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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period to

Commission File No. 000-54899

CARLYLE GMS FINANCE, INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

80-0789789
(I.R.S. Employer
Identification Number)

520 Madison Avenue, 38th Floor, New York, NY 10022
(Address of principal executive office) (Zip Code)

(212) 813-4900
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 6, 2015
Common stock, \$0.01 par value	29,153,783

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(dollar amounts in thousands, except per share data)

	September 30, 2015	December 31, 2014
	<u>(unaudited)</u>	
ASSETS		
Investments—non-controlled/non-affiliated, at fair value (amortized cost of \$982,026 and \$707,701, respectively)	\$ 975,732	\$ 698,662
Cash	22,683	8,754
Deferred financing costs	6,420	4,635
Interest receivable	2,819	4,512
Prepaid expenses and other assets	77	157
Total assets	<u>\$ 1,007,731</u>	<u>\$ 716,720</u>
LIABILITIES		
Payable for investments purchased	\$ —	\$ 55,343
Secured borrowings (Note 5)	179,458	308,441
2015-1 Notes payable (Note 6)	273,000	—
Interest and credit facility fees payable (Notes 5 and 6)	2,690	1,192
Base management and incentive fees payable (Note 4)	8,899	6,319
Due to Investment Adviser	48	41
Dividend payable (Note 8)	11,670	6,276
Administrative service fees payable (Note 4)	118	91
Other accrued expenses and liabilities	1,164	760
Total liabilities	<u>477,047</u>	<u>378,463</u>
Commitments and contingencies (Notes 7 and 11)		
NET ASSETS		
Common stock, \$0.01 par value; 200,000,000 shares authorized; 27,895,411 shares and 17,932,697 shares, respectively, issued and outstanding	279	179
Paid-in capital in excess of par value	544,712	351,636
Subscribed but unissued shares	24,038	—
Subscriptions receivable	(24,038)	—
Offering costs	(74)	(74)
Accumulated net investment income (loss), net of cumulative dividends of \$47,567 and \$18,162, respectively	(9,034)	(4,388)
Accumulated net realized gain (loss)	1,095	(57)
Accumulated net unrealized appreciation (depreciation)	(6,294)	(9,039)
Total net assets	<u>\$ 530,684</u>	<u>\$ 338,257</u>
NET ASSETS PER SHARE	<u>\$ 19.02</u>	<u>\$ 18.86</u>

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollar amounts in thousands, except per share data)
(unaudited)

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Investment income:				
Interest income from non-controlled/non-affiliated investments	\$ 19,601	\$ 10,522	\$ 48,505	\$ 27,099
Total investment income	19,601	10,522	48,505	27,099
Expenses:				
Base management fees (Note 4)	3,679	1,782	9,482	4,228
Incentive fees (Note 4)	2,584	1,232	6,190	3,321
Professional fees	453	354	1,302	1,547
Administrative service fees (Note 4)	152	84	452	559
Interest expense (Notes 5 and 6)	2,658	1,135	6,567	2,118
Credit facility fees (Note 5)	522	510	1,396	2,566
Directors' fees and expenses	109	105	316	290
Transfer agency fees	46	31	139	91
Trustee fees	21	—	21	—
Other general and administrative	270	177	1,042	507
Total expenses	10,494	5,410	26,907	15,227
Waiver of base management fees (Note 4)	1,227	594	3,161	1,409
Net expenses	9,267	4,816	23,746	13,818
Net investment income (loss)	10,334	5,706	24,759	13,281
Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments:				
Net realized gain (loss) on investments—non-controlled/non-affiliated	823	(45)	1,152	146
Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated	(1,504)	(4,724)	2,745	(3,882)
Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments	(681)	(4,769)	3,897	(3,736)
Net increase (decrease) in net assets resulting from operations	\$ 9,653	\$ 937	\$ 28,656	\$ 9,545
Basic and diluted earnings per common share (Note 8)	\$ 0.35	\$ 0.07	\$ 1.23	\$ 0.78
Weighted-average shares of common stock outstanding—Basic and Diluted (Note 8)	27,219,231	12,989,929	23,314,654	12,213,875
Dividends declared per common share (Note 8)	\$ 0.42	\$ 0.44	\$ 1.16	\$ 0.90

