Total liabilities and net assets</b>	<u>\$ 523,685</u>	<u>\$ 503,966</u>
Shares of common stock outstanding	16,049,352	16,049,352
Net asset value per share	<u>\$ 10.30</u>	<u>\$ 10.52</u>

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

<u>Security Description</u>	<u>Base Rate</u>	<u>Spread</u>	<u>All In Rate</u>	<u>Maturity</u>	<u>Par / Shares</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Equity Investments</b>								
<b>Building Products</b>								
Valterra Products Holdings, LLC, Class A LLC Units	N/A	N/A	N/A	N/A	185,847	\$ 186	\$ 784	0.47%
Valterra Products Holdings, LLC, Class B LLC Units	N/A	N/A	N/A	N/A	20,650	21	87	0.05
						207	871	0.52
<b>Commercial Services and Supplies</b>								
Faraday Holdings, LLC, LLC Units	N/A	N/A	N/A	N/A	2,752	140	725	0.44
						140	725	0.44
<b>Healthcare Equipment and Services</b>								
Juniper TGX Investment Partners, LLC, LLC Units	N/A	N/A	N/A	N/A	3,146	671	3,336	2.02
						671	3,336	2.02
<b>Household Products and Durables</b>								
Oneida Group Inc., Common Stock	N/A	N/A	N/A	N/A	1,085,565	4,160	1,591	0.96
						4,160	1,591	0.96
<b>Diversified Financial Services</b>								
Prosper Marketplace, Inc., Series B Preferred Stock <sup>(b)(2)</sup>	N/A	N/A	N/A	N/A	912,865	551	640	0.39
						551	640	0.39
<b>Total Equity Investments</b>						<b>\$ 5,729</b>	<b>\$ 7,163</b>	<b>4.33%</b>
<b>Debt Investments</b>								
<b>Aerospace and Defense</b>								
Constellis Holdings, LLC, Term Loan*	2.58%	5.00%	7.58%	4/22/2024	3,347	\$ 3,300	\$ 2,510	1.52%
Novetta Solutions, Term Loan*	2.41%	5.00%	7.41%	10/17/2022	1,974	1,938	1,935	1.17
Vertex Aerospace Services Corp., Initial Term Loan*	2.40%	4.50%	6.90%	6/30/2025	1,811	1,803	1,815	1.10
						7,041	6,260	3.79
<b>Air Freight and Logistics</b>								
Gruden Acquisition, Inc., Term Loan (First Lien)*	2.33%	5.50%	7.83%	8/18/2022	2,452	2,434	2,434	1.47
Kane is Able, Inc., Term Loan**	2.45%	7.00%	9.45%	3/13/2024	6,504	6,380	6,378	3.86
						8,814	8,812	5.33

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Auto Components</b>								
BBB Industries LLC (GC EOS Buyer), Term Loan*	2.40%	4.50%	6.90%	8/1/2025	3,474	\$ 3,466	\$ 3,456	2.09%
Challenge Mfg. Company, LLC, Term Loan B*	2.41%	6.50%	8.91%	4/20/2022	7,677	7,621	7,638	4.62
Holley Purchaser, Inc., Term Loan*	2.58%	5.00%	7.58%	10/24/2025	6,587	6,493	6,389	3.86
Shipston Equity Holdings, LLC, Term Loan*(l)	2.60%	6.94%	9.54%	9/28/2023	5,847	5,797	5,796	3.51
Winter Park Intermediate, Inc. (Wheel Pros), Term Loan*	2.40%	4.75%	7.15%	4/4/2025	2,638	2,612	2,612	1.58
						25,989	25,891	15.66
<b>Building Products</b>								
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Term Loan**	2.44%	8.25%	10.69%	2/15/2023	6,991	6,890	6,432	3.89
Janus International Group, LLC, Tranche B-2 Term Loan*	2.40%	4.50%	6.90%	2/12/2025	2,227	2,195	2,227	1.35
						9,085	8,659	5.24
<b>Chemicals</b>								
Aristech Surfaces LLC, Term Loan B*	2.50%	7.00%	9.50%	10/17/2019	8,860	8,851	8,674	5.25
						8,851	8,674	5.25
<b>Commercial Services and Supplies</b>								
Del Mar Recovery Solutions, Inc., Term Loan**	2.33%	8.50%	10.83%	6/28/2021	7,653	7,600	7,653	4.63
DMT Solutions Global Corporation (Pitney Bowes), Term Loan*	2.50%	7.00%	9.50%	7/2/2024	6,928	6,756	6,634	4.01
Interior Logic Group, Term Loan*	2.33%	4.00%	6.33%	5/30/2025	6,478	6,451	6,373	3.85
Staples, Inc., 2019 Refinancing New Term B-1 Loan*	2.60%	5.00%	7.60%	4/16/2026	3,000	2,971	2,876	1.74
USAGM Holdco, LLC, Incremental Term Loan*	2.40%	4.25%	6.65%	7/28/2022	2,888	2,873	2,888	1.75
USAGM Holdco, LLC, Initial Term Loan (First Lien)*	2.40%	3.75%	6.15%	7/28/2022	987	980	987	0.60
VIP Cinema Holdings, Inc., Term Loan*	2.41%	6.00%	8.41%	3/1/2023	4,938	4,926	4,568	2.76
						32,557	31,979	19.34
<b>Construction and Engineering</b>								
Brand Energy & Infrastructure Services, Inc., Term Loan*	2.54%	4.25%	6.79%	6/21/2024	1,988	1,920	1,919	1.16
GeoStabilization International, Term Loan*	2.33%	5.50%	7.83%	12/19/2025	3,340	3,309	3,332	2.02
QualTek USA, LLC, Term Loan*	2.58%	5.75%	8.33%	7/18/2025	5,885	5,785	5,731	3.47
						11,014	10,982	6.65
<b>Containers and Packaging</b>								
Ball Metalpack Finco LLC, Term Loan*	2.52%	4.50%	7.02%	7/31/2025	546	543	537	0.32
Klockner Pentaplast of America, Inc., Term Loan*(i)	2.40%	4.25%	6.65%	6/30/2022	4,606	4,491	4,070	2.46
						5,034	4,607	2.78

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Diversified Financial Services</b>								
Acrisure, LLC, Term Loan*	2.52%	4.25%	6.77%	11/22/2023	1,489	\$ 1,479	\$ 1,480	0.90%
AIS Holdco, LLC, Term Loan*	2.58%	5.00%	7.58%	8/15/2025	2,664	2,652	2,584	1.56
Financial & Risk US Holdings, Inc. (Refinitiv), Term Loan*	2.40%	3.75%	6.15%	10/1/2025	2,194	2,189	2,126	1.29
Integrity Marketing Acquisition, LLC, Delayed Draw Term Loan*	2.33%	4.25%	6.58%	11/28/2025	740	740	736	0.45
Integrity Marketing Acquisition, LLC, Term Loan*	2.33%	4.25%	6.58%	11/28/2025	5,253	5,229	5,227	3.16
PlanMember Financial Corporation, Term Loan*(i)	3.00%	5.00%	8.00%	6/21/2024	1,600	1,591	1,596	0.97
						13,880	13,749	8.33
<b>Diversified Telecommunication Services</b>								
Fusion Connect, Inc., DIP Loan*(i)(b)	2.42%	10.00%	12.42% PIK	10/7/2019	249	246	245	0.15
Fusion Connect, Inc., Bridge Loan*(i)(b)	5.50%	9.00%	14.50% PIK	10/7/2019	249	242	238	0.14
Fusion Connect, Inc., Tranche B Term Loan (First Lien)*(i)(b)	5.50%	6.50%	12.00% PIK	5/4/2023	7,574	7,355	6,503	3.93
KORE Wireless Group Inc., Term B Loan*	2.33%	5.50%	7.83%	12/20/2024	8,219	8,144	8,142	4.92
Onvoy, LLC, Term Loan*	2.33%	4.50%	6.83%	2/12/2024	2,969	2,962	2,627	1.59
U.S. Telepacific Corp., Term Loan B*	2.33%	5.00%	7.33%	5/2/2023	7,190	7,147	6,829	4.13
						26,096	24,584	14.86
<b>Electrical Equipment</b>								
Electrical Components International, Inc., Term Loan*	2.33%	4.25%	6.58%	6/26/2025	4,962	4,945	4,516	2.73
Luminii LLC, Term Loan*	2.59%	6.25%	8.84%	4/11/2023	7,244	7,188	7,226	4.37
Verifone Systems, Inc., Term Loan*	2.52%	4.00%	6.52%	8/20/2025	1,990	1,990	1,925	1.16
						14,123	13,667	8.26
<b>Energy Equipment and Services</b>								
BJ Services, LLC, Term Loan*	2.59%	7.00%	9.59%	1/3/2023	6,697	6,637	6,636	4.01
NGS US FinCo, LLC, Term Loan*	2.40%	4.25%	6.65%	10/1/2025	2,701	2,689	2,695	1.63
						9,326	9,331	5.64
<b>Food Products</b>								
Gold Coast Bakeries, LLC, Revolver*	2.40%	5.75%	8.15%	9/27/2022	2,771	2,771	2,771	1.68
Gold Coast Bakeries, LLC, Term Loan**	2.40%	5.75%	8.15%	9/27/2022	9,379	9,303	8,441	5.11
Mother's Market & Kitchen, Inc, Term Loan**(i)	2.41%	6.03%	8.44%	7/26/2023	7,814	7,719	7,715	4.67
Quirch Foods Holdings, LLC, Initial Term Loan*	2.40%	6.00%	8.40%	12/19/2025	4,556	4,513	4,533	2.74
US Salt, LLC, Initial Term Loan*(i)	2.40%	4.75%	7.15%	1/16/2026	1,336	1,323	1,334	0.81
						25,629	24,794	15.01

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Healthcare Equipment and Services</b>								
AC Merger Sub, Inc. (Analogic), Term Loan*	2.40%	6.00%	8.40%	6/24/2024	8,518	\$ 8,447	\$ 8,444	5.11%
ActivStyle, Inc., Term Loan**	2.63%	7.50%	10.13%	7/9/2020	10,329	10,291	10,329	6.25
Community Care Health Network, LLC, Term Loan*	2.35%	4.75%	7.10%	2/18/2025	1,386	1,383	1,355	0.82
LifeScan Global Corp., Term Loan*	2.66%	6.00%	8.66%	10/1/2024	2,747	2,671	2,616	1.58
Maxor Acquisition, Inc., Term Loan*	2.33%	5.50%	7.83%	11/22/2023	8,899	8,834	8,830	5.34
SSC (Lux) Limited Sarl (Surgical Specialties), Term Loan*	2.55%	5.00%	7.55%	5/6/2025	4,408	4,365	4,363	2.64
Theragenics Corporation, Term Loan**	2.35%	8.00%	10.35%	5/31/2024	8,888	8,825	8,888	5.38
						44,816	44,825	27.12
<b>Hotels, Restaurants and Leisure</b>								
Bravo Brio Restaurant Group, Inc., Term Loan*( <sup>l</sup> )	2.41%	6.74%	9.15%	5/24/2023	8,302	8,205	7,887	4.77
CircusTrix Holdings, LLC, Term Loan B*	2.40%	5.50%	7.90%	12/16/2021	5,955	5,917	5,915	3.58
HRI Holding Corp. (Houlihans Restaurants), Term Loan*	5.50%	7.25%	12.75%	12/17/2020	6,247	6,209	5,622	3.40
						20,331	19,424	11.75
<b>Household Products and Durables</b>								
Brown Jordan International Inc., Term Loan*	2.35%	5.00%	7.35%	1/31/2023	5,728	5,701	5,413	3.27
Comfort Holding, LLC (Innocor, Inc.), Term Loan*	2.40%	4.75%	7.15%	2/5/2024	2,970	2,882	2,967	1.79
CR Brands, Inc., Term Loan( <sup>h</sup> )	2.44%	11.25%	13.69% PIK	7/10/2019	6,353	6,353	6,353	3.84
NBG Acquisition Inc., Term Loan*	2.33%	5.50%	7.83%	4/26/2024	5,714	5,656	5,442	3.29
University Furnishings, L.P., Term Loan***( <sup>l</sup> )	2.61%	9.33%	11.94%	10/13/2022	10,830	10,731	10,830	6.55
						31,323	31,005	18.74

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
Internet Software and Services								
Aptos, Inc., Term Loan*	2.40%	5.50%	7.90%	7/23/2025	7,775	\$ 7,708	\$ 7,688	4.65%
BMC Software Finance, Inc., Term Loan*	2.33%	4.25%	6.58%	10/2/2025	2,985	2,962	2,832	1.71
ConvergeOne Holdings, Inc., Initial Term Loan (First Lien)*	2.40%	5.00%	7.40%	1/4/2026	2,201	2,117	2,088	1.26
Corel Corporation, Term Loan*(1)	2.52%	5.00%	7.52%	6/4/2024	11,406	11,196	11,252	6.81
Emtec Global Services Holdings, LLC, Revolver(6) (5)	2.43%	16.25%	18.68% PIK	11/30/2020	497	455	361	0.22
Emtec Global Services Holdings, LLC, Term Loan**(3)(5)	2.43%	16.25%	18.68% PIK	11/30/2020	4,157	3,810	3,060	1.85
Exela Intermediate LLC, Term Loan*(1)	2.35%	6.50%	8.85%	7/12/2023	5,755	5,687	4,892	2.96
HDC/HW Intermediate Holdings, LLC, Revolver*	2.33%	7.50%	9.83%	12/21/2023	232	232	228	0.14
HDC/HW Intermediate Holdings, LLC, Term Loan*	2.33%	7.50%	9.83%	12/21/2023	6,664	6,548	6,535	3.95
Intermedia Holdings, Inc., Term Loan*	2.40%	6.00%	8.40%	7/21/2025	2,737	2,717	2,737	1.66
LANDesk Group, Inc., Term Loan*	2.42%	4.25%	6.67%	1/22/2024	3,680	3,660	3,666	2.22
Lionbridge Technologies, Inc., Term Loan*	2.40%	5.50%	7.90%	2/28/2024	3,178	3,177	3,178	1.92
Newscycle Solutions, Inc., Delayed Draw Term Loan*	2.44%	7.00%	9.44%	12/29/2022	771	771	760	0.46
Newscycle Solutions, Inc., Revolver	2.40%	7.00%	9.40%	12/29/2022	439	438	432	0.26
Newscycle Solutions, Inc., Term Loan*	2.40%	7.00%	9.40%	12/29/2022	8,431	8,313	8,305	5.02
Orbit Purchaser LLC (Orion), Delayed Draw Term Loan*	2.69%	4.50%	7.19%	10/21/2024	758	752	752	0.45
Orbit Purchaser LLC (Orion), Incremental Term Loan*	2.69%	4.50%	7.19%	10/21/2024	1,567	1,553	1,553	0.94
Orbit Purchaser LLC (Orion), Term Loan*	2.55%	4.50%	7.05%	10/21/2024	2,594	2,571	2,570	1.55
Perforce Software, Inc., Term Loan*	2.43%	4.50%	6.93%	12/27/2024	5,344	5,319	5,321	3.22
Quest Software US Holdings Inc., Term Loan*	2.58%	4.25%	6.83%	5/16/2025	2,266	2,250	2,226	1.35
RA Outdoors LLC (Active Network), Term Loan*	2.40%	4.75%	7.15%	9/11/2024	7,843	7,783	7,780	4.71
Travelport Finance (Luxembourg) S.Å r.l., Term Loan*(1)	2.54%	5.00%	7.54%	5/29/2026	2,648	2,597	2,485	1.50
Vero Parent, Inc. (fka Syncsort Incorporated), Initial Term Loan (First Lien)*	2.40%	4.50%	6.90%	8/16/2024	4,853	4,796	4,805	2.91
						87,412	85,506	51.72
Leisure Products								
Bass Pro Group, LLC, Initial Term Loan*	2.40%	5.00%	7.40%	9/25/2024	7,138	7,103	6,806	4.12
Playpower, Inc., Initial Term Loan*	2.40%	5.50%	7.90%	5/8/2026	5,289	5,238	5,296	3.20
						12,341	12,102	7.32
Media								
Project Sunshine IV Pty Ltd, 2017 Incremental Term Loan*(1)	2.40%	7.00%	9.40%	8/22/2022	2,340	2,318	2,328	1.41
						2,318	2,328	1.41
Metals and Mining								
Alchemy US Holdco 1, LLC (Kymera), Term Loan*	2.41%	5.50%	7.91%	10/10/2025	2,177	2,148	2,156	1.30
						2,148	2,156	1.30

*See accompanying notes to consolidated financial statements.*



**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Pharmaceuticals</b>								
Akorn, Inc., Loan <sup>(f)(6)</sup>	2.44%	6.25% Cash + 0.75% PIK	8.69% Cash + 0.75% PIK	4/16/2021	2,002	\$ 1,977	\$ 1,872	1.13%
RiteDose Holdings I, Inc., Term Loan*	2.59%	6.50%	9.09%	9/13/2023	7,937	7,853	7,886	4.77
						9,830	9,758	5.90
<b>Professional Services</b>								
Institutional Shareholder Services Inc., Initial Term Loan (First Lien)*	2.33%	4.50%	6.83%	3/5/2026	4,842	4,796	4,794	2.90
Signify Health, LLC (fka Chloe Ox Parent, LLC), Term Loan*	2.33%	4.50%	6.83%	12/23/2024	1,866	1,851	1,861	1.13
						6,647	6,655	4.03
<b>Retail</b>								
Sundance Holdings Group, LLC, Term Loan <sup>(4)</sup>	2.51%	6.48%	8.99%	5/1/2024	6,717	6,658	6,656	4.03
						6,658	6,656	4.03
<b>Semiconductors and Semiconductor Equipment</b>								
Ultra Clean Holdings, Inc., Term Loan <sup>(4)</sup>	2.40%	4.50%	6.90%	8/27/2025	2,586	2,552	2,431	1.47
						2,552	2,431	1.47
<b>Technology Hardware, Storage and Peripherals</b>								
Elo Touch Solutions, Inc., Term B Loan (First Lien)*	2.43%	6.50%	8.93%	12/15/2025	3,047	2,907	3,021	1.83
Table Top Media, LLC, Lease**	N/A	10.00%	10.00%	10/15/2019	255	254	255	0.15
						3,161	3,276	1.98
<b>Textiles, Apparel and Luxury Goods</b>								
Centric Brands Inc., Term Loan <sup>(4)(6)</sup>	2.58%	6.00%	8.58%	10/27/2023	7,774	7,671	7,669	4.64
Champ Acquisition Corp., Initial Term Loan (First Lien) <sup>(4)</sup>	2.33%	5.50%	7.83%	12/19/2025	3,110	3,024	3,071	1.86
Keeco Holdings, LLC, Term Loan*	2.39%	7.75%	10.14%	3/15/2024	5,747	5,682	5,682	3.44
Triangle Home Fashions, LLC, Term Loan <sup>(4)</sup>	2.41%	6.88%	9.29%	3/9/2023	10,500	10,364	10,500	6.35
						26,741	26,922	16.29
<b>Trading Companies and Distributors</b>								
Cook & Boardman Group LLC, The, Term Loan*	2.62%	5.75%	8.37%	10/17/2025	3,686	3,653	3,668	2.22
Sprint Industrial Holdings, LLC, Term Loan (First Lien) <sup>(6)</sup>	2.33%	5.75% Cash + 1.00% PIK	8.08% Cash + 1.00% PIK	8/15/2019	4,722	4,721	4,722	2.86
						8,374	8,390	5.08
<b>Transportation Services</b>								
Airxcel, Inc., Term Loan*	2.40%	4.50%	6.90%	4/28/2025	990	988	931	0.56
PS Holdco, LLC, Term Loan*	2.40%	4.75%	7.15%	3/13/2025	7,446	7,418	7,357	4.45
Sirva Worldwide, Term Loan*	2.45%	5.50%	7.95%	8/4/2025	5,372	5,313	5,207	3.15
						13,719	13,495	8.16
<b>Total Debt Investments</b>						<b>\$ 475,810</b>	<b>\$ 466,918</b>	<b>282.44%</b>

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Unfunded Commitments</b>								
<b>Building Products</b>								
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Revolver	N/A	0.75%	0.75%	2/15/2023	43	\$ —	\$ —	—%
						—	—	—
<b>Commercial Services and Supplies</b>								
Del Mar Recovery Solutions, Inc., Revolver	N/A	0.75%	0.75%	6/28/2021	990	(7)	—	—
						(7)	—	—
<b>Diversified Financial Services</b>								
Integrity Marketing Acquisition, LLC, Delayed Draw Term Loan <sup>(6)</sup>	N/A	1.00%	1.00%	11/28/2025	242	(5)	(1)	—
						(5)	(1)	—
<b>Diversified Telecommunication Services</b>								
Fusion Connect, Inc., DIP Loan <sup>(6)</sup>	N/A	0.00%	0.00%	10/7/2019	243	(4)	(5)	—
						(4)	(5)	—
<b>Electrical Equipment</b>								
Luminii LLC, Revolver <sup>(6)</sup>	N/A	0.50%	0.50%	4/11/2023	515	—	(1)	—
						—	(1)	—
<b>Healthcare Equipment and Services</b>								
AC Merger Sub, Inc. (Analogic), Revolver <sup>(6)</sup>	N/A	0.50%	0.50%	6/22/2023	318	—	(3)	—
Maxor Acquisition, Inc., Revolver <sup>(6)</sup>	N/A	0.50%	0.50%	11/22/2022	585	(4)	(5)	—
						(4)	(8)	—
<b>Internet Software and Services</b>								
Emtec Global Services Holdings, LLC, Revolver <sup>(6)</sup>	N/A	0.00%	0.00%	11/30/2020	159	—	(32)	(0.02)
HDC/HW Intermediate Holdings, LLC, Revolver <sup>(6)</sup>	N/A	1.00%	1.00%	12/21/2023	438	(12)	(8)	—
Newsycle Solutions, Inc., Revolver <sup>(6)</sup>	N/A	0.50%	0.50%	12/29/2022	247	(9)	(4)	—
						(21)	(44)	(0.02)
<b>Pharmaceuticals</b>								
RiteDose Holdings I, Inc., Revolver <sup>(6)</sup>	N/A	0.50%	0.50%	9/13/2023	537	(6)	(6)	—
						(6)	(6)	—
<b>Total Unfunded Commitments</b>						\$ (47)	\$ (65)	(0.02)%
<b>Total Non-Control/Non-Affiliate Investments</b>						\$ 481,492	\$ 474,016	286.75%

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Affiliate Investments</b>								
<b>Common Equity</b>								
Oil, Gas and Consumable Fuels								
Cochon – MWS Holdings LLC (fka Rooster Energy Ltd.), LLC Units	N/A	N/A	N/A	N/A	99	\$ 3,685	\$ 1,480	0.90%
						3,685	1,480	0.90
<b>Total Common Equity</b>						<u>\$ 3,685</u>	<u>\$ 1,480</u>	<u>0.90%</u>
<b>Total Non-Control/Affiliate Investments</b>						<u>\$ 3,685</u>	<u>\$ 1,480</u>	<u>0.90%</u>
<b>Control/Affiliate Company Investments</b>								
<b>Common Equity</b>								
Leisure Products								
GIG Co Holdings LLC (fka Confluence Outdoor, LLC)	N/A	N/A	N/A	N/A	11,209	\$ 11,209	\$ 11,209	6.78%
						11,209	11,209	6.78
<b>Total Common Equity</b>						<u>\$ 11,209</u>	<u>\$ 11,209</u>	<u>6.78%</u>
<b>Total Control/Affiliate Company Investments</b>						<u>\$ 11,209</u>	<u>\$ 11,209</u>	<u>6.78%</u>
<b>Total Investments</b>						<u>\$ 496,386</u>	<u>\$ 486,705</u>	<u>294.45%</u>

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments - (continued)**  
**June 30, 2019 (unaudited)**  
**(\$ in thousands, except share amounts)**

- \* Denotes that all or a portion of the investment is held as collateral by Garrison Funding 2018-2 Ltd.
- \*\* Denotes that all or a portion of the loan is held as collateral by Garrison Capital SBIC LP.
- \*\*\* Denotes that all or a portion of the loan is held as collateral by Garrison Funding 2018-2 Ltd. and Garrison Capital SBIC LP.

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

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

- (1) Not a qualifying asset under Section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act"). Under the 1940 Act, Garrison Capital Inc. (the "Company") may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets. As of June 30, 2019, 90.1% of the Company's assets were qualifying assets.
- (2) Net of a profits interest payable to a third party upon any subsequent sales of Prosper Marketplace Series B Preferred Stock.
- (3) Interest is payable in cash, and/or payment-in-kind ("PIK"), or a combination thereof.
- (4) Investment is structured as a unitranche loan in which the Company holds the last out component. As a result, in addition to the interest earned on the stated base rate and spread of this investment, the Company received additional interest during the six months ended June 30, 2019 due to an arrangement between the Company and certain other lenders to the portfolio company. The additional interest received during the quarter has been annualized and included in the spread disclosed for this investment.
- (5) Investment is currently not income producing and placed on non-accrual status.
- (6) The negative fair value is the result of the unfunded commitments being valued below par. These amounts may or may not be funded to the borrowing party currently or in the future.

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

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

All debt investments were income producing as of June 30, 2019, 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, 2018**

(\$ in thousands, except share amounts)

<u>Security Description</u>	<u>Base Rate</u>	<u>Spread</u>	<u>All In Rate</u>	<u>Maturity</u>	<u>Par / Shares</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Equity Investments</b>								
<b>Building Products</b>								
Valterra Products Holdings, LLC, Class A LLC Units	N/A	N/A	N/A	N/A	185,847	\$ 186	\$ 784	0.46%
Valterra Products Holdings, LLC, Class B LLC Units	N/A	N/A	N/A	N/A	20,650	21	87	0.05
						207	871	0.51
<b>Commercial Services and Supplies</b>								
Faraday Holdings, LLC, LLC Units	N/A	N/A	N/A	N/A	2,752	140	742	0.44
						140	742	0.44
<b>Healthcare Equipment and Services</b>								
Juniper TGX Investment Partners, LLC, LLC Units	N/A	N/A	N/A	N/A	3,146	671	3,119	1.85
						671	3,119	1.85
<b>Household Products and Durables</b>								
Oneida Group Inc., Common Stock	N/A	N/A	N/A	N/A	844,557	3,919	1,350	0.80
						3,919	1,350	0.80
<b>Diversified Financial Services</b>								
Prosper Marketplace Series B Preferred Stock <sup>(i)(e)</sup>	N/A	N/A	N/A	N/A	912,865	551	640	0.38
						551	640	0.38
<b>Total Equity Investments</b>						\$ 5,488	\$ 6,722	3.98%
<b>Debt Investments</b>								
<b>Aerospace and Defense</b>								
Constellis Holdings, LLC, Term Loan*	2.52%	5.00%	7.52%	4/22/2024	3,364	\$ 3,312	\$ 3,196	1.89%
Novetta Solutions, Term Loan*	2.53%	5.00%	7.53%	10/17/2022	1,985	1,942	1,920	1.14
Vertex Aerospace Services Corp., Initial Term Loan*	2.52%	4.75%	7.27%	6/30/2025	1,820	1,812	1,798	1.06
						7,066	6,914	4.09
<b>Air Freight and Logistics</b>								
Gruden Acquisition, Inc., Term Loan (First Lien)*	2.80%	5.50%	8.30%	8/18/2022	2,465	2,443	2,404	1.42
						2,443	2,404	1.42
<b>Auto Components</b>								
BBB Industries LLC (GC EOS Buyer), Term Loan*	2.38%	4.50%	6.88%	8/1/2025	3,491	3,483	3,413	2.02
Challenge Mfg. Company, LLC, Term Loan B*	2.53%	6.50%	9.03%	4/20/2022	7,893	7,826	7,892	4.67
FRAM Group Holdings Inc. (Autoparts Holdings), Term Loan*	2.52%	6.75%	9.27%	12/23/2021	6,844	6,763	6,844	4.05
Shipston Equity Holdings, LLC, Term Loan* <sup>(j)</sup>	2.39%	6.94%	9.33%	9/28/2023	5,847	5,791	5,791	3.43
						23,863	23,940	14.17

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Building Products</b>								
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Revolver	2.35%	8.25%	10.60%	2/15/2023	36	\$ 36	\$ 36	0.02%
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Term Loan**	2.35%	8.25%	10.60%	2/15/2023	7,216	7,097	6,927	4.10
						7,133	6,963	4.12
<b>Chemicals</b>								
AOC / Aliancys, Term Loan*(i)	2.58%	4.25%	6.83%	8/1/2025	1,490	1,490	1,449	0.86
Aristech Surfaces LLC, Term Loan B*	2.38%	7.00%	9.38%	10/17/2019	8,979	8,954	8,790	5.20
Profusion Industries, LLC, Term Loan <sup>(5)</sup>	2.38%	12.25%	14.63%	6/19/2020	9,270	9,188	2,330	1.38
						19,632	12,569	7.44
<b>Commercial Services and Supplies</b>								
Del Mar Recovery Solutions, Inc., Term Loan**	2.50%	8.50%	11.00%	6/28/2021	7,726	7,659	7,649	4.53
DMT Solutions Global Corporation (Pitney Bowes), Term Loan*	2.55%	7.00%	9.55%	7/2/2024	7,111	6,916	6,791	4.02
Interior Logic Group, Term Loan*	2.80%	4.00%	6.80%	5/30/2025	6,510	6,481	6,348	3.76
Staples, Inc., Term Loan*	2.54%	4.00%	6.54%	9/12/2024	5,541	5,487	5,301	3.14
USAGM Holdco, LLC, Incremental Term Loan*	2.52%	4.25%	6.77%	7/28/2022	2,903	2,886	2,765	1.64
USAGM Holdco, LLC, Initial Term Loan (First Lien)*	2.52%	3.75%	6.27%	7/28/2022	992	984	939	0.56
VIP Cinema Holdings, Inc., Term Loan*	2.53%	6.00%	8.53%	3/1/2023	5,077	5,063	4,963	2.94
						35,476	34,756	20.59
<b>Construction and Engineering</b>								
Brand Energy & Infrastructure Services, Inc., Term Loan*	2.48%	4.25%	6.73%	6/21/2024	665	642	630	0.37
GeoStabilization International, Term Loan*	2.59%	5.50%	8.09%	12/19/2025	3,349	3,315	3,315	1.96
QualTek USA, LLC, Term Loan*	2.53%	5.75%	8.28%	7/18/2025	5,841	5,735	5,666	3.35
						9,692	9,611	5.68
<b>Containers and Packaging</b>								
Ball Metalpack Finco LLC, Term Loan*	2.52%	4.50%	7.02%	7/31/2025	549	546	531	0.31
Klockner Pentaplast of America, Inc., Term Loan*(i)	2.52%	4.25%	6.77%	6/30/2022	4,630	4,495	3,981	2.36
						5,041	4,512	2.67
<b>Diversified Financial Services</b>								
Acisure, LLC, Term Loan*	2.52%	4.25%	6.77%	11/22/2023	1,496	1,485	1,447	0.86
AIS Holdco, LLC, Term Loan*	2.80%	5.00%	7.80%	8/15/2025	2,698	2,685	2,631	1.56
Financial & Risk US Holdings, Inc. (Refinitiv), Term Loan*	2.52%	3.75%	6.27%	10/1/2025	2,205	2,200	2,062	1.22
Integrity Marketing Acquisition, LLC, Term Loan*	2.71%	4.25%	6.96%	11/28/2025	5,266	5,240	5,240	3.10
PlanMember Financial Corporation, Term Loan*(i)	3.00%	5.00%	8.00%	12/31/2020	1,586	1,572	1,577	0.93
						13,182	12,957	7.67

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Diversified Telecommunication Services</b>								
Fusion Connect, Inc., Tranche B Term Loan (First Lien)* <sup>(i)</sup>	2.59%	7.50%	10.09%	5/4/2023	7,145	\$ 6,897	\$ 6,788	4.02%
KORE Wireless Group Inc., Term Loan*	2.79%	5.50%	8.29%	12/20/2024	8,260	8,178	8,177	4.84
Onvoy, LLC, Term Loan*	2.80%	4.50%	7.30%	2/12/2024	2,984	2,976	2,646	1.57
U.S. Telepacific Corp., Term Loan B*	2.80%	5.00%	7.80%	5/2/2023	7,190	7,141	6,794	4.02
						25,192	24,405	14.45
<b>Electrical Equipment</b>								
Electrical Components International, Inc., Term Loan*	2.80%	4.25%	7.05%	6/26/2025	4,987	4,969	4,813	2.85
Luminii LLC, Term Loan*	2.40%	5.75%	8.15%	4/11/2023	7,281	7,217	7,215	4.27
Verifone Systems, Inc., Term Loan*	2.64%	4.00%	6.64%	8/20/2025	2,000	2,000	1,928	1.14
						14,186	13,956	8.26
<b>Energy Equipment and Services</b>								
NGS US FinCo, LLC, Term Loan*	2.51%	4.25%	6.76%	10/1/2025	2,715	2,702	2,695	1.60
						2,702	2,695	1.60
<b>Food Products</b>								
Gold Coast Bakeries, LLC, Revolver*	2.52%	5.75%	8.27%	9/27/2022	1,583	1,583	1,583	0.94
Gold Coast Bakeries, LLC, Term Loan**	2.52%	5.75%	8.27%	9/27/2022	9,379	9,292	8,441	5.00
Mother's Market & Kitchen, Inc, Term Loan** <sup>(j)</sup>	2.53%	5.71%	8.24%	7/26/2023	7,814	7,707	7,705	4.56
						18,582	17,729	10.50
<b>Healthcare Equipment and Services</b>								
AC Merger Sub, Inc. (Analogic), Term Loan*	2.52%	6.00%	8.52%	6/24/2024	8,561	8,483	8,481	5.02
ActivStyle, Inc., Term Loan***	2.44%	7.50%	9.94%	7/9/2020	10,421	10,364	10,421	6.17
Aurora Diagnostics, LLC, Delayed Draw Term Loan*	2.53%	7.13%	9.66%	7/31/2019	850	849	850	0.50
Aurora Diagnostics, LLC, Delayed Draw Term Loan B*	2.53%	7.13%	9.66%	7/31/2019	598	597	598	0.35
Aurora Diagnostics, LLC, Delayed Draw Term Loan C*	2.46%	7.13%	9.59%	7/31/2019	1,056	1,050	1,056	0.63
Aurora Diagnostics, LLC, Delayed Draw Term Loan D	2.46%	7.13%	9.59%	7/31/2019	173	171	173	0.10
Aurora Diagnostics, LLC, Revolver*	2.48%	7.13%	9.61%	7/31/2019	1,020	1,020	1,020	0.60
Aurora Diagnostics, LLC, Term Loan*	2.53%	7.13%	9.66%	7/31/2019	5,243	5,237	5,243	3.10
Community Care Health Network, LLC, Term Loan*	2.52%	4.75%	7.27%	2/18/2025	1,393	1,390	1,351	0.80
LifeScan Global Corp., Term Loan*	2.40%	6.00%	8.40%	10/1/2024	2,846	2,762	2,683	1.59
Maxor Acquisition, Inc., Term Loan*	2.82%	6.00%	8.82%	11/22/2023	8,945	8,872	8,869	5.25
Theragenics Corporation, Term Loan**	2.53%	12.00%	14.53%	12/23/2020	8,865	8,783	8,865	5.25
						49,578	49,610	29.36