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(dollar amounts in thousands)
(unaudited)

	For the nine month periods ended	
	September 30, 2015	September 30, 2014
Increase (decrease) in net assets resulting from operations:		
Net investment income (loss)	\$ 24,759	\$ 13,281
Net realized gain (loss) on investments—non-controlled/non-affiliated	1,152	146
Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated	2,745	(3,882)
Net increase (decrease) in net assets resulting from operations	<u>28,656</u>	<u>9,545</u>
Capital transactions:		
Common stock issued	193,092	78,262
Reinvestment of dividends	84	15
Dividends declared (Note 11)	<u>(29,405)</u>	<u>(11,886)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>163,771</u>	<u>66,391</u>
Net increase (decrease) in net assets	<u>192,427</u>	<u>75,936</u>
Net assets at beginning of period	<u>338,257</u>	<u>186,002</u>
Net assets at end of period	<u>\$ 530,684</u>	<u>\$ 261,938</u>

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollar amounts in thousands)
(unaudited)

	For the nine month periods ended	
	September 30, 2015	September 30, 2014
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 28,656	\$ 9,545
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Amortization of deferred financing costs	782	1,581
Net accretion of discount on securities	(2,224)	(885)
Net realized (gain) loss on investments—non-controlled/non-affiliated	(1,152)	(146)
Net change in unrealized (appreciation) depreciation on investments—non-controlled/non-affiliated	(2,745)	3,882
Cost of investments purchased and change in payable for investments purchased	(524,723)	(373,365)
Proceeds from sales and repayments of investments	198,431	89,515
<i>Changes in operating assets:</i>		
Interest receivable	1,693	(2,110)
Prepaid expenses and other assets	80	(48)
<i>Changes in operating liabilities:</i>		
Due to Investment Adviser	7	(13)
Interest and credit facility fees payable	1,438	371
Base management and incentive fees payable	2,580	3,883
Administrative service fees payable	27	(56)
Other accrued expenses and liabilities	404	78
Net cash provided by (used in) operating activities	<u>(296,746)</u>	<u>(267,768)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	193,092	78,262
Borrowings on Revolving Credit Facility and Facility	320,200	277,926
Repayments of Revolving Credit Facility and Facility	(449,183)	(112,465)
Proceeds from issuance of 2015-1 Notes	273,000	—
Debt issuance costs paid	(2,507)	(1,959)
Dividends paid in cash	(23,927)	(5,915)
Net cash provided by (used in) financing activities	<u>310,675</u>	<u>235,849</u>
Net increase (decrease) in cash	13,929	(31,919)
Cash, beginning of period	8,754	42,010
Cash, end of period	<u>\$ 22,683</u>	<u>\$ 10,091</u>
Supplemental disclosures:		
Offering expenses and financing costs due	\$ 60	\$ —
Interest paid during the period	\$ 5,080	\$ 1,643
Dividends declared during the period	\$ 29,405	\$ 11,886
Reinvestment of dividends	\$ 84	\$ 15

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of September 30, 2015
(dollar amounts in thousands)
(unaudited)