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Hotels, Restaurants and Leisure</b>								
AP Gaming I, LLC, Term Loan B*	2.52%	3.50%	6.02%	2/15/2024	6,637	\$ 6,639	\$ 6,488	3.84%
Bravo Brio Restaurant Group, Inc., Term Loan*( <sup>4</sup> )	2.53%	6.65%	9.18%	5/24/2023	8,302	8,193	8,190	4.85
CircusTriX Holdings, LLC, Term Loan B*	2.52%	5.50%	8.02%	12/16/2021	5,985	5,939	5,938	3.52
HRI Holding Corp. (Houlihans Restaurants), Term Loan*	2.81%	6.25%	9.06%	12/17/2020	6,247	6,196	5,934	3.51
						26,967	26,550	15.72
<b>Household Products and Durables</b>								
Brown Jordan International Inc., Term Loan*	2.52%	5.00%	7.52%	1/31/2023	5,757	5,726	5,556	3.29
CR Brands, Inc., Term Loan*( <sup>4</sup> )	2.35%	11.25%	13.60% PIK	3/29/2019	6,547	6,547	6,547	3.88
Innocor, Inc. (Comfort Holding, LLC), Term Loan*	2.52%	4.75%	7.27%	2/5/2024	2,985	2,884	2,795	1.65
NBG Acquisition Inc., Term Loan*	2.59%	5.50%	8.09%	4/26/2024	5,788	5,724	5,586	3.31
University Furnishings, L.P., Term Loan***( <sup>4</sup> )	2.44%	7.26%	9.70%	10/13/2022	10,830	10,713	10,830	6.41
						31,594	31,314	18.54
<b>Internet Software and Services</b>								
Aptos, Inc., Term Loan*	2.52%	5.50%	8.02%	7/23/2025	7,814	7,741	7,726	4.57
BMC Software Finance, Inc., Term Loan*	2.80%	4.25%	7.05%	10/2/2025	3,000	2,975	2,887	1.71
Corel Corporation, Term Loan*( <sup>4</sup> )	2.71%	5.00%	7.71%	6/4/2024	8,652	8,587	8,544	5.06
Emtec Global Services Holdings, LLC, Revolver( <sup>4</sup> )	2.34%	16.25%	18.59% PIK	11/30/2020	450	450	450	0.27
Emtec Global Services Holdings, LLC, Term Loan**( <sup>4</sup> )	2.34%	16.25%	18.59% PIK	11/30/2020	3,769	3,754	3,769	2.23
Exela Intermediate LLC, Term Loan*( <sup>4</sup> )	2.88%	6.50%	9.38%	7/12/2023	5,389	5,314	5,308	3.14
HDC/HW Intermediate Holdings, LLC, Term Loan*	2.81%	7.50%	10.31%	12/21/2023	6,697	6,564	6,563	3.89
Intermedia Holdings, Inc., Term Loan*	2.52%	6.00%	8.52%	7/21/2025	2,750	2,729	2,740	1.62
LANDesk Group, Inc., Term Loan*	2.35%	4.25%	6.60%	1/22/2024	3,698	3,676	3,522	2.09
Lionbridge Technologies, Inc., Term Loan*	2.52%	5.50%	8.02%	2/28/2024	3,220	3,219	3,192	1.89
Newsycle Solutions, Inc., Delayed Draw Term Loan	2.35%	7.00%	9.35%	12/29/2022	792	792	778	0.46
Newsycle Solutions, Inc., Term Loan*	2.52%	7.00%	9.52%	12/29/2022	8,655	8,517	8,511	5.04
Orbit Purchaser LLC (Orion), Term Loan*	2.67%	4.50%	7.17%	10/21/2024	2,594	2,569	2,568	1.52
Quest Software US Holdings Inc., Term Loan*	2.53%	4.25%	6.78%	5/16/2025	1,203	1,197	1,160	0.69
RA Outdoors LLC (Active Network), Term Loan*	2.52%	4.75%	7.27%	9/11/2024	7,883	7,816	7,815	4.63
Vero Parent, Inc. (fka Syncsort Incorporated), Initial Term Loan (First Lien)*	2.52%	4.50%	7.02%	8/16/2024	8,888	8,792	8,799	5.21
						74,692	74,332	44.02

*See accompanying notes to consolidated financial statements.*



**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
<b>Leisure Products</b>								
Bass Pro Group, LLC, Initial Term Loan*	2.52%	5.00%	7.52%	9/25/2024	7,174	\$ 7,135	\$ 6,848	4.05%
Confluence Outdoor, LLC, Delayed Draw Term Loan <sup>(a)</sup>	2.35%	10.75%	13.10% PIK	4/18/2019	1,000	996	800	0.47
Confluence Outdoor, LLC, Supplemental Loan <sup>(b)</sup>	2.35%	10.75%	13.10% PIK	4/18/2019	2,990	3,050	2,256	1.34
Confluence Outdoor, LLC, Term Loan <sup>(b)</sup>	2.35%	10.75%	13.10% PIK	4/18/2019	6,668	6,641	5,334	3.16
Playpower, Inc., Initial Term Loan (First Lien)*	2.80%	4.75%	7.55%	6/23/2021	1,389	1,386	1,389	0.82
						19,208	16,627	9.84
<b>Media</b>								
Project Sunshine IV Pty Ltd, 2017 Incremental Term Loan* <sup>(c)</sup>	2.52%	7.00%	9.52%	8/22/2022	4,212	4,167	4,159	2.46
						4,167	4,159	2.46
<b>Metals and Mining</b>								
Alchemy US Holdco 1, LLC (Kymera), Term Loan*	2.49%	5.50%	7.99%	10/10/2025	2,205	2,173	2,189	1.30
						2,173	2,189	1.30
<b>Pharmaceuticals</b>								
Akorn, Inc., Loan* <sup>(d)</sup>	2.56%	5.50%	8.06%	4/16/2021	2,000	1,968	1,613	0.95
RiteDose Holdings I, Inc., Term Loan*	2.40%	7.25%	9.65%	9/13/2023	7,977	7,883	7,879	4.66
						9,851	9,492	5.61
<b>Professional Services</b>								
Signify Health, LLC (fka Chloe Ox Parent, LLC), Term Loan*	2.80%	4.50%	7.30%	12/23/2024	1,875	1,859	1,847	1.09
						1,859	1,847	1.09
<b>Retail</b>								
Sundance Holdings Group, LLC, Term Loan* <sup>(e)</sup>	2.74%	6.11%	8.85%	5/1/2024	6,717	6,652	6,651	3.94
						6,652	6,651	3.94
<b>Semiconductors and Semiconductor Equipment</b>								
Ultra Clean Holdings, Inc., Term Loan* <sup>(f)</sup>	5.50%	3.50%	9.00%	8/27/2025	2,698	2,659	2,550	1.51
						2,659	2,550	1.51
<b>Technology Hardware, Storage and Peripherals</b>								
Elo Touch Solutions, Inc., Term B Loan (First Lien)*	2.78%	6.50%	9.28%	12/15/2025	3,125	2,971	2,996	1.77
Table Top Media, LLC, Lease**	N/A	10.00%	10.00%	10/15/2019	1,155	1,152	1,154	0.68
						4,123	4,150	2.45

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**  
(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Debt Investments (continued)</b>								
Textiles, Apparel and Luxury Goods								
Centric Brands Inc., Term Loan <sup>(6)</sup>	2.51%	6.00%	8.51%	10/27/2023	7,813	\$ 7,698	\$ 7,697	4.56%
Champ Acquisition Corp., Initial Term Loan (First Lien) <sup>(4)</sup>	2.48%	5.50%	7.98%	12/19/2025	3,125	3,032	3,036	1.80
Keeco Holdings, LLC, Term Loan*	2.47%	7.00%	9.47%	9/19/2023	4,358	4,317	4,316	2.56
Triangle Home Fashions, LLC, Term Loan <sup>(4)</sup>	2.53%	6.61%	9.14%	3/9/2023	10,500	10,346	10,341	6.12
						25,393	25,390	15.04
Trading Companies and Distributors								
Cook & Boardman Group LLC, The, Term Loan*	2.80%	5.75%	8.55%	10/17/2025	3,119	3,088	3,072	1.82
Sprint Industrial Holdings, LLC, Term Loan (First Lien)*	2.80%	5.75%	8.55%	5/14/2019	4,675	4,673	4,488	2.66
						7,761	7,560	4.48
Transportation Services								
Airxcel, Inc., Term Loan*	2.52%	4.50%	7.02%	4/28/2025	995	993	935	0.55
PS Holdco, LLC, Term Loan*	2.53%	4.75%	7.28%	3/13/2025	6,416	6,391	6,224	3.68
Sirva Worldwide, Term Loan*	2.56%	5.50%	8.06%	8/4/2025	2,654	2,635	2,594	1.54
						10,019	9,753	5.77
<b>Total Debt Investments</b>						<b>\$ 460,886</b>	<b>\$ 445,585</b>	<b>263.79%</b>
<b>Financial Assets</b>								
Diversified Financial Services								
Consumer Loan Pool <sup>(6)</sup>	N/A	N/A	N/A	N/A	244	\$ 244	\$ 232	0.14%
						244	232	0.14
<b>Total Financial Assets</b>						<b>\$ 244</b>	<b>\$ 232</b>	<b>0.14%</b>
<b>Unfunded Commitments</b>								
Building Products								
Global Integrated Flooring Systems Inc. (Camino Systems, Inc.), Revolver	N/A	0.75%	0.75%	2/15/2023	14	\$ —	\$ —	—%
						—	—	—
Commercial Services and Supplies								
Del Mar Recovery Solutions, Inc., Revolver	N/A	0.75%	0.75%	6/28/2021	990	(8)	—	—
						(8)	—	—
Diversified Financial Services								
Integrity Marketing Acquisition, LLC, Delayed Draw Term Loan <sup>(7)</sup>	N/A	1.00%	1.00%	11/28/2025	984	(5)	(5)	—
						(5)	(5)	—
Electrical Equipment								
Luminii LLC, Revolver <sup>(7)</sup>	N/A	0.50%	0.50%	4/11/2023	515	—	(5)	—
						—	(5)	—

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**

(\$ in thousands, except share amounts)

Security Description	Base Rate	Spread	All In Rate	Maturity	Par / Shares	Cost	Fair Value	% of Net Assets
<b>Non-Control/Non-Affiliate Investments</b>								
<b>Unfunded Commitments (continued)</b>								
Healthcare Equipment and Services								
AC Merger Sub, Inc. (Analogic), Revolver <sup>(7)</sup>	N/A	0.50%	0.50%	6/22/2023	318	\$ —	\$ (3)	0.00%
Maxor Acquisition, Inc., Revolver <sup>(7)</sup>	N/A	0.50%	0.50%	11/22/2022	585	(5)	(5)	—
						(5)	(8)	—
Internet Software and Services								
Emtec Global Services Holdings, LLC, Revolver	N/A	0.00%	0.00%	11/30/2020	159	(2)	—	—
HDC/HW Intermediate Holdings, LLC, Revolver <sup>(7)</sup>	N/A	1.00%	1.00%	12/21/2023	670	(13)	(13)	(0.01)
Newscycle Solutions, Inc., Revolver <sup>(7)</sup>	N/A	0.50%	0.50%	12/29/2022	685	(11)	(11)	(0.01)
Orbit Purchaser LLC (Orion), Delayed Draw Term Loan <sup>(7)</sup>	N/A	0.00%	0.00%	10/21/2024	758	(7)	(7)	—
						(33)	(31)	(0.02)
Leisure Products								
Confluence Outdoor, LLC, Supplemental Loan <sup>(7)</sup>	N/A	0.00%	0.00%	4/18/2019	1,359	(61)	(136)	(0.08)
						(61)	(136)	(0.08)
Pharmaceuticals								
RiteDose Holdings I, Inc., Revolver <sup>(7)</sup>	N/A	0.50%	0.50%	9/13/2023	537	(6)	(7)	—
						(6)	(7)	—
<b>Total Unfunded Commitments</b>						<b>\$ (118)</b>	<b>\$ (192)</b>	<b>(0.10)%</b>
<b>Total Non-Control/Non-Affiliate Investments</b>						<b>\$ 466,500</b>	<b>\$ 452,347</b>	<b>267.81%</b>
<b>Non-Control/Affiliate Investments</b>								
<b>Common Equity</b>								
Oil, Gas and Consumable Fuels								
Cochon – MWS Holdings LLC (fka Rooster Energy Ltd.), Common	N/A	N/A	N/A	N/A	99	\$ 3,715	\$ 1,630	0.97%
						3,715	1,630	0.97
<b>Total Common Equity</b>						<b>\$ 3,715</b>	<b>\$ 1,630</b>	<b>0.97%</b>
<b>Total Non-Control/Affiliate Investments</b>						<b>\$ 3,715</b>	<b>\$ 1,630</b>	<b>0.97%</b>
<b>Total Investments - United States</b>						<b>\$ 470,215</b>	<b>\$ 453,977</b>	<b>268.78%</b>

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Schedule of Investments – (continued)**  
**December 31, 2018**  
**(\$ in thousands, except share amounts)**

- \* Denotes that all or a portion of the investment is held as collateral by Garrison Funding 2018-2 Ltd.
- \*\* Denotes that all or a portion of the loan is held as collateral by Garrison Capital SBIC LP.
- \*\*\* Denotes that all or a portion of the investment is held as collateral by Garrison Funding 2018-2 Ltd. and Garrison Capital SBIC LP.

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

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

- (1) Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets. As of December 31, 2018, 91.2% of the Company's assets were qualifying assets.
- (2) Net of a profits interest payable to a third party upon any subsequent sales of Prosper Marketplace Series B Preferred Stock.
- (3) Interest is payable in cash, and/or PIK, or a combination thereof.
- (4) Investment is structured as a unitranche loan in which the Company holds the last out component. As a result, in addition to the interest earned on the stated base rate and spread of this investment, the Company received additional interest for the year ended December 31, 2018 due to an arrangement between the Company and certain other lenders to the portfolio company. The additional interest received during the quarter has been annualized and included in the spread disclosed for this investment.
- (5) Investment is currently not income producing and placed on non-accrual status.
- (6) Consumer Loan Pool includes 186 small balance consumer loans, held within Garrison Capital PL Holdings LLC, with an average par of \$1,313, a weighted average rate of 15.82% and a weighted average maturity of April 11, 2019. See Note 3 for additional information. See Exhibit 99.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for detail on underlying loans.
- (7) The negative fair value is the result of the unfunded commitments being valued below par. These amounts may or may not be funded to the borrowing party currently or in the future.

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

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

All debt investments were income producing as of December 31, 2018, 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)**  
(\$ in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Investment income</b>				
From non-control/non-affiliate investments				
Interest income	\$ 9,796	\$ 8,832	\$ 19,522	\$ 17,192
Payment-in-kind	791	80	1,030	1,299
Other income	117	776	381	1,418
<b>Total investment income</b>	<b>10,704</b>	<b>9,688</b>	<b>20,933</b>	<b>19,909</b>
<b>Expenses</b>				
Interest expense	3,860	2,750	7,588	5,304
Management fee	1,680	1,519	3,303	3,011
Incentive fee	543	—	832	—
Professional fees	308	298	705	592
Directors' fees	77	76	159	153
Administrator expenses	329	293	700	591
Other expenses	433	360	925	946
<b>Total expenses</b>	<b>7,230</b>	<b>5,296</b>	<b>14,212</b>	<b>10,597</b>
Net investment income before excise taxes	3,474	4,392	6,721	9,312
Excise tax expense	—	7	—	13
<b>Net investment income</b>	<b>3,474</b>	<b>4,385</b>	<b>6,721</b>	<b>9,299</b>
<b>Realized and unrealized (losses)/gains</b>				
Net realized (loss)/gain on investments				
Non-control/non-affiliate investments	(2,365)	318	(9,498)	(259)
Non-control/affiliate investments	—	—	—	—
Control/affiliate investments	—	—	—	—
Net change in unrealized gain/(loss) on investments				
Non-control/non-affiliate investments	284	(444)	6,700	(2,755)
Non-control/affiliate investments	—	(1,412)	(120)	(1,413)
Control/affiliate investments	—	—	—	—
<b>Net realized and unrealized loss on investments</b>	<b>(2,081)</b>	<b>(1,538)</b>	<b>(2,918)</b>	<b>(4,427)</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 1,393</b>	<b>\$ 2,847</b>	<b>\$ 3,803</b>	<b>\$ 4,872</b>
Net investment income per common share	\$ 0.22	\$ 0.27	\$ 0.42	\$ 0.58
Net increase in net assets resulting from operations per common share	\$ 0.09	\$ 0.18	\$ 0.24	\$ 0.31
Basic weighted average common shares outstanding	16,049,352	16,049,352	16,049,352	16,049,352
<b>Dividends and distributions declared per common share</b>	<b>\$ 0.23</b>	<b>\$ 0.28</b>	<b>\$ 0.46</b>	<b>\$ 0.56</b>

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Net Assets (unaudited)**  
(\$ in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Increase in net assets from operations:</b>				
Net investment income	\$ 3,474	\$ 4,385	\$ 6,721	\$ 9,299
Net realized (loss)/gain on investments	(2,365)	318	(9,498)	(259)
Net change in unrealized gain/(loss) on investments	284	(1,856)	6,580	(4,168)
Net increase in net assets resulting from operations	<u>1,393</u>	<u>2,847</u>	<u>3,803</u>	<u>4,872</u>
<b>Dividends and distributions to stockholders:</b>				
From net investment income	(3,691)	(4,494)	(7,382)	(8,988)
Total dividends and distributions to stockholders	<u>(3,691)</u>	<u>(4,494)</u>	<u>(7,382)</u>	<u>(8,988)</u>
<b>Total decrease in net assets</b>	(2,298)	(1,647)	(3,579)	(4,116)
<b>Net assets at beginning of period</b>	167,631	185,189	168,912	187,658
<b>Net assets at end of period</b>	<u>\$ 165,333</u>	<u>\$ 183,542</u>	<u>\$ 165,333</u>	<u>\$ 183,542</u>
Net asset value per share	\$ 10.30	\$ 11.44	\$ 10.30	\$ 11.44
Shares of common stock outstanding at end of period	16,049,352	16,049,352	16,049,352	16,049,352

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows (unaudited)**  
(\$ in thousands, except share and per share amounts)

	Six Months Ended	
	June 30, 2019	June 30, 2018
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations	\$ 3,803	\$ 4,872
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in)/provided by operating activities:		
Net accretion of discounts on investments	(627)	(625)
Payment-in-kind	(1,030)	(564)
Amortization of deferred debt issuance costs and discounts on notes payable	251	220
Net realized loss on investments	9,498	259
Net change in unrealized (gain)/loss on investments	(6,580)	4,168
Purchases of investments	(81,500)	(121,912)
Paydowns of investments	30,459	110,136
Sales of investments	17,052	1,395
Changes in operating assets and liabilities:		
Increase in due from counterparties	(2,160)	(266)
Decrease in due from affiliates	—	509
(Increase)/decrease in accrued interest receivable	(728)	719
Decrease in other assets	88	384
(Decrease)/increase in due to counterparties	(17,495)	18,726
Increase in payables to affiliates	2,183	822
(Decrease)/increase in accrued interest payable	(871)	326
Decrease in accrued expenses and other payables	(199)	(107)
Net cash (used in)/provided by operating activities	<u>(47,856)</u>	<u>19,062</u>
<b>Cash flows from financing activities</b>		
Distributions paid to stockholders	(7,382)	(8,988)
Payments for financing costs	—	(247)
Net proceeds from/(repayments on) senior secured revolving note	39,500	(5,700)
Proceeds from Garrison SBIC borrowings	—	10,200
Net cash provided by/(used in) financing activities	<u>32,118</u>	<u>(4,735)</u>
Net (decrease)/increase in cash and restricted cash	(15,738)	14,327
Cash and restricted cash at beginning of period	45,722	19,516
Cash and restricted cash at end of period	<u>\$ 29,984</u>	<u>\$ 33,843</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest expense	\$ 8,213	\$ 5,005
Non-cash restructuring of portfolio investment	\$ 10,211	\$ 4,112

*See accompanying notes to consolidated financial statements.*

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**1. Organization**

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

Our investment objective is to generate current income and capital appreciation through direct loans and debt investments in U.S. based middle-market companies. Our loans and debt investments are primarily first lien senior secured loans (including "unitranche" loans, which are loans that combine the characteristics of both senior and subordinated debt, generally in a first lien position). We also may, to a lesser extent, invest in subordinated and mezzanine debt and equity investments. Our goal is to generate attractive risk-adjusted returns by assembling a broad portfolio of investments.

The Company’s business and affairs are managed and controlled by the Company’s board of directors (the “Board”). The majority of the members of the Board are independent of the Company and its affiliates. Our investment activities and day-to-day operations are managed by Garrison Capital Advisers, LLC (our “Investment Adviser”), and Garrison Capital Administrator, LLC (the “GARS Administrator”) provides the Company with certain administrative services necessary to conduct our day-to-day operations. We are organized as a holding company and conduct our business primarily through our various subsidiaries.

**2. Significant Accounting Policies and Recent Updates**

**Basis of Presentation**

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

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



**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Principles of Consolidation**

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

As a result, as of June 30, 2019 GARS has consolidated the results of Garrison Funding 2018-2 Ltd. (“GF 2018-2” formerly, Garrison Funding 2016-2 Ltd.), Garrison Funding 2018-2 LLC (formerly Garrison Funding 2016-2 LLC), Garrison Capital SBIC LP (“Garrison SBIC”), Garrison Capital PL Holdings LLC, GIG Rooster Holdings I LLC and a series of limited liability companies that GARS created primarily to provide specific tax treatment for the minority equity and other investments held in these limited liability companies.

**Use of Estimates**

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

**Cash and Cash Equivalents**

As of June 30, 2019 and December 31, 2018, cash held in designated bank accounts with Deutsche Bank Trust Company Americas (the “Custodian”) was \$0.8 million and \$6.0 million, respectively. Cash held in designated bank accounts with other major financial institutions was \$0.1 million and \$0.1 million as of June 30, 2019 and December 31, 2018, respectively. At times, these balances may exceed federally insured limits and this potentially subjects the Company to a concentration of credit risk. The Company believes it is not exposed to any significant credit risk associated with the Custodian.

The Company defines cash equivalents as highly liquid financial instruments with original maturities of three months or less, including those held in overnight sweep bank deposit accounts. As of both June 30, 2019 and December 31, 2018, the Company held no cash equivalents.

**Cash and Cash Equivalents, Restricted**

Restricted cash as of June 30, 2019 and December 31, 2018 included cash of \$29.1 million and \$39.5 million, respectively, held by GF 2018-2 and Garrison SBIC in designated bank accounts with the Custodian. The CLOs, as defined in Note 4, are required to use a portion of their cash to pay interest expense, reduce borrowings at the end of the investment period and to pay other amounts in accordance with the terms of the indenture governing the CLOs. Cash held with Garrison SBIC is typically restricted to eligible SBIC investments and the payment of U.S. Small Business Administration (“SBA”) debentures and interest expense. As a result, funds held by GF 2018-2 and Garrison SBIC are not available for general use by the Company.

As of both June 30, 2019 and December 31, 2018, the Company held no restricted cash equivalents.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Revenue Recognition**

In general, we generate revenue that primarily consists of interest income, fee income, dividend income and gains and losses on our investments.

**Interest income:** Interest income is comprised of cash interest, PIK interest, original issue discounts or premiums as well as any loan origination, facility and commitment fees. Cash and PIK interest income is accrued based on the outstanding principal amount and interest terms outlined in the respective contractual agreement that governs that investment. The Company accrues interest income if it expects that it ultimately will be able to collect such income. Loan origination fees and any original issue or purchase discounts or premiums received by the Company are initially capitalized and deferred and reduce or increase the cost basis of the investment. They are subsequently accreted into interest income over the stated term of the loan.

Similarly, commitment fees are based upon the undrawn portion committed by the Company and are accrued over the life of the loan. Upon the prepayment of a loan or debt security, any unamortized fees, discounts or premiums are recorded into income.

**Fee and dividend income:** Fee income is generally comprised of amendment, forbearance, prepayment, syndication, structuring, diligence, consulting and possible fees for providing managerial assistance to a portfolio company and may be received in the form of cash or PIK. Amendment and forbearance fees are generally received in connection with loan amendments or waivers and are recognized upon completion of the amendments or waivers, generally when such fees are receivable. We record prepayment premiums on loans and debt securities into income when we receive such amounts.

In addition, we may receive structuring, diligence fees, consulting and managerial assistance fees for periodically providing services to a portfolio or third party company. These fees are recognized when such services have been completed and the fees are generally receivable. Any such fee income received is recorded and classified as other income and included in investment income on the consolidated statements of operations. As these fees are generally paid and recognized in connection with specific loan event or the performance of a service, there may be significant fluctuations from period to period in the amount and size of such fees, and they are typically non-recurring in nature.

In addition, the Company may receive periodic dividends or distributions from our preferred or equity investments. Such amounts are recorded and classified as other income. 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. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

To the extent distributions are received from a limited liability company or limited partnership investment, we will evaluate the distribution to determine if it should be recorded as income or return of capital. Generally, we will not record such distributions as income unless there is sufficient accumulated tax-basis earnings and profits prior to the distribution. Distributions that are classified as a return of capital are recorded as a reduction in the cost basis of the investment.

**Investment gains and losses:** Realized gains and losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of the investment, without regard to any previously recognized unrealized changes in the investments' fair value. Current period changes in the fair value of our investments, which are measured at fair value, are recognized and recorded as a component of the net change in unrealized gain / (loss) on investments on the consolidated statement of operations. Both realized and unrealized gains and losses are recorded using the specific identification method.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Non-accrual loans:** The Company accrues interest income based on the contractual interest terms of its investments if it expects that it will ultimately be able to collect it. Generally, when management believes that the issuer of the loan will not be able to service the loan, the Investment Adviser will place the loan on non-accrual status and the Company will cease recognizing interest income on that loan. However, the Company remains contractually entitled to this interest. The Company may restore an investment to accrual status when past due principal and interest payments are made or if the interest income is otherwise deemed to be collectible by the Investment Adviser. The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. As of both June 30, 2019 and December 31, 2018, the Company had one investment on non-accrual status.

**Investments, at Fair Value**

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. Any amounts related to purchase, sale and principal paydowns that have traded but not settled are reflected as either a due to or due from counterparty on our consolidated statement of financial condition. All related revenue and expenses attributable to these transactions are reflected on the consolidated statements of operations commencing on the trade date unless otherwise specified by the transaction documents.

**Fair Value Measurements**

The Company values its investments in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC Topic 820”). ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 820’s definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value.

ASC Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

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

Our investments include debt investments (both funded and unfunded, “Debt Investments”), preferred and minority common equity investments of diversified companies (“Equity”) and a portfolio of unsecured small balance consumer loans (“Financial Assets”). Due to the nature of the Company’s strategy, the Company’s portfolio is primarily comprised of relatively illiquid investments that are privately held. Inputs into the determination of fair value of the Company’s portfolio investments require significant management judgment or estimation. This means that the Company’s portfolio valuations are based on unobservable inputs and the Investment Adviser’s own assumptions about how market participants would price the asset or liability in question. Valuations of privately held investments are inherently uncertain and they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by the Board may differ materially from the values that would have been used if a ready market for these investments existed.

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

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Valuation Techniques**

The following is a description of the various valuation techniques the Company utilizes when valuing its investments.

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

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

*Market comparable companies:* This valuation technique determines the total enterprise value of a company by assessing the expected multiple that a market participant would apply to that company's earnings before interest, taxes, depreciation and amortization ("EBITDA"), revenue or other collateral that secures the investment. These valuation multiples are typically determined based on reviewing market comparable transactions or other comparable publicly traded companies, if any. The resulting enterprise value will dictate whether or not the Company's debt investment has adequate enterprise value coverage. In instances where the enterprise value is inadequate, the market comparable companies approach may be used to estimate a recovery value for our credit-impaired debt investments and the fair value of our equity investments. With respect to equity investments, when an external event, such as a purchase transaction, public offering or subsequent sale of equity occurs, the pricing indicated by that external event will be utilized to corroborate our valuation.

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

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Valuation Process**

The Board is responsible for determining, within the meaning of the 1940 Act, in good faith the fair value of the Company's assets for which market quotations are not readily available, using a documented valuation policy and consistently applied valuation process. The valuation process is a multi-step process conducted at the end of each fiscal quarter as described below:

- The Company's valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Investment Adviser responsible for credit monitoring.
- At least once annually, the valuation for each portfolio investment that does not have a readily available quotation is reviewed by an independent valuation firm, subject to the de minimis exception described below.
- Preliminary valuation conclusions are then documented, compared to the range of prices provided by an independent valuation firm where applicable, and discussed with our senior management and the Investment Adviser.
- The Investment Adviser submits these preliminary valuations to the Valuation Committee of the Board.
- The Board discusses valuations and determines, within the meaning of the 1940 Act, the fair value of each investment in the Company's portfolio for which market quotations are not readily available in good faith.

As noted above, the Board has retained several independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period provided, the Board reserves the right to have any investment within the portfolio valued by an independent valuation firm to the extent it determines such a valuation is warranted. To the extent a security is reviewed in a particular quarter, it is reviewed and valued by only one service provider.

However, the Board does not, and does not intend to have investments independently reviewed that (1) have closed within the two most recent quarters or (2) are de minimis investments that are less than 0.5% of the Company's total assets (up to an aggregate of 10.0% of the Company's total assets).

**Interest Expense**

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

**Dividends and Distributions**

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

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Recent Accounting Pronouncements**

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

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**3. Investments**

As of June 30, 2019, we held 119 investments across 100 portfolio companies with a fair value of \$486.7 million. As of December 31, 2018, we held 118 investments across 93 portfolio companies with a fair value of \$454.0 million.

The composition of the Company's portfolio by industry at fair value as of June 30, 2019 and December 31, 2018 was as follows:

Industry (\$ in thousands)	Fair Value of Investments			
	As of June 30, 2019		As of December 31, 2018	
Internet Software and Services	\$ 85,462	17.5%	\$ 74,301	16.4%
Healthcare Equipment and Services	48,153	9.9	52,721	11.6
Commercial Services and Supplies	32,704	6.7	35,498	7.8
Household Products and Durables	32,596	6.7	32,664	7.2
Textiles, Apparel and Luxury Goods	26,922	5.5	25,390	5.6
Auto Components	25,891	5.3	23,940	5.3
Food Products	24,794	5.1	17,729	3.9
Diversified Telecommunication Services	24,579	5.0	24,405	5.4
Leisure Products	23,311	4.8	16,491	3.6
Hotels, Restaurants and Leisure	19,424	4.0	26,550	5.8
Diversified Financial Services	14,388	3.0	13,824	3.0
Electrical Equipment	13,666	2.8	13,951	3.1
Transportation Services	13,495	2.8	9,753	2.1
Construction and Engineering	10,982	2.3	9,611	2.1
Pharmaceuticals	9,752	2.0	9,485	2.1
Building Products	9,530	2.0	7,834	1.7
Energy Equipment and Services	9,331	1.9	2,695	0.6
Air Freight and Logistics	8,812	1.8	2,404	0.5
Chemicals	8,674	1.8	12,569	2.8
Trading Companies and Distributors	8,390	1.7	7,560	1.7
Retail	6,656	1.4	6,651	1.5
Professional Services	6,655	1.4	1,847	0.4
Aerospace and Defense	6,260	1.3	6,914	1.5
Containers and Packaging	4,607	0.9	4,512	1.0
Technology Hardware, Storage and Peripherals	3,276	0.7	4,150	0.9
Semiconductors and Semiconductor Equipment	2,431	0.5	2,550	0.6
Media	2,328	0.5	4,159	0.9
Metals and Mining	2,156	0.4	2,189	0.5
Oil, Gas and Consumable Fuels	1,480	0.3	1,630	0.4
	<u>\$ 486,705</u>	<u>100.0%</u>	<u>\$ 453,977</u>	<u>100.0%</u>

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

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**3. Investments – (continued)**

The following tables summarize the valuation of the Company's investments measured at fair value based on the fair value hierarchy, as detailed in Note 2, as of June 30, 2019 and December 31, 2018:

(\$ in thousands)	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Senior Secured Investments <sup>(1)</sup>	\$ —	\$ —	\$ 466,853	\$ 466,853
Equity Investments <sup>(2)</sup>	—	—	19,852	19,852
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 486,705</u>	<u>\$ 486,705</u>

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

(2) Includes preferred and common equity investments.

(\$ in thousands)	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Senior Secured Investments <sup>(1)</sup>	\$ —	\$ —	\$ 445,393	\$ 445,393
Equity Investments <sup>(2)</sup>	—	—	8,352	8,352
Financial Assets	—	—	232	232
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 453,977</u>	<u>\$ 453,977</u>

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

(2) Includes preferred and common equity investments.

The net change in unrealized gain/(loss) attributable to the Company's Level 3 assets for the six months ended June 30, 2019 and June 30, 2018 included in the net change in unrealized gain/(loss) on investments in the Company's consolidated statements of operations was \$6.6 million and \$4.2 million, respectively.



**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**3. Investments – (continued)**

The following table is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the six months ended June 30, 2019:

(\$ in thousands)	Six Months Ended June 30, 2019			
	Senior Secured Investments	Equity Investments <sup>(1)</sup>	Financial Assets	Total
Fair value, beginning of period	\$ 445,393	\$ 8,352	\$ 232	\$ 453,977
Total net realized and unrealized (loss)/gain on investments <sup>(2)</sup>	(3,006)	79	9	(2,918)
Total net accretion of discounts on investments	627	—	—	627
Purchases/issuances <sup>(3)</sup>	71,079	11,451	—	82,530
Paydowns <sup>(3)</sup>	(30,218)	—	(241)	(30,459)
Sales	(17,022)	(30)	—	(17,052)
Fair value, end of period	<u>\$ 466,853</u>	<u>\$ 19,852</u>	<u>\$ —</u>	<u>\$ 486,705</u>

- (1) Includes preferred and common equity investments.
- (2) Net change in unrealized loss on investments attributable to our Level 3 assets still held at June 30, 2019 totaled \$3.0 million, consisting of the following:  
Senior Secured Investments of \$3.1 million, offset by unrealized gains on Equity Investments of \$0.1 million.
- (3) Includes non-cash restructurings of portfolio investments of \$10.2 million. There were no transfers of investments between levels for the six months ended June 30, 2019.