Investments—non-controlled/non-affiliated (1)	Industry	Interest Rate	Maturity Date	Acquisition Date	Par/ Principal Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
First Lien Debt (73.82%)								
Access CIG, LLC (2)(3)(4)(13)	Business Services	6.00%	10/17/2021	10/16/2014	\$ 18,569	\$ 18,430	\$ 18,560	3.50%
AF Borrower LLC (Accuvant) (2)(3)(5)(13)	High Tech Industries	6.25	1/28/2022	12/15/2014	16,318	16,089	16,209	3.05
Alpha Packaging Holdings, Inc. (2)(3)(4)(13)	Containers, Packaging & Glass	5.25	5/12/2020	5/12/2014	11,409	11,398	11,230	2.12
Anaren, Inc. (2)(3)(4)(13)	Telecommunications	5.50	2/18/2021	2/18/2014	11,410	11,320	11,281	2.13
APX Group, Inc. (5)(8)	Consumer Services	6.38	12/1/2019	10/15/2014	10,000	9,736	9,600	1.81
Audax AAMP Holdings, Inc. (2)(3)(4)(13)	Durable Consumer Goods	6.50	6/24/2017	5/22/2015	11,175	11,092	11,127	2.10
Blue Bird Body Company (2)(3)(4)(8)(13)	Transportation: Consumer	6.50	6/27/2020	7/22/2014	9,631	9,227	9,572	1.80
Brooks Equipment Company, LLC (2)(3)(4)(13)	Construction & Building	6.75	8/29/2020	8/29/2014	7,356	7,304	7,343	1.38
Capstone Logistics Acquisition, Inc. (2)(3)(4)(13)	Transportation: Cargo	5.50	10/7/2021	10/3/2014	19,850	19,676	19,356	3.65
Captive Resources Midco, LLC (2)(3)(4)(5)(9)(13)	Banking, Finance, Insurance & Real Estate	6.75	6/30/2020	6/30/2015	29,925	29,435	29,824	5.62
Castle Management Borrower LLC (Highgate Hotels L.P.) (2)(3)(4)(13)	Hotel, Gaming & Leisure	5.50	9/18/2020	10/10/2014	9,903	9,828	9,669	1.82
Central Security Group, Inc. (2)(3)(4)(13)	Consumer Services	6.25	10/6/2020	10/3/2014	24,812	24,493	24,177	4.56
CRCI Holdings Inc. (CLEAResult Consulting, Inc.) (2)(3)(4)(13)	Utilities: Electric	5.25	7/10/2019	7/29/2014	5,925	5,906	5,834	1.10
Dent Wizard International Corporation (2)(3)(4)(13)	Automotive	5.75	4/7/2020	4/28/2015	7,980	7,943	7,929	1.49
Emerging Markets Communications LLC (2)(3)(5)(13)	Telecommunications	6.75	7/1/2021	7/9/2015	17,955	16,188	17,506	3.30
EP Minerals, LLC (2)(3)(4)(13)	Metals & Mining	5.50	8/20/2020	8/20/2014	10,395	10,353	10,302	1.94
FCX Holdings Corp. (2)(3)(4)(13)	Capital Equipment	5.50	8/4/2020	8/4/2014	10,072	10,066	9,941	1.87
Genex Holdings, Inc. (2)(3)(13)	Banking, Finance, Insurance & Real Estate	5.25	5/30/2021	5/22/2014	4,254	4,237	4,236	0.80
Green Energy Partners/Stonewall LLC (2)(3)(5)(10)(13)	Energy: Electricity	6.50	11/13/2021	11/12/2014	8,300	8,152	8,246	1.55
Indra Holdings Corp. (Totes Isotoner) (2)(3)(5)(13)	Non-durable Consumer Goods	5.25	5/1/2021	4/29/2014	14,813	14,692	14,481	2.73
Jackson Hewitt Inc. (2)(3)(4)(13)	Retail	8.00	7/30/2020	7/24/2015	14,800	14,514	14,813	2.79
Language Line LLC (2)(3)(4)	Telecommunications	6.50	7/7/2021	7/1/2015	25,000	24,760	25,043	4.72
Miller Heiman, Inc. (2)(3)(4)(13)	Business Services	6.75	9/30/2019	10/1/2013	19,219	19,014	18,458	3.48
MSX International, Inc. (2)(3)(4)(13)	Automotive	6.00	8/21/2020	8/18/2014	10,058	9,975	10,058	1.90
National Technical Systems, Inc. (2)(3)(4)(5)(13)(14)	Aerospace & Defense	7.00	6/12/2021	6/12/2015	26,000	25,659	25,742	4.85
NES Global Talent Finance US LLC (United Kingdom) (2)(3)(4)(8)(13)	Energy: Oil & Gas	6.50	10/3/2019	10/2/2013	11,953	11,783	11,585	2.18
Novetta, LLC (2)(3)(4)(13)	Aerospace & Defense	6.00	10/2/2020	11/19/2014	12,098	12,003	12,098	2.28
Paradigm Acquisition Corp. (2)(3)(5)(13)	Business Services	6.00	6/2/2022	6/2/2015	23,541	23,202	23,129	4.36