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, 2018:

(\$ in thousands)	Six Months Ended June 30, 2018			
	Senior Secured Investments	Equity Investments <sup>(1)</sup>	Financial Assets	Total
Fair value, beginning of period	\$ 387,480	\$ 5,224	\$ 2,026	\$ 394,730
Total net realized and unrealized (loss) on investments <sup>(2)</sup>	(3,386)	(1,037)	(4)	(4,427)
Total net accretion of discounts on investments	625	—	—	625
Purchases/issuances <sup>(3)</sup>	118,364	4,112	—	122,476
Paydowns <sup>(3)</sup>	(109,053)	—	(1,083)	(110,136)
Sales	(1,395)	—	—	(1,395)
Fair value, end of period	<u>\$ 392,635</u>	<u>\$ 8,299</u>	<u>\$ 939</u>	<u>\$ 401,873</u>

- (1) Includes preferred and common equity investments.
- (2) Net change in unrealized loss on investments attributable to our Level 3 assets still held at June 30, 2018 totaled \$4.4 million, consisting of the following: Senior Secured Investments of \$3.5 million, Equity Investments of \$1.0 million, offset by unrealized gains on Financial Assets of \$0.1 million.
- (3) Includes non-cash restructurings of portfolio investments of \$4.1 million. There were no transfers of investments between levels for the six months ended June 30, 2018.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**3. Investments – (continued)**

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value as of June 30, 2019:

(\$ in thousands)	Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value as of June 30, 2019	Valuation Technique	Unobservable Input	Range		Weighted Average
				Low	High	
Senior Secured Investments <sup>(1)</sup>	\$ 466,853	Comparable yield approach	Market rate <sup>(2)</sup>	6.2%	32.6%	9.5%
		Market comparable companies	EBITDA multiple	2.0x	16.9x	7.8x
Equity Investments <sup>(3)</sup>	19,852	Market comparable companies	EBITDA multiple	6.4x	9.0x	7.2x
			Origination fees multiple	3.5x	3.5x	3.5x
		Discounted cash flows	Recovery Rate	40.8%	40.8%	40.8%
			Discount rate	5.0%	10.0%	8.3%
<b>Total</b>	<b>\$ 486,705</b>					

- (1) Includes \$13.2 million of first-lien debt investments which were valued by performing a liquidation analysis of the underlying assets which serve as collateral for those loans.
- (2) Market rate is calculated based on the fair value of the investments and interest expected to be received using the current rate of interest at the balance sheet date to maturity, excluding the effects of future scheduled principal amortizations.
- (3) Includes preferred and common equity.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**3. Investments – (continued)**

The following table is a quantitative disclosure about significant unobservable inputs (Level 3) that were used in determining fair value as of December 31, 2018:

(\$ in thousands)	Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value as of December 31, 2018	Valuation Technique	Unobservable Input	Range		Weighted Average
				Low	High	
Senior Secured Investments	\$ 445,393	Comparable yield approach	Market rate <sup>(1)</sup>	6.5 %	38.1 %	10.0 %
		Market comparable companies	EBITDA multiple <sup>(2)</sup>	2.0 x	17.3 x	7.5 x
Equity Investments <sup>(3)</sup>	8,352	Market comparable companies	EBITDA multiple	6.5 x	9.0 x	8.9 x
			Origination fees multiple	3.4 x	3.4 x	3.4 x
		Discounted cash flows	Recovery Rate	43.9 %	43.9 %	43.9 %
			Discount rate	10.0 %	15.0 %	13.9 %
Financial Assets <sup>(4)</sup>	232	Discounted cash flows	Recovery Rate	94.8 %	94.8 %	94.8 %
<b>Total</b>	<b>\$ 453,977</b>					

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

(2) Excludes non-operating portfolio companies, which we define as those loans collateralized by proved developed producing (“PDP”) value, real estate or other hard assets. PDPs are proven revenues that can be produced with existing wells. As of December 31, 2018, non-operating portfolio companies with an aggregate of \$7.7 million of par value and \$7.7 million of fair value were excluded.

(3) Includes preferred and common equity.

(4) See Exhibit 99.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 for detail on the underlying loans.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**3. Investments – (continued)**

Unobservable inputs used in the fair value measurement of the Company’s investments include bid quotations obtained from independent third party services (“consensus pricing”), multiples of market comparable companies, and relative comparable yields. Significant decreases (increases) in consensus pricing or market comparables could result in lower (higher) fair value measurements. Significant increases (decreases) in comparable yields could result in lower (higher) fair value measurements. Generally, a change in the assumption used for relative comparable yields is accompanied by a directionally opposite change in the assumptions used for pricing.

The terms of our Debt Investments may include provisions that require us to extend additional credit or provide funding to a borrower for any unfunded portion of such Debt Investments at the request of the borrower. This exposes us to potential future liabilities that are not reflected on the consolidated statements of financial condition. As of June 30, 2019 and December 31, 2018, the Company had \$4.3 million and \$7.6 million of unfunded commitments, respectively.

**4. Financing**

The table below provides details, including maturity dates, the weighted average interest rates and the weighted average effective interest rates, inclusive of the effects of deferred debt issuance costs, of the Company’s outstanding debt as of June 30, 2019:

June 30, 2019 (\$ in thousands)	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Effective Interest Rate	Rating(1)	Stated Maturity(4)
<b>2018-2 CLO Secured Notes:</b>						
Class A-1R-R Notes	\$ 47,500	\$ 47,500	LIBOR + 1.58%(2)	4.22%	AAA(sf)	11/20/2029
Class A-1T-R Notes	168,694	170,400	LIBOR + 1.58%	4.22%	AAA(sf)	11/20/2029
Class A-2-R Notes	54,627	55,100	LIBOR + 2.45%	5.08%	AA (sf)	11/20/2029
Class B-R Notes	17,919	18,250	LIBOR + 3.17%	5.81%	A (sf)	11/20/2029
Subtotals / weighted averages	288,740	291,250	4.36%	4.48%		11/20/2029
<b>Garrison SBIC Borrowings:</b>						
SBIC 2018-10 A	22,308	23,000	3.53%(3)	3.95%	N/A	3/1/2028
SBIC 2017-10 A	6,796	6,980	3.47%(3)	3.87%	N/A	3/1/2027
SBIC 2016-10 B	3,235	3,320	2.79%(3)	3.19%	N/A	9/1/2026
SBIC 2016-10 A	12,400	12,700	3.25%(3)	3.65%	N/A	3/1/2026
SBIC 2015-10 B	13,693	14,000	3.57%(3)	3.97%	N/A	9/1/2025
Subtotals / weighted averages	58,432	60,000	3.43%	3.84%		12/16/2026
Totals / weighted averages	\$ 347,172	\$ 351,250	4.21%	4.37%		5/22/2029

- (1) Represents ratings from each of S&P and DBRS for the Class A-1R-R Notes and the Class A-1T-R Notes and S&P ratings for the Class A-2-R Notes and Class B-R Notes as of the closing of GF 2018-2’s \$420.0 million collateralized loan obligation (the “2018-2 CLO”) on October 18, 2018.
- (2) Interest may be indexed to either the CP Rate (as defined in the governing indenture) or 3 month USD LIBOR.
- (3) Represents the stated interest rate and annual charge of our debentures guaranteed by the SBA.
- (4) The indenture governing the 2018-2 CLO permits the repricing or refinancing of the secured notes issued as part of the 2018-2 CLO after November 20, 2022, which may result in the actual maturity of the existing notes occurring prior to their stated maturity.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
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**4. Financing – (continued)**

The table below provides details of our outstanding debt as of December 31, 2018:

December 31, 2018 (\$ in thousands)	Amortized Carrying Value	Outstanding Principal at Par	Interest Rate	Effective Interest Rate	Rating(1)	Stated Maturity(4)
<b>2018-2 CLO Secured Notes:</b>						
Class A-1R-R Notes	\$ 8,000	\$ 8,000	LIBOR + 1.58%(2)	4.23%	AAA(sf)	11/20/2029
Class A-1T-R Notes	168,630	170,400	LIBOR + 1.58%	4.22%	AAA(sf)	11/20/2029
Class A-2-R Notes	54,611	55,100	LIBOR + 2.45%	5.08%	AA (sf)	11/20/2029
Class B-R Notes	17,908	18,250	LIBOR + 3.17%	5.81%	A (sf)	11/20/2029
Subtotals / weighted averages	249,149	251,750	4.41%	4.52%		11/20/2029
<b>Garrison SBIC Borrowings:</b>						
SBIC 2018-10 A	22,275	23,000	3.53%(3)	3.95%	N/A	3/1/2028
SBIC 2017-10 A	6,786	6,980	3.47%(3)	3.87%	N/A	3/1/2027
SBIC 2016-10 B	3,230	3,320	2.79%(3)	3.19%	N/A	9/1/2026
SBIC 2016-10 A	12,381	12,700	3.25%(3)	3.65%	N/A	3/1/2026
SBIC 2015-10 B	13,671	14,000	3.57%(3)	3.97%	N/A	9/1/2025
Subtotals / weighted averages	58,343	60,000	3.43%	3.84%		12/16/2026
<b>Totals / weighted averages</b>	<b>\$ 307,492</b>	<b>\$ 311,750</b>	<b>4.22%</b>	<b>4.39%</b>		<b>5/22/2029</b>

- (1) Represents ratings from each of S&P and DBRS for the Class A-1R-R Notes and the Class A-1T-R Notes and S&P ratings for the Class A-2-R Notes and Class B-R Notes as of the closing of the 2018-2 CLO on October 18, 2018.
- (2) Interest may be indexed to either the CP Rate (as defined in the governing indenture) or 3 month USD LIBOR.
- (3) Represents the stated interest rate and annual charge of our debentures guaranteed by the SBA.
- (4) The indenture governing the 2018-2 CLO permits the repricing or refinancing of the secured notes issued as part of the 2018-2 CLO after November 20, 2022, which may result in the actual maturity of the existing notes occurring prior to their stated maturity.

In accordance with the 1940 Act, with certain limited exceptions, prior to August 15, 2018 the Company was allowed to borrow up to amounts such that its asset coverage, as defined in the 1940 Act, was at least 200% after such borrowing excluding the SBA-guaranteed debentures of Garrison SBIC per the Company's exemptive relief from the Securities and Exchange Commission (the "SEC"). On August 14, 2018, the Company's stockholders approved the application of the reduced asset coverage requirements in Section 61(a)(2) of the 1940 Act to the Company. Thus, effective August 15, 2018, the asset coverage requirements applicable to the Company under the 1940 Act were reduced to 150%. As of June 30, 2019 and December 31, 2018, the Company's asset coverage for borrowed amounts was 156.8% and 167.1%, respectively. As of June 30, 2019 and December 31, 2018, the Company's total leverage capacity of the Class A-1R-R Notes under the 2018-2 CLO was \$2.5 million and \$42.0 million, respectively.

**Garrison Capital Inc. and Subsidiaries**  
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**4. Financing – (continued)**

**Collateralized Loan Obligation Financings**

On October 18, 2018, the Company completed the \$420.0 million 2018-2 CLO. The notes offered in the 2018-2 CLO, collectively referred to as the “2018-2 Notes” and individually defined above in the table, were issued by GF 2018-2 (the “Issuer”) and Garrison Funding 2018-2 LLC (together with the Issuer, the “Co-Issuers”) and are backed by a diversified portfolio of primarily senior secured loans. The proceeds of the 2018-2 CLO were utilized, along with cash on hand, to refinance notes issued under the 2016-2 CLO (as defined below). The Company also retained \$108.0 million of subordinated notes (the “2018-2 Subordinated Notes”) that were issued in the transaction and that are entitled to receive distributions to the extent funds are available for such purpose. As a result of the Company retaining the 2018-2 Subordinated Notes, it consolidates the accounts of the Co-Issuers into its financial statements. As a result of this consolidation, the amounts outstanding under the 2018-2 CLO are treated as the Company’s indebtedness. The Company also initially retained \$18.3 million of the Class B-R Notes. The 2018-2 Notes are scheduled to mature on November 20, 2029, however the 2018-2 Notes may be redeemed by the Co-Issuers on any business day after November 20, 2022. The indenture governing the 2018-2 Notes provides that, to the extent cash is available from cash collections, the holders of the 2018-2 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.

On September 29, 2016, the Company completed a \$300.0 million collateralized loan obligation (the “2016-2 CLO”). The notes offered in the 2016-2 CLO, collectively referred to as the “2016-2 Notes”, were issued by the Co-Issuers through a private placement. The proceeds of which were utilized, along with cash on hand, to refinance notes issued under a previous collateralized loan obligation. The Company retained all of the subordinated notes issued as part of the 2016-2 CLO. The 2016-2 Notes were refinanced by the 2018-2 CLO. The 2018-2 CLO and the 2016-2 CLO are collectively referred to as the “CLOs”.

As noted above, subject to the asset coverage limitations applicable to the Company under the 1940 Act, the Company had \$2.5 million and \$42.0 million of available leverage capacity in the Class A-1R-R Notes under the 2018-2 CLO as of June 30, 2019 and December 31, 2018, respectively. The fair value of the 2018-2 Notes approximated their carrying value on the consolidated statements of financial condition as of June 30, 2019 and December 31, 2018.

*Collateralized Loan Obligation Financing Covenants*

Under the documents governing the 2018-2 CLO, there were two coverage tests applicable to the secured notes issued as part of the 2018-2 CLO (the “Secured Notes”) as of June 30, 2019 and December 31, 2018. The first test compared the amount of interest received on the collateral loans held by GF 2018-2 to the amount of interest payable on the Secured Notes under the 2018-2 CLO in respect of the amounts drawn and certain expenses. To meet this first test, at any time, the aggregate amount of interest received on the collateral loans must equal, after the payment of certain fees and expenses, at least 135.0% of the aggregate amount of interest payable on the Class A-1R-R Notes, the Class A-1T-R Notes and the Class A-2-R Notes (collectively the Class A-R Notes) and 125.0% of the interest payable on the Class A-R Notes and Class B-R Notes, taken together.

**Garrison Capital Inc. and Subsidiaries**  
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**4. Financing – (continued)**

*Collateralized Loan Obligation Financing Covenants (continued)*

The second test compared the aggregate principal amount of the collateral loans, as calculated in accordance with the indenture, to the aggregate outstanding principal amount of the 2018-2 CLO 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 128.0% of the aggregate outstanding principal amount of the Class A-R Notes and 118.2% of the aggregate principal amount of the Class A-R Notes and Class B-R Notes, taken together.

If the coverage tests are not satisfied with respect to a quarterly payment date, the 2018-2 CLO will be required to apply available amounts to the repayment of interest on and principal of the 2018-2 Notes to the extent necessary to satisfy the applicable coverage tests and, as a result, there may be reduced funds available for GF 2018-2 to make additional investments or to make distributions on the 2018-2 Notes held by the Company. Additionally, compliance is measured on each day collateral loans are purchased, originated or sold and in connection with monthly reporting to the note holders.

Furthermore, if under the second coverage test the aggregated principal amount of the collateral loans equals 125.0% or less of the aggregate outstanding principal amount of the Class A-1R-R and Class A-1T-R Notes, taken together, remained so for ten business days, an event of default will be deemed to have occurred. As of June 30, 2019 and December 31, 2018, the trustee for the 2018-2 CLO has asserted that all of the coverage tests were met.

**Garrison SBIC Borrowings**

On May 29, 2014, Garrison SBIC, which has an investment objective substantially similar to GARS, was formed in accordance with the SBA's small business investment company ("SBIC") regulations. Garrison SBIC received a license from the SBA on May 26, 2015. The SBIC license allows Garrison SBIC to obtain SBA-guaranteed debentures in an amount equal to twice its equity capitalization up to \$175.0 million of leverage, subject to the issuance of capital commitments by the SBA and other customary procedures. Since receiving its SBIC license, the SBA has issued Garrison SBIC with two commitment letters to provide an aggregate \$70.0 million of SBA debentures.

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

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

As of June 30, 2019, Garrison SBIC had regulatory capital of \$34.7 million and total SBIC borrowings outstanding of \$60.0 million. The fair value of the SBIC borrowings approximated the carrying value on the consolidated statements of financial condition as of June 30, 2019 and December 31, 2018. As of June 30, 2019, the Company had \$10.0 million of available SBIC leverage capacity.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
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**4. Financing – (continued)**

**Short-term Financing Facility**

On June 3, 2019, the Company entered into a master repurchase agreement with Natixis Securities Americas LLC (“Natixis”) to provide short term borrowings which the Company intends to utilize from time-to-time to manage its working capital needs. The Company’s ability to draw down borrowings under the agreement is subject to 1940 Act leverage limitations and dependent on the Company pledging eligible assets to Natixis as collateral. The Company made customary representations and warranties in connection with entry into the agreement and will be required to comply with various customary covenants and other customary requirements. No commitment fees were paid in connection with execution of the agreement. Pricing and tenor of the borrowings will be determined once sufficient collateral assets have been pledged under the agreement. As of June 30, 2019, there were no outstanding borrowings or assets pledged under the agreement.