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of September 30, 2015
(dollar amounts in thousands)
(unaudited)

Investments—non-controlled/non-affiliated (1)	Industry	Interest Rate	Maturity Date	Acquisition Date	Par/ Principal Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
First Lien Debt (73.82%) (continued)								
Pelican Products, Inc. (2) (3) (4) (13)	Containers, Packaging & Glass	5.25%	4/11/2020	4/8/2014	\$ 7,837	\$ 7,853	\$ 7,656	1.44%
Plano Molding Company, LLC (2) (3) (5) (13)	Hotel, Gaming & Leisure	7.00	5/12/2021	5/1/2015	22,543	22,342	22,559	4.25
Product Quest Manufacturing LLC (2) (3) (4) (5) (12)	Containers, Packaging & Glass	6.75	9/9/2020	9/9/2015	28,000	27,456	28,045	5.28
Prowler Acquisition Corp. (Pipeline Supply and Service, LLC) (2) (3) (4)	Wholesale	5.50	1/28/2020	1/24/2014	10,939	10,860	9,822	1.85
PSC Industrial Holdings Corp (2) (3) (4) (13)	Environmental Industries	5.75	12/5/2020	12/5/2014	11,910	11,807	11,791	2.22
PSI Services LLC (2) (3) (4) (12)	Business Services	8.00	2/27/2021	2/27/2015	18,000	17,508	18,844	3.55
SolAero Technologies Corp. (2) (3) (4)	Telecommunications	5.75	12/10/2020	12/9/2014	11,039	10,951	10,901	2.06
SolAero Technologies Corp. (2) (3) (13)	Telecommunications	6.25	12/10/2020	5/1/2015	9,283	9,196	9,239	1.74
Synarc-Biocore Holdings, LLC (2) (3) (4) (13)	Healthcare & Pharmaceuticals	5.50	3/10/2021	3/6/2014	13,298	13,191	12,742	2.40
Systems Maintenance Services Holding, Inc. (2) (3) (13)	High Tech Industries	5.00	10/18/2019	10/18/2013	2,198	2,192	2,169	0.41
TASC, Inc. (2) (3) (4) (8) (13)	Aerospace & Defense	7.00	5/23/2020	12/17/2014	19,005	18,313	18,957	3.57
Teaching Strategies, LLC (2) (3) (4) (13)	Media: Advertising, Printing & Publishing	6.00	10/1/2019	2/5/2015	14,215	14,162	14,229	2.68
The Hilb Group, LLC (2) (3) (5) (12) (13) (15)	Banking, Finance, Insurance & Real Estate	6.75	6/24/2021	6/24/2015	22,600	21,968	23,424	4.42
The Hygenic Corporation (Performance Health) (2) (3) (4) (13)	Non-durable Consumer Goods	6.00	10/11/2020	2/27/2015	15,960	15,752	15,805	2.98
The SI Organization, Inc. (2) (3) (4) (13)	Aerospace & Defense	5.75	11/23/2019	5/16/2014	8,801	8,735	8,799	1.66
The Topps Company, Inc. (2) (3) (4) (13)	Non-durable Consumer Goods	7.25	10/2/2018	10/1/2013	11,424	11,350	11,424	2.15
TruckPro, LLC (2) (3) (4) (13)	Automotive	5.75	8/6/2018	8/6/2013	9,781	9,742	9,707	1.83
U.S. Farathane, LLC (2) (3) (4) (13)	Automotive	6.75	12/23/2021	2/6/2015	16,026	15,730	16,051	3.02
Vetcor Professional Practices, LLC (2) (3) (4) (5) (13) (16)	Consumer Services	7.00	4/20/2021	5/19/2015	8,379	8,273	8,458	1.59
Violin Finco S.A.R.L. (Alexander Mann Solutions) (United Kingdom) (2) (3) (4) (8) (13)	Business Services	5.75	12/20/2019	12/18/2013	11,284	11,204	11,284	2.13
Vistage Worldwide Inc. (2) (3) (4) (13)	Business Services	6.50	8/19/2021	8/13/2015	30,000	29,704	29,937	5.64
Vitera Healthcare Solutions, LLC (2) (3) (4) (13)	Healthcare & Pharmaceuticals	6.00	11/4/2020	11/1/2013	9,461	9,390	9,337	1.76
Zest Holdings, LLC (2) (3) (4) (13)	Durable Consumer Goods	5.00	8/16/2020	8/18/2014	11,719	11,719	11,719	2.21
First Lien Debt Total						\$ 715,873	\$720,248	135.72%