**Deferred Debt Issuance Costs and Other Fees**

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

As of both June 30, 2019 and December 31, 2018, the Company’s debt issuance costs and original issue discounts were generally incurred as a result of the CLOs and the Company’s SBIC borrowings. The CLO costs typically represent structuring and facility fees, rating agency fees and other legal costs incurred. The costs associated with SBIC borrowings consist of a 1.00% fee on the total commitments received, a 2.00% leverage fee, a 0.375% underwriting fee and a 0.05% administrative fee on any SBA borrowings that are drawn.

As of June 30, 2019, \$4.7 million of deferred debt issuance costs and discounts remained on our consolidated statements of financial condition. These costs were comprised of \$3.0 million related to the 2018-2 CLO and \$1.7 million related to the borrowings of Garrison SBIC. As of December 31, 2018, \$4.9 million of deferred debt issuance costs and discounts on our consolidated statements of financial condition. These costs were comprised of \$3.1 million related to the 2018-2 CLO and \$1.8 million related to the borrowings of Garrison SBIC. For the six months ended June 30, 2019 and 2018, interest expense on our consolidated statements of operations included \$0.3 million and \$0.2 million, respectively, of amortization related to the debt issuance costs and original issue discounts on our liabilities.



**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**5. Related Party Transactions and Other Agreements**

**Investment Advisory Agreement**

The Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis subject to the supervision of the Board. The Investment Adviser was organized in November 2010 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Investment Adviser is an affiliate of Garrison Investment Group LP (the "Investment Manager"), which is also the investment manager of various stockholders of the Company.

GARS entered into an investment advisory agreement with the Investment Adviser (as amended and/or restated from time to time, the "Investment Advisory Agreement"), which entitles the Investment Adviser to a management fee and an incentive fee. As of June 30, 2019, the Investment Advisory Agreement had been most recently amended and restated on May 6, 2019.

***Management Fee***

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

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

For the three and six months ended June 30, 2019, the Company incurred aggregate management fee expenses of \$1.7 million and \$3.3 million, respectively. For the three and six months ended June 30, 2018, the Company incurred aggregate management fee expenses of \$1.5 million and \$3.0 million, respectively. As of June 30, 2019 and December 31, 2018, the management fees in the amounts of \$1.7 million and \$0.1 million, respectively, were recorded as payable and included in management fee payable on our consolidated statements of financial condition.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
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**5. Related Party Transactions and Other Agreements – (continued)**

Under the Investment Advisory Agreement, the Investment Adviser is entitled to an incentive fee consisting of two components and a cap and deferral mechanism. The first component is income-based and payable quarterly in arrears while the second component is capital gains-based and 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). The components are independent of each other, and certain instances may result in one component being payable even if the other is not.

***Income-based incentive fees***

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

Effective January 1, 2019, the operation of the first component of the incentive fee under the Investment Advisory Agreement 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 of 1.75% (7.00% annualized);
- 50% of the Company's pre-incentive fee net investment income, if any, that exceeds the 1.75% Hurdle Rate but is less than 2.9167% in any calendar quarter (11.67% annualized) is payable to the Investment Adviser. This portion of the Company's income-based incentive fee component is referred to as the "catch-up" provision; and
- 20% of the Company's pre-incentive fee net investment income, if any, that exceeds 2.9167% in any calendar quarter (11.67% annualized) is payable to the Investment Adviser.

Prior to January 1, 2019, the operation of the first component of the incentive fee under the Investment Advisory Agreement for each quarter was as follows:

- no incentive fee was payable to the Investment Adviser for any calendar quarter in which the Company's pre-incentive fee net investment income did not exceed the Hurdle Rate of 1.75% (7.00% annualized);
- 100% of the Company's pre-incentive fee net investment income, if any, that exceeds the 1.75% Hurdle Rate but was less than 2.1875% in any calendar quarter (8.75% annualized) would have been payable to the Investment Adviser; and
- 20% of the Company's pre-incentive fee net investment income, if any, that exceeded 2.1875% in any calendar quarter (8.75% annualized) would have been payable to the Investment Adviser.

The effect of the catch-up provision is that, if the Company earns pre-incentive fee net investment income in any quarter in excess of 2.1875% or 2.9167%, as applicable, the Investment Adviser would receive 20% of such pre-incentive fee net investment income as if the Hurdle Rate did not apply.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
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**5. Related Party Transactions and Other Agreements – (continued)**

The portion of such income-based incentive fee that is attributable to deferred interest (such as PIK interest) 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. Furthermore, any accrual that is attributable to deferred interest will be reversed if and to the extent such interest is reversed in connection with any write-off of the investment giving rise to any deferred interest accrual. Any reversal of such deferred interest amounts would reduce net income for the quarter by the net amount of the reversal, after taking into account the incentive fees associated with the deferred interest amount also being reversed. Such a write-off 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 received in cash with respect to deferred interest.

***Capital gains-based incentive fees***

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 is not subject to any minimum return to stockholders.

In addition, under U.S. GAAP, we are required to accrue capital gains incentive fees, 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, no accrual will be recorded for such period. There were no capital gains incentive fees accrued for the three and six months ended June 30, 2019 and 2018.

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).

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
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**5. Related Party Transactions and Other Agreements – (continued)**

***Incentive Fee Cap and Deferral Mechanism***

We have structured the calculation of the incentive fees to include a fee limitation (the “Incentive Fee Cap and Deferral Mechanism”) such that no incentive fee will be paid to our Investment Adviser for any fiscal quarter if, after such payment, the cumulative incentive fees paid to our Investment Adviser for the period that includes such fiscal quarter and the 11 full preceding fiscal quarters (the “Incentive Fee Look-back Period”) would exceed 20.00% of our Cumulative Pre-Incentive Fee Net Return during the applicable Incentive Fee Look-back Period (the “Incentive Fee Cap”). To the extent that the payment of incentive fees is limited by the Incentive Fee Cap, the payment of such fees is deferred and paid in subsequent quarters up to three years after their date of deferment, subject to applicable limitations included in the Investment Advisory Agreement. However, beginning January 1, 2019, no deferred incentive fees will be paid to the Investment Adviser in an amount in excess of the sum of cumulative realized capital gains, cumulative realized capital losses, cumulative unrealized capital depreciation and cumulative unrealized capital appreciation during the applicable Incentive Fee Look-back Period. The “Cumulative Pre-Incentive Fee Net Return” is defined as the sum of (1) pre-incentive fee net investment income, (2) cumulative realized capital gains/(losses), and (3) cumulative unrealized capital gains/(losses) for the Incentive Fee Look-back Period.

Realized and unrealized capital gains and losses and pre-incentive net investment income earned during the three months ended June 30, 2019 will cease to impact the Incentive Fee Cap and Deferral Mechanism after June 30, 2022.

As of June 30, 2019, the Company’s Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period was \$11.7 million. As a result, due to the Incentive Fee Cap and Deferral Mechanism (and subject to the applicable limitations set forth in the Investment Advisory Agreement ), the Incentive Fee Cap as of June 30, 2019 was \$2.3 million (i.e. 20% of the Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period).

As of June 30, 2019, the Investment Adviser had calculated an aggregate of \$10.1 million of income-based incentive fees since July 1, 2016, of which \$0.6 million is recorded as incentive fee payable on the consolidated statement of financial condition. As a result and to the extent unrealized capital losses incurred as of June 30, 2019 are reversed or cease to impact the Incentive Fee Cap within the applicable Incentive Fee Look-back Period, such that cumulative realized capital gains and cumulative unrealized capital appreciation exceed cumulative realized capital losses and cumulative unrealized capital depreciation during the applicable Incentive Fee Look-back Period, the Investment Adviser may be able to recoup up to \$9.0 million of income-based incentive fees which are currently deferred under the Incentive Fee Cap.

The following table provides a breakdown of our incentive fees for the three and six months ended June 30, 2019 and June 30, 2018:

Incentive Fees (\$ in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Income-based incentive fees	\$ 543	\$ 877	\$ 832	\$ 1,860
Capital gains-based incentive fees	—	—	—	—
Incentive fees subject to cap & deferral mechanism <sup>(1)</sup>	—	(877)	—	(1,860)
<b>Total incentive fees</b>	<b>\$ 543</b>	<b>\$ —</b>	<b>\$ 832</b>	<b>\$ —</b>

(1) The Cumulative Pre-Incentive Fee Net Return for the Incentive Fee Look-back Period ending June 30, 2018 was negative due to realized and unrealized capital losses incurred, and therefore all income-based payments were subject to the Incentive Fee Cap and Deferral Mechanism.

As of June 30, 2019 and December 31, 2018, there was \$0.6 million and \$0.3 million of incentive fees earned that were recorded as payable on the consolidated statements of financial condition, respectively.

**Garrison Capital Inc. and Subsidiaries**  
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**5. Related Party Transactions and Other Agreements – (continued)**

**Administration Agreement**

GARS entered into an administration agreement, which was effective as of October 9, 2012 (the “Administration Agreement”), with GARS Administrator. Under the Administration Agreement, the GARS Administrator provides the Company with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the GARS Administrator, subject to review by the Board, from time to time determines to be necessary or useful to perform its obligations under the Administration Agreement. The GARS Administrator is responsible for the financial and other records that the Company is required to maintain and prepares reports to stockholders, and reports and other materials filed with the SEC. The GARS Administrator provides on the Company’s behalf significant managerial assistance to those portfolio companies to which the Company is required to provide such assistance. No managerial assistance was provided to any portfolio companies during the three and six months ended June 30, 2019 and June 30, 2018.

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.

Administrator charges for the three and six months ended June 30, 2019 were \$0.3 million and \$0.7 million, respectively. Administrator charges for three and six months ended June 30, 2018 were \$0.3 million and \$0.6 million, respectively. No charges were waived by the GARS Administrator for the three and six months ended June 30, 2019 and June 30, 2018. As of June 30, 2019, \$0.2 million of administration fees were payable to the GARS Administrator. No administration fees were payable to the GARS Administrator as of December 31, 2018.

**Directors’ Fees**

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

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

For the three and six months ended June 30, 2019 independent directors earned Directors’ Fees of \$0.1 million and \$0.2 million, respectively. For the three and six months ended June 30, 2018, independent directors earned Directors’ Fees of \$0.1 million and \$0.2 million, respectively. No Directors’ Fees were payable as of June 30, 2019 and December 31, 2018.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

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

**Affiliated Stockholders**

As of both June 30, 2019 and December 31, 2018, Garrison Capital Fairchild I Ltd., Garrison Capital Fairchild II Ltd. and Garrison Capital Adviser Holdings MM LLC owned an aggregate of 789,910, or 4.9%, of the total outstanding shares of GARS common stock. As of June 30, 2019, the officers and directors of the Company owned an aggregate of approximately 298,000, or 1.9%, of the total outstanding shares of GARS common stock. As of December 31, 2018, the officers and directors of the Company owned an aggregate of approximately 239,000, or 1.5%, of the total outstanding shares of GARS common stock.

**Other Agreements**

Garrison Loan Agency Services LLC acts as the administrative and collateral agent for certain loans held by the Company. No fees were paid by the Company to Garrison Loan Agency Services LLC during the three and six months ended June 30, 2019 and June 30, 2018.

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

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

GARS entered into a custody agreement with Deutsche Bank Trust Company Americas to act as custodian for GARS. The Custodian is also the trustee of the 2018-2 CLO and is the custodian for Garrison SBIC.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**6. Financial Highlights**

The following table represents financial highlights for the Company for the six months ended June 30, 2019 and June 30, 2018:

Per share data (\$ in thousands, except share and per share amounts)	June 30, 2019	June 30, 2018
<b>Net asset value per common share at beginning of period</b>	<b>\$ 10.52</b>	<b>\$ 11.69</b>
Increase in net assets from operations:		
Net investment income	0.42	0.58
Net realized loss on investments	(0.59)	(0.02)
Net unrealized gain/(loss) on investments	0.41	(0.25)
<b>Net increase in net assets resulting from operations</b>	<b>0.24</b>	<b>0.31</b>
Stockholder transactions		
Distributions from net investment income	(0.46)	(0.56)
Total stockholder transactions	(0.46)	(0.56)
<b>Net asset value per common share at end of period</b>	<b>\$ 10.30</b>	<b>\$ 11.44</b>
Per share market value at beginning of period	\$ 6.43	\$ 8.11
Per share market value at end of period	\$ 6.90	\$ 8.13
Total book return(1)	2.28%	2.65%
Total market return(2)	14.40%	7.25%
Common shares outstanding at beginning of period	16,049,352	16,049,352
Common shares outstanding at end of period	16,049,352	16,049,352
Weighted average common shares outstanding	16,049,352	16,049,352
Net assets at beginning of period	\$ 168,912	\$ 187,658
Net assets at end of period	\$ 165,333	\$ 183,542
Average net assets(3)	\$ 167,914	\$ 185,207
Ratio of net expenses to average net assets	16.93%	11.46%
Ratio of net investment income to average net assets	8.01%	10.04%
Ratio of portfolio turnover to average investments at fair value(4)	9.98%	28.69%
Asset coverage ratio(5)	156.77%	201.40%
Average outstanding debt(6)	\$ 338,066	\$ 232,024
Average debt per common share	\$ 21.06	\$ 14.46

- (1) Total book return equals the net increase of ending net asset value from operations plus the effect of repurchases of common stock over the net asset value per common share at the beginning of the period.
- (2) Based upon the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan.
- (3) Calculated utilizing monthly net assets.
- (4) Calculated based on monthly average investments at fair value.
- (5) Effective as of August 15, 2018, in accordance with the 1940 Act, the Company is allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 150% after such borrowing. Prior to August 15, 2018, the Company was allowed to borrow amounts such that its asset coverage was at least 200% after such borrowing. Based on the exemptive relief received from the SEC in 2015, Garrison SBIC's SBA guaranteed debentures are excluded from the Company's asset coverage test calculation.
- (6) Calculated based on monthly average debt outstanding.

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**7. Earnings per Share**

The following table sets forth the computation of the net increase/(decrease) in net assets per share resulting from operations, pursuant to FASB ASC 260, *Earnings per Share*, for the six months ended June 30, 2019 and June 30, 2018:

(\$ in thousands, except per share data)	Six Months Ended	
	June 30, 2019	June 30, 2018
Net increase in net assets resulting from operations	\$ 3,803	\$ 4,872
Basic weighted average common shares outstanding	16,049,352	16,049,352
Basic earnings per share	\$ 0.24	\$ 0.31

**8. Stockholders' Equity**

**Distributions**

The Company's dividends and distributions are recorded on the ex-dividend date. The following table reflects the cash distributions declared on common stock for the six months ended June 30, 2019 and June 30, 2018:

Record Dates (\$ in thousands except per share data)	Date Declared	Payment Date	Distribution Declared	Distribution Declared per Share
<b>Six Months Ended June 30, 2019</b>				
June 7, 2019	April 30, 2019	June 21, 2019	\$ 3,691	\$ 0.23
March 22, 2019	March 5, 2019	March 29, 2019	3,691	0.23
			<u>\$ 7,382</u>	<u>\$ 0.46</u>

Record Dates (\$ in thousands except per share data)	Date Declared	Payment Date	Distribution Declared	Distribution Declared per Share
<b>Six Months Ended June 30, 2018</b>				
June 8, 2018	May 1, 2018	June 22, 2018	\$ 4,494	\$ 0.28
March 23, 2018	February 28, 2018	March 29, 2018	4,494	0.28
			<u>\$ 8,988</u>	<u>\$ 0.56</u>

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.

**Dividend Reinvestment Plan**

The Company adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if the Board declares a cash dividend or other distribution, then our stockholders who have not 'opted out' of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, which may be newly issued shares or shares acquired by American Stock Transfer & Trust Company, LLC ("AST"), the transfer and dividend paying agent and registrar to GARS, through open-market purchases, rather than receiving the cash distribution. As of June 30, 2019 and December 31, 2018, no new shares were issued pursuant to the dividend reinvestment plan.

No action is required on the part of a registered stockholder to have its cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying AST in writing so that such notice is received by AST no later than the record date for distributions to stockholders.

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



**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**9. Commitments and Contingencies**

The Company had outstanding commitments to fund investments totaling \$4.3 million and \$7.6 million under various undrawn revolvers and other credit facilities as of June 30, 2019 and December 31, 2018, respectively.

In the ordinary course of business, the Company may be named as a defendant or a plaintiff in various lawsuits and other legal proceedings. Such proceedings include actions brought against the Company and others with respect to transactions to which the Company may have been a party. The outcomes of such lawsuits are uncertain and, based on these lawsuits, the values of the investments to which they relate could decrease. Management does not believe that as a result of litigation there would be any material impact on the consolidated financial condition of the Company. The Company has had no outstanding litigation proceedings brought against it since the initial public offering on April 2, 2013.

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

**10. Transactions with Control/Affiliate and Non-Control/Affiliate Investments**

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

The following table shows the Control/Affiliate and Non-Control/Affiliate activity for the six months ended June 30, 2019:

Portfolio Company (\$ in thousands)	Six Months Ended June 30, 2019								
	Fair value as of December 31, 2018	Purchases (cost)	Sales (cost)	Transfer in/ (out) (cost)	Net unrealized losses	Fair value as of June 30, 2019	Net realized losses	Interest and fee income	Dividend income
<b>Control/affiliate investments</b>									
GIG Co Holdings LLC (fka Confluence Outdoors, LLC)	\$ —	\$ 11,209	\$ —	\$ —	\$ —	\$ 11,209	\$ —	\$ —	\$ —
<b>Total control/affiliate investments</b>	<b>\$ —</b>	<b>\$ 11,209</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,209</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

Portfolio Company (\$ in thousands)	Six Months Ended June 30, 2019								
	Fair value as of December 31, 2018	Purchases (cost)	Sales (cost)	Transfer in/ (out) (cost)	Net unrealized losses	Fair value as of June 30, 2019	Net realized losses	Interest and fee income	Dividend income
<b>Non-control/affiliate investments</b>									
Cochon – MWS Holdings LLC (fka Rooster Energy Ltd.)	\$ 1,630	\$ —	\$ (30)	\$ —	\$ (120)	\$ 1,480	\$ —	\$ —	\$ —
<b>Total non-control/affiliate investments</b>	<b>\$ 1,630</b>	<b>\$ —</b>	<b>\$ (30)</b>	<b>\$ —</b>	<b>\$ (120)</b>	<b>\$ 1,480</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Garrison Capital Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**  
**June 30, 2019**

**10. Transactions with Control/Affiliate and Non-Control/Affiliate Investments – (continued)**

The following table shows the Non-Control/Affiliate activity as of the six months ended June 30, 2018. There was no Control/Affiliate activity for the six months ended June 30, 2018:

Portfolio Company (\$ in thousands)	Six Months Ended June 30, 2018								
	Fair value as of December 31, 2017	Purchases (cost)	Sales (cost)	Transfer in/ (out) (cost)	Net unrealized losses	Fair value as of June 30, 2018	Net realized losses	Interest and fee income	Dividend income <sup>(1)</sup>
<b>Non-control/affiliate investments</b>									
Cochon – MWS Holdings LLC (fka Rooster Energy Ltd.)	\$ —	\$ 4,112	\$ —	\$ —	\$ (1,414)	\$ 2,698	\$ —	\$ —	\$ 77
<b>Total non-control/affiliate investments</b>	<u>\$ —</u>	<u>\$ 4,112</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,414)</u>	<u>\$ 2,698</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 77</u>

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

**11. Subsequent Events**

There have been no events since June 30, 2019 that require recognition or disclosure in the consolidated financial statements.

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

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

### Forward-Looking Statements

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

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

We use words such as "anticipate," "believe," "expect," "intend," "may," "might," "will," "should," "could," "can," "would," "believe," "estimate," "anticipate," "predict," "potential" and similar words to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth as "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.

We have based the forward-looking statements included in this Quarterly Report on Form 10-Q on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the Securities and Exchange Commission, or the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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

## **Overview**

We are an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code, and intend to qualify annually for such treatment. Our shares are currently listed on The Nasdaq Global Select Market under the symbol “GARS”.

Our investment objective is to generate current income and capital appreciation through direct loans and debt investments in U.S. based middle-market companies. Our loans and debt investments are primarily first lien senior secured loans (including “unitranche” loans, which are loans that combine the characteristics of both senior and subordinated debt, generally in a first lien position). We also may, to a lesser extent, invest in subordinated and mezzanine debt and equity investments. Our goal is to generate attractive risk-adjusted returns by assembling a broad portfolio of investments.

Our investment activities are managed by our Investment Adviser. The investment committee of our Investment Adviser is comprised of Joseph Tansey, Brian Chase, Mitch Drucker, Susan George, Robert Chimenti, Joshua Brandt, Allison Adornato and Daniel Hahn. Our Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. Under an investment advisory agreement with the Investment Adviser, or the Investment Advisory Agreement, we pay a management fee and an incentive fee to our Investment Adviser for its services. Garrison Capital Administrator LLC, or the Administrator, provides certain administrative services and facilities necessary for us to operate, including office facilities and equipment and clerical, bookkeeping and record-keeping services, pursuant to an administration agreement, or the Administration Agreement. The Administrator oversees our financial reporting and prepares our reports to stockholders and reports required to be filed with the SEC.

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

## **Recent Developments**

On July 30, 2019, our board of directors, or the Board, declared a distribution in the amount of \$3.7 million, or \$0.23 a share, which will be paid on September 20, 2019 to stockholders of record as of September 6, 2019.

On July 18, 2019, \$25.0 million of the aggregate \$50.0 million Class A-1R-R Notes outstanding in our collateralized loan obligation, or the 2018-2 CLO, converted to term notes. The remaining \$25.0 million of Class A-1R-R Notes will convert to term notes on or before November 20, 2022.

## Revenues

In general, we generate revenue in the form of interest earned on the debt investments that we hold and capital gains and distributions, if any, to a lesser extent, on the equity interests or warrants held in portfolio companies. Our debt investments, whether in the form of senior secured, unitranche or mezzanine loans, typically have a term that ranges from three to seven years and may generally bear interest at a fixed or floating rate. Interest is generally payable monthly or quarterly, and in some cases, loans may have contain a payment-in-kind ("PIK") feature.

We also earn fee income which is generally comprised of amendment, forbearance, prepayment, syndication, structuring, diligence, consulting and possible fees for providing managerial assistance to a portfolio company. Amendment and forbearance fees are generally received in connection with loan amendments or waivers and are recognized upon completion of the amendments or waivers, generally when such fees are receivable. We record prepayment premiums on loans and debt securities into income when we receive such amounts.

In addition, we may receive structuring, diligence fees, consulting and managerial assistance fees for periodically providing services to a portfolio or third party company. These fees are recognized when such services have been completed and the fees are generally receivable. Any such fee income received is recorded and classified as other income and included in investment income on the consolidated statements of operations. As these fees are generally paid and recognized in connection with specific loan event or the performance of a service, there may be significant fluctuations from period to period in the amount and size of such fee and they are typically non-recurring in nature.

In addition, the Company may receive periodic dividends or distributions from our preferred or equity investments. Such amounts are recorded and classified as other income. 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. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

## Expenses

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

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

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

### Consolidated Results of Operations

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

Consolidated operating results for the three and six months ended June 30, 2019 and June 30, 2018 are as follows:

(\$ in thousands, except per share data)	Three Months Ended		Three Months Variance	Six Months Ended		Six Months Variance
	June 30, 2019	June 30, 2018		June 30, 2019	June 30, 2018	
Total investment income	\$ 10,704	\$ 9,688	\$ 1,016	\$ 20,933	\$ 19,909	\$ 1,024
Total expenses	7,230	5,303	1,927	14,212	10,610	3,602
<b>Net investment income</b>	<b>3,474</b>	<b>4,385</b>	<b>(911)</b>	<b>6,721</b>	<b>9,299</b>	<b>(2,578)</b>
Net realized loss on investments	(2,365)	318	(2,683)	(9,498)	(259)	(9,239)
Net change in unrealized gain/(loss) on investments	284	(1,856)	2,140	6,580	(4,168)	10,748
<b>Net increase in net assets resulting from operations</b>	<b>1,393</b>	<b>2,847</b>	<b>(1,454)</b>	<b>3,803</b>	<b>4,872</b>	<b>(1,069)</b>
Net investment income per common share	0.22	0.27	(0.05)	0.42	0.58	(0.16)
Net realized/unrealized loss on investments per share	(0.13)	(0.09)	(0.04)	(0.18)	(0.27)	0.09
<b>Basic earnings per share</b>	<b>0.09</b>	<b>0.18</b>	<b>(0.09)</b>	<b>0.24</b>	<b>0.31</b>	<b>(0.07)</b>
Dividends and distributions declared per common share	0.23	0.28	(0.05)	0.46	0.56	(0.10)
Net asset value per share	10.30	11.44	(1.14)	10.30	11.44	(1.14)

### Net Investment Income

Net investment income for the three and six months ended June 30, 2019 was \$3.5 million and \$6.7 million, respectively. Net investment income for the three and six months ended June 30, 2018 was \$4.4 million and \$9.3 million, respectively. As described below under "Investment Income" and "Expenses", net investment income decreased by \$0.9 million and \$2.6 million for the three and six months ended June 30, 2019 from the three and six months ended June 30, 2018, respectively.

### Investment Income

Investment income for the three and six months ended June 30, 2019 was \$10.7 million and \$20.9 million, respectively. Investment income for the three and six months ended June 30, 2018 was \$9.7 million and \$19.9 million, respectively. Investment income increased by \$1.0 million for the three and six months ended June 30, 2019 from the three and six months ended June 30, 2018 largely driven by \$1.7 million and \$2.0 million of higher interest income due to a higher average portfolio size which was partially offset by a decrease in the weighted average yield on the portfolio. This was further offset by a reduction of fee income of \$0.7 million and \$1.0 million due to lower prepayment activity during the three and six months ended June 30, 2019, respectively, as compared to the three and six months ended June 30, 2018.

### Expenses

Total expenses for the three and six months ended June 30, 2019 were \$7.2 million and \$14.2 million, respectively. Total expenses for the three and six months ended June 30, 2018 were \$5.3 million and \$10.6 million, respectively.

The following table summarizes our expenses for the three and six months ended June 30, 2019 and June 30, 2018:

(\$ in thousands)	Three Months Ended		Three Months Variance	Six Months Ended		Six Months Variance
	June 30, 2019	June 30, 2018		June 30, 2019	June 30, 2018	
Interest expense	\$ 3,860	\$ 2,750	\$ 1,110	\$ 7,588	\$ 5,304	\$ 2,284
Management fee	1,680	1,519	161	3,303	3,011	292
Incentive fees	543	—	543	832	—	832
Professional fees	308	298	10	705	592	113
Directors' fees	77	76	1	159	153	6
Administrator expenses	329	293	36	700	591	109
Other expenses	433	367	66	925	959	(34)
<b>Total expenses</b>	<b>\$ 7,230</b>	<b>\$ 5,303</b>	<b>\$ 1,927</b>	<b>\$ 14,212</b>	<b>\$ 10,610</b>	<b>\$ 3,602</b>

Interest expense increased \$1.1 million and \$2.3 million for the three and six months ended June 30, 2019, respectively, from the three and six months ended June 30, 2018 due to higher debt balances resulting from the upsizing our collateralized loan obligation vehicle during the fourth quarter of 2018.

Management fees increased by \$0.2 million and \$0.3 million for the three and six months ended June 30, 2019, respectively, from the three and six months ended June 30, 2018, primarily due to higher average gross assets during the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018.

Incentive fees increased by \$0.5 million and \$0.8 million for the three and six months ended June 30, 2019, respectively, from the three and six months ended June 30, 2018, as a result of incurring an incentive fee expense for the three and six months ended June 30, 2019 whereas no such expense was incurred for the three and six months ended June 30, 2018 as a result of being subject to the deferral under the Incentive Fee Cap and Deferral Mechanism.

Professional fees increased by \$0.1 million for the six months ended June 30, 2019 from the six months ended June 30, 2018, primarily due to higher audit related fees.

Administrator fees increased by \$0.1 million for the six months ended June 30, 2019 from the six months ended June 30, 2018, primarily due to higher staffing overhead.

### ***Net Realized (Loss)/Gain on Investments***

There were net realized losses on investments of \$2.4 million and \$9.5 million for the three and six months ended June 30, 2019, respectively.

The net realized loss on investments for the three months ended June 30, 2019 was primarily driven by a \$2.5 million loss in connection with the restructuring of our investment in Confluence Outdoor, LLC.

The net realized loss on investments for the six months ended June 30, 2019 was primarily driven by a \$2.5 million loss in connection with the restructuring of our investment in Confluence Outdoor, LLC and a \$6.9 million loss incurred upon the sale of our investment in Profusion Industries, LLC.

There was a net realized gain on investments of \$0.3 million and a net realized loss on investments of \$0.3 million for the three and six months ended June 30, 2018, respectively.

The net realized gain on investments for the three months ended June 30, 2018 was primarily driven by the partial and full repayments of portfolio investments.

The net realized loss on investments for the six months ended June 30, 2018 was primarily driven by a \$0.9 million loss in connection with the restructuring of our investment in Rooster Energy Ltd. This was offset by \$0.6 million of realized gains from repayments and sales of portfolio investments.

### ***Net Change in Unrealized (Loss)/Gain on Investments***

For the three and six months ended June 30, 2019, the net change in unrealized gain on investments was \$0.3 million and \$6.6 million, respectively.

The net change in unrealized gain on investments for the three months ended June 30, 2019 of \$0.3 million was primarily comprised of the \$2.5 million reversal of a previous recorded unrealized loss in connection with the restructuring of our investment in Confluence Outdoor, LLC, offset by \$2.2 million of net negative market-related adjustments primarily from various syndicated investments.

The net change in unrealized gain on investments for the six months ended June 30, 2019 of \$6.6 million was primarily comprised of the \$6.9 million reversal of a previous recorded unrealized loss as a result of the sale of our investment in Profusion Industries, LLC and a \$2.5 million reversal of a previous recorded unrealized loss connection with the restructuring of our investment in Confluence Outdoor, LLC, offset by \$2.8 million of net negative market-related adjustments primarily from various syndicated investments.

For the three and six months ended June 30, 2018, the net change in unrealized loss on investments was \$1.9 million and \$4.2 million, respectively.

The net change in unrealized loss on investments for the three months ended June 30, 2018 was driven primarily by a negative \$1.4 million credit-related adjustment on our investment in Cochon-MWS Holdings LLC (fka Rooster Energy Ltd.), the reversal of prior period net unrealized gains across nine investments in the amount of \$0.3 million and a net \$0.2 million of positive market-related adjustments primarily on seven investments.

The net change in unrealized loss for the six months ended June 30, 2018 was driven primarily by \$5.4 million of negative credit-related adjustments on our investments in Profusion Industries, LLC and Cochon-MWS Holdings LLC (fka Rooster Energy Ltd.) in the amount of \$4.0 million and \$1.4 million, respectively. This was offset by an aggregate net \$1.0 million of positive fair value adjustments across various portfolio investments and the reversal of prior period net unrealized losses in the amount of \$0.2 million in connection with the partial and full repayments of certain of our portfolio investments, including \$0.8 million associated with the restructuring of our investment in Rooster Energy Ltd.



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

We had a net asset value per common share outstanding as of June 30, 2019 and December 31, 2018 of \$10.30 and \$10.52, respectively.

Based on basic weighted average shares outstanding of 16,049,352, the net increase in net assets from operations per share for the three and six months ended June 30, 2019 was \$0.09 and \$0.24, respectively. These increases were driven by net investment income of \$0.22 per share and \$0.42 per share, partially offset by net realized and unrealized losses of \$0.13 per share and \$0.18 per share incurred during the three and six months ended June 30, 2019, respectively.

Based on basic weighted average shares outstanding of 16,049,352, the net increase in net assets from operations per share for the three and six months ended June 30, 2018 was \$0.18 and \$0.31, respectively. These increases were primarily driven by net investment income of \$0.27 per share and \$0.58 per share, partially offset by net realized and unrealized losses of \$0.10 per share and \$0.27 per share incurred during the three and six months ended June 30, 2018, respectively.

### **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 from offerings of our debt and equity securities from time to time and also utilize any repayments of portfolio investments as an ongoing source of cash. In addition, we generate liquidity from our cash flows from operations.

As of June 30, 2019 and December 31, 2018, we had cash of \$0.9 million and \$6.2 million, respectively. Also, as of June 30, 2019 and December 31, 2018, we had restricted cash of \$29.1 million and \$39.5 million, respectively.

Our primary liquidity needs include providing capital to middle market portfolio companies, distributing our earnings to the holders of our common stock, servicing interest and principal payments on our various debt financing facilities and paying the fees and other operating expenses we incur as a publicly-traded, externally managed business development company. We believe that our existing cash and cash equivalents, available borrowings on our debt facilities and any cash received in the form of principal or interest payments from our investment portfolio as of June 30, 2019 would be sufficient to fund our anticipated liquidity needs through at least June 30, 2020. In addition, we may, from time to time, amend or refinance our leverage facilities and borrowings, in order to, among other things, modify covenants or the interest rates payable and extend the reinvestment period or maturity date. However, our ability to access capital is subject to market conditions which may result in either capital not being available, or it may be available but only on unfavorable terms. To the extent we are not able to raise additional capital, or otherwise generate sufficient liquidity or are at or near target leverage ratios, we may receive smaller allocations, if any, on new investment opportunities under the Investment Adviser's allocation policy.

On April 30, 2019 the Board approved a distribution in the amount of \$3.7 million, or \$0.23 a share, which was paid on June 21, 2019 to stockholders of record as of June 7, 2019.

During the six months ended June 30, 2019, cash and restricted cash decreased by \$15.7 million as a result of net cash used in operating activities of \$47.8 million, offset by net cash provided by financing activities in the amount of \$32.1 million.

During the six months ended June 30, 2019, cash used in operating activities was mainly driven by the purchase of new investments totaling \$81.5 million and the payment for investments that were previously purchased but had not yet settled of \$17.5 million. These were offset by repayments and sales of investments in the amount of \$47.5 million. Net cash provided by financing activities primarily came from resulted from the receipt of net borrowing proceeds from the senior secured revolving notes under our \$420.0 million 2018-2 CLO that closed on October 18, 2018, in the amount of \$39.5 million, offset by \$7.4 million of cash distributions paid to our stockholders.

During the six months ended June 30, 2018, cash and restricted cash increased by \$14.3 million as a result of net cash provided by operating activities of \$19.0 million, offset by net cash used in financing activities in the amount of \$4.7 million.

During the six months ended June 30, 2018, cash provided by operating activities resulted mainly from purchases of investments of \$121.9 million, offset by repayments and sales of investments in the amount of \$111.5 million, net realized and unrealized gain on investments in the amount of \$4.4 million and a net increase in the due to / from counterparties and affiliates of \$19.8 million. Net cash used in financing activities resulted from cash distributions in the amount of \$9.0 million and \$5.7 million of repayments of the senior secured revolving notes of our \$300.0 million collateralized loan obligation that closed on September 29, 2016, or the 2016-2 CLO, offset by \$10.2 million of proceeds from borrowings by Garrison Capital SBIC LP, or Garrison SBIC.

As of June 30, 2019 and December 31, 2018, we had \$4.3 million and \$7.6 million, respectively, of unfunded commitments. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of, respectively, subject to the terms of each loan's respective credit agreement.

Subject to leverage and borrowing base restrictions, as of June 30, 2019, we had approximately \$2.5 million available for additional borrowings under the 2018-2 CLO, \$10.0 million of available SBIC leverage and access to borrowing under our master repurchase agreement with Natixis Securities Americas LLC. As of December 31, 2018, we had approximately \$42.0 million available for additional borrowings under the 2018-2 CLO and \$10.0 million of available SBIC leverage subject to leverage and borrowing base restrictions. As of both June 30, 2019 and December 31, 2018, we retained all of the subordinated notes and \$18.3 million of the Class B-R Notes under the 2018-2 CLO. The \$18.3 million of Class B-R Notes remain available for us to sell in order to generate additional liquidity to the extent we determine market conditions would be favorable.

## Portfolio Composition and Select Portfolio Information

As of June 30, 2019, we held investments in 100 portfolio companies with a fair value of \$486.7 million. As of June 30, 2019, our portfolio had an average investment size of approximately \$4.5 million and a weighted average contractual maturity of 53 months.

The following table shows select information of our portfolio for the periods from June 30, 2019 to June 30, 2018:

(\$ in millions, % based on fair value, unless otherwise noted)*	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>Portfolio Summary:</b>					
Total portfolio, at fair value	\$ 486.7	\$ 480.9	\$ 454.0	\$ 383.0	\$ 401.9
Total number of portfolio companies	100	99	93	77	71
Total number of investments	119	119	118	98	92
Average size of debt investments	\$ 4.5	\$ 4.6	\$ 4.6	\$ 4.6	\$ 5.2
Weighted average price of debt investments	97.1	97.0	95.7	97.2	97.8
<b>Portfolio Yields:(1)</b>					
Weighted average yield on debt investments at amortized cost(2)	8.9%	8.9%	9.1%	9.2%	9.5%
Weighted average yield on debt investments at fair value(2)	9.6%	9.4%	10.2%	9.6%	9.7%
Weighted average yield on total portfolio at amortized cost	8.5%	8.4%	8.5%	8.7%	9.1%
Weighted average yield on total portfolio at fair value	9.3%	9.1%	9.9%	9.1%	9.3%
<b>Portfolio Structure:</b>					
First lien senior secured debt investments	96.1%	98.4%	98.3%	97.6%	97.9%
Equity and other investments	3.9%	1.6%	1.7%	2.4%	2.1%
Floating rate debt investments	99.9%	99.8%	99.7%	99.6%	99.5%
Fixed rate debt investments	0.1%	0.2%	0.3%	0.4%	0.5%
<b>Portfolio Sourcing:</b>					
Originated(3)	23.1%	24.9%	25.3%	29.9%	34.9%
Club(4)	39.1%	41.3%	37.8%	35.0%	32.2%
Purchased(5)	37.8%	33.8%	36.9%	35.1%	32.9%
<b>Portfolio Credit Quality:</b>					
Performing debt investments	99.3%	97.1%	99.5%	99.3%	98.8%
Non-accrual debt investments	0.7%	2.9%	0.5%	0.7%	1.2%
Weighted average debt/EBITDA of our portfolio companies(2)(6)	3.9x	3.9x	3.8x	3.7x	3.7x
Weighted average risk rating of our debt investments	2.3	2.4	2.4	2.3	2.3

- (1) Weighted average yield represents the portfolio's return from the all-in interest rate plus the annualized accretion income from (i) any original issue discount or premium when calculating weighted average yield at amortized cost and (ii) any market discount or premium when calculating weighted average yield at fair value as of the balance sheet date to par at each investments contractual maturity date, excluding the effect of any scheduled principal amortization payments. For those investments valued based on an estimated recovery rate, the weighted average yield calculation is based on redeeming the investment at the current expected recovery rate rather than at par.
- (2) Calculation excludes consumer loan portfolio investment, unfunded revolvers, debt investments placed on non-accrual and equity investments.
- (3) Originated positions include debt investments where we have sourced and led the execution of the deal.
- (4) Club positions include debt investments with a total tranche size less than \$250.0 million where we provide direct lending to a borrower with a small number of other lenders but do not lead the deal.
- (5) Purchased positions include debt investments with a total tranche size greater than \$250.0 million that was sourced from a bank loan syndication or the secondary market.
- (6) Includes first-lien debt investments which were valued by performing a liquidation analysis of the underlying assets which serve as collateral for those loans.

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

### **Inflation**

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

### **LIBOR Transition**

Our investment portfolio is comprised primarily of floating rate loans for which the borrower has an option to choose whether the base rate is referenced to LIBOR or the prime rate. In July 2017, the head of the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.-dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities. If LIBOR ceases to exist, we may need to renegotiate with our portfolio companies the terms of certain credit agreements extending beyond 2021, which could have a material adverse effect on our business, financial condition and results of operations. No renegotiation of the terms of the 2018-2 CLO will be required in the event LIBOR ceases to exist because the indenture includes procedures for the selection of a replacement reference rate under such circumstances.

### 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, 2019 and December 31, 2018, we had \$4.3 million and \$7.6 million of outstanding commitments to fund such investments, respectively.

### Ongoing Monitoring

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

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

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

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

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

The following table shows the distribution of our investments on the 1 to 4 investment risk scale at fair value, excluding our interest in consumer loan portfolio and equity investments, as of June 30, 2019 and December 31, 2018:

(\$ in thousands)	As of June 30, 2019		As of December 31, 2018	
	Investments at Fair Value	Percentage of Total Investments	Investments at Fair Value	Percentage of Total Investments
Risk Rating 1	\$ 12,740	2.7%	\$ 26,431	5.9%
Risk Rating 2	297,763	63.8	260,914	58.6
Risk Rating 3	152,967	32.8	147,463	33.1
Risk Rating 4	3,383	0.7	10,585	2.4
	<u>\$ 466,853</u>	<u>100.0%</u>	<u>\$ 445,393</u>	<u>100.0%</u>

The weighted average risk rating of the portfolio was 2.3 and 2.4 as of June 30, 2019 and December 31, 2018, respectively.

### **Contractual Obligations**

A summary of our significant contractual payment obligations as of June 30, 2019 is as follows:

(\$ in thousands)	Payments Due by Period				Total
	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years	
2018-2 CLO	\$ —	\$ —	\$ —	\$ 291,250	\$ 291,250
SBIC Borrowings	—	—	—	60,000	60,000
Total contractual obligations	\$ —	\$ —	\$ —	\$ 351,250	\$ 351,250

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

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

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

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

### **Related Party Transactions**

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

- We are party to the Investment Advisory Agreement with the Investment Adviser, under which our Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis.
- The Administrator provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement.
- We have entered into the License Agreement with Garrison Investment Group pursuant to which Garrison Investment Group has agreed to grant us a non-exclusive, royalty-free license to use the name "Garrison."
- Under the Staffing Agreement, Garrison Investment Group provides the Investment Adviser with the resources necessary to fulfill these obligations. The Staffing Agreement provides that Garrison Investment Group will make available to the Investment Advisers experienced investment professionals and access to the senior investment personnel of Garrison Investment Group for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. The Staffing Agreement also includes a commitment that the members of the Investment Advisers' investment committee serve in such capacity. The Staffing Agreement remains in effect until terminated and may be terminated by either party without penalty upon 60 days' written notice to the other party. Services under the Staffing Agreement are provided to the Investment Adviser on a direct cost reimbursement basis, and such fees are not our obligation.

- In connection with the 2018-2 CLO, we retained the Investment Adviser to furnish collateral management sub-management services to us pursuant to a sub-collateral management agreement. The Investment Adviser does not receive a fee for providing such services.

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

### **Critical Accounting Policies**

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

#### ***Principles of Consolidation***

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

As a result, we have consolidated the results of Garrison Funding 2018-2 Ltd., Garrison Funding 2018-2 LLC, Garrison SBIC, Garrison Capital PL Holdings LLC, GIG Rooster Holdings I LLC and a series of limited liability companies that GARS created primarily to provide specific tax treatment for the minority equity and other investments held in these limited liability companies.

#### ***Revenue Recognition***

In general, we generate revenue that primarily consists of interest income, fee income, dividend income and gains and losses on our investments.

***Interest income:*** Interest income is comprised of cash interest, PIK interest, original issue discounts or premiums as well as any loan origination, facility and commitment fees. Cash and PIK interest income is accrued based on the outstanding principal amount and interest terms outlined in the respective contractual agreement that governs that investment. The Company accrues interest income if it expects that it ultimately will be able to collect such income. Loan origination fees and any original issue or purchase discounts or premiums received by the Company are initially capitalized, deferred and reduce or increase the cost basis of the investment and subsequently accreted into interest income over the stated term of the loan.

Similarly, commitment fees are based upon the undrawn portion committed by the Company and are accrued over the life of the loan. Upon the prepayment of a loan or debt security, any unamortized fees, discounts or premiums are recorded into income.

***Fee and dividend income:*** Fee income is generally comprised of amendment, forbearance, prepayment, syndication, structuring, diligence, consulting and possible fees for providing managerial assistance to a portfolio company and may be received in the form of cash or PIK. Amendment and forbearance fees are generally received in connection with loan amendments or waivers and are recognized upon completion of the amendments or waivers, generally when such fees are receivable. We record prepayment premiums on loans and debt securities into income when we receive such amounts.

In addition, we may receive structuring, diligence fees, consulting and managerial assistance fees for periodically providing services to a portfolio or third party company. These fees are recognized when such services have been completed and the fees are generally receivable. Any such fee income received is recorded and classified as other income and included in investment income on the consolidated statements of operations. As these fees are generally paid and recognized in connection with specific loan event or the performance of a service, there may be significant fluctuations from period to period in the amount and size of such fee and they are typically non-recurring in nature.

In addition, the Company may receive periodic dividends or distributions from our preferred or equity investments. Such amounts are recorded and classified as other income. 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. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

To the extent distributions are received from a limited liability company or limited partnership investment, we will evaluate the distribution to determine if it should be recorded as income or return of capital. Generally, we will not record such distributions as income unless there is sufficient accumulated tax-basis earnings and profits prior to the distribution. Distributions that are classified as a return of capital are recorded as a reduction in the cost basis of the investment.

**Investment gains and losses:** Realized gains and losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of the investment, without regard to any previously recognized unrealized changes in the investments' fair value. Current period changes in the fair value of our investments, which are measured at fair value, are recognized and recorded as a component of the net change in unrealized gain / (loss) on investments on the consolidated statement of operations. Both realized and unrealized gains and losses are recorded using the specific identification method.

**Non-accrual loans:** The Company accrues interest income based on the contractual interest terms of its investments if it expects that it will ultimately be able to collect it. Generally, when management believes that the issuer of the loan will not be able to service the loan, the Investment Adviser will place the loan on non-accrual status and the Company will cease recognizing interest income on that loan. However, the Company remains contractually entitled to this interest. The Company may restore an investment to accrual status when past due principal and interest payments are made or if the interest income is otherwise deemed to be collectible by the Investment Adviser. The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. As of both June 30, 2019 and December 31, 2018, the Company had one investment on non-accrual status.

#### **Investments, at Fair Value**

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. Any amounts related to purchase, sale and principal paydowns that have traded but not settled are reflected as either a due to or due from counterparty on our consolidated statement of financial condition. All related revenue and expenses attributable to these transactions are reflected on the consolidated statements of operations commencing on the trade date unless otherwise specified by the transaction documents.

#### **Fair Value Measurements**

The Company values its investments in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, or ASC Topic 820. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 820's definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value.



ASC Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

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

Our investments include debt investments (both funded and unfunded), preferred and minority common equity investments of diversified companies ("Equity") and a portfolio of unsecured small balance consumer loans ("Financial Assets"). Due to the nature of the Company's strategy, the Company's portfolio is primarily comprised of relatively illiquid investments that are privately held. Inputs into the determination of fair value of the Company's portfolio investments require significant management judgment or estimation. This means that the Company's portfolio valuations are based on unobservable inputs and the Investment Adviser's own assumptions about how market participants would price the asset or liability in question. Valuations of privately held investments are inherently uncertain and they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by the Board may differ materially from the values that would have been used if a ready market for these investments existed.

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

### ***Valuation Techniques***

The following is a description of the various valuation techniques the Company utilizes when valuing its investments.

#### ***Debt Investments***

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

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

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

### *Equity Investments*

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

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

### **Valuation Process**

The Board is responsible for determining, within the meaning of the 1940 Act, in good faith the fair value of the Company’s assets for which market quotations are not readily available using a documented valuation policy and consistently applied valuation process. The valuation process is a multi-step process conducted at the end of each fiscal quarter as described below:

- The Company’s valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Investment Adviser responsible for credit monitoring.
- At least once annually, the valuation for each portfolio investment that does not have a readily available quotation is reviewed by an independent valuation firm, subject to the de minimis exception as more fully described below.
- Preliminary valuation conclusions are then documented, compared to the range of prices provided by an independent valuation firm where applicable, and discussed with our senior management and the Investment Adviser.
- The Investment Adviser submits these preliminary valuations to the Valuation Committee of the Board.
- The Board discusses valuations and determines, within the meaning of the 1940 Act, the fair value of each investment in the Company’s portfolio for which market quotations are not readily available in good faith.

As noted above, our board of directors has retained several independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period provided, the board of directors reserves the right to have any investment within the portfolio valued by an independent valuation firm to the extent it determines such a valuation was warranted. To the extent a security is reviewed in a particular quarter, it is reviewed and valued by only one service provider. However, our board of directors does not, and does not intend to, have investments independently reviewed that (1) have closed within the two most recent quarters or (2) are de minimis investments of less than 0.5% of our total assets (up to an aggregate of 10.0% of our total assets).

### *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.

### *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.

### 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. As of June 30, 2019 and December 31, 2018, 99.9% and 99.7%, respectively, of the outstanding principal amount of our debt investments bore interest at floating rates. These loans usually have floating interest rates based on the London Interbank Offer Rate, or LIBOR, and typically have interest rate re-set provisions that adjust applicable LIBOR under such loans to current market rates on a regular basis. In addition, the 2018-2 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, 2019 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates (\$ in thousands)	(Decrease)/increase in interest income	(Decrease)/increase in interest expense	Net (decrease)/increase in investment income
Down 50 basis points	\$ (2,373)	\$ (1,456)	\$ (917)
Down 25 basis points	(1,186)	(728)	(458)
Up 25 basis points	1,186	728	458
Up 50 basis points	2,373	1,456	917
Up 100 basis points	4,762	2,913	1,849
Up 200 basis points	9,523	5,825	3,698

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 2018-2 CLO, Garrison SBIC borrowings or additional borrowings, that could affect our net increase in net assets resulting from operations or net income. Accordingly, we cannot assure you that actual results would not differ materially from the statement above.

We may in the future hedge against currency and interest rate fluctuations by using standard hedging instruments such as futures, forward contracts, currency options and interest rate swaps, caps, collars and floors, including with respect to the obligations of the 2018-2 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 and our Investment Adviser have not hedged any of the obligations of the 2018-2 CLO.

### Item 4: Controls and Procedures

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

## **Part II — Other Information**

### **Item 1: Legal Proceedings**

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

### **Item 1A: Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors set forth below as well as in “Part 1. Item 1A. Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 5, 2019, 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**

<b>Number</b>	<b>Description</b>
10.1	<a href="#"><u>Sixth Amended and Restated Investment Advisory Agreement by and between the Registrant and Garrison Capital Advisers LLC (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 814-00878), filed on May 7, 2019).</u></a>
31.1*	<a href="#"><u>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.</u></a>
31.2*	<a href="#"><u>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.</u></a>
32.1*	<a href="#"><u>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.</u></a>
32.2*	<a href="#"><u>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.</u></a>
99.1	<a href="#"><u>Garrison Capital PL Holdings LLC Schedule of Investments as of December 31, 2018 (Incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00878), filed on March 5, 2019).</u></a>

\* Filed herewith.

**SIGNATURES**

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

**Garrison Capital Inc.**

Dated: August 9, 2019

By /s/ Joseph Tansey

Joseph Tansey  
Chief Executive Officer  
(Principal Executive Officer)

Dated: August 9, 2019

By /s/ Daniel Hahn

Daniel Hahn  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

Dated: August 9, 2019

By /s/ Brian Chase

Brian Chase  
Chief Operating Officer and Director

C E R T I F I C A T I O N I V P U  
C H I E F E X E C U T I V E

I, Joseph Tansey, Chief Executive Officer of Garrison Capital Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Garrison Capital Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

By: /s/ Joseph Tansey  
Chief Executive Officer

C E R T I F I C A T I O N P U  
C H I E F F I N A N C I A L

I, Daniel Hahn, Chief Financial Officer of Garrison Capital Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Garrison Capital Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

By: /s/ Daniel Hahn  
Chief Financial Officer



CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with this Report on Form 10-Q for the quarterly period ended June 30, 2019 (the "Report") of Garrison Capital Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Joseph Tansey, Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Joseph Tansey  
Joseph Tansey  
Chief Executive Officer  
August 9, 2019

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with this Report on Form 10-Q for the quarterly period ended June 30, 2019 (the "Report") of Garrison Capital Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Daniel Hahn, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Daniel Hahn

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Daniel Hahn  
Chief Financial Officer  
August 9, 2019