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of September 30, 2015
(dollar amounts in thousands)
(unaudited)

Investments—non-controlled/non-affiliated (1)	Industry	Interest Rate	Maturity Date	Acquisition Date	Par/ Principal Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
Second Lien Debt (20.42%)								
AF Borrower LLC (Accuvant) (2)(3)(5)	High Tech Industries	10.00%	1/28/2023	12/15/2014	\$ 8,000	\$ 7,925	\$ 7,946	1.50%
Allied Security Holdings LLC (2)(3)(5)(13)	Business Services	8.00	8/14/2021	9/25/2014	8,000	7,947	7,880	1.48
AmeriLife Group, LLC (2)(3)(5)	Banking, Finance, Insurance & Real Estate	9.75	1/10/2023	7/9/2015	20,000	19,610	19,954	3.76
Ascensus, Inc. (2)(3)(4)	Banking, Finance, Insurance & Real Estate	9.00	12/2/2020	12/2/2013	8,000	7,905	8,000	1.51
Berlin Packaging L.L.C. (2)(3)(5)(13)	Containers, Packaging & Glass	7.75	10/1/2022	9/24/2014	9,200	9,137	8,936	1.68
Charter NEX US Holdings, Inc. (2)(3)(5)(13)	Chemicals, Plastics & Rubber	9.25	2/5/2023	1/30/2015	10,000	9,861	9,600	1.81
Confie Seguros Holding II Co. (2)(3)(5)	Banking, Finance, Insurance & Real Estate	10.25	5/8/2019	6/29/2015	12,000	11,889	11,940	2.24
Creganna Finance (US) LLC (Ireland) (2)(3)(5)(8)	Healthcare & Pharmaceuticals	9.00	6/1/2022	11/20/2014	9,900	9,811	9,851	1.86
DiversiTech Corporation (2)(3)(5)(13)	Capital Equipment	9.00	11/19/2022	5/19/2015	8,400	8,291	8,240	1.55
Drew Marine Group Inc. (2)(3)(4)(5)	Chemicals, Plastics & Rubber	8.00	5/19/2021	11/19/2013	12,500	12,477	12,075	2.28
Genex Holdings, Inc. (2)(3)(5)	Banking, Finance, Insurance & Real Estate	8.75	5/30/2022	5/22/2014	7,990	7,903	7,804	1.47
Genoa, a QoL Healthcare Company, LLC (2)(3)(5)(13)	Retail	8.75	4/30/2023	4/21/2015	9,900	9,804	9,728	1.83
Institutional Shareholder Services Inc. (2)(3)(5)(13)	Banking, Finance, Insurance & Real Estate	8.50	4/30/2022	4/30/2014	12,500	12,394	12,143	2.29
Jazz Acquisition, Inc. (Wencor) (2)(3)(5)(13)	Aerospace & Defense	7.75	6/19/2022	6/25/2014	6,700	6,673	6,093	1.15
Landslide Holdings, Inc. (LANDesk Software) (2)(3)(13)	Software	8.25	2/25/2021	2/25/2014	3,500	3,479	3,221	0.61
MRI Software, LLC (2)(3)(5)	Software	9.00	6/23/2022	6/19/2015	11,250	11,089	11,036	2.08
Phillips-Medisize Corporation (2)(3)(5)(13)	Chemicals, Plastics & Rubber	8.25	6/16/2022	6/13/2014	5,000	4,957	4,944	0.93
Power Stop, LLC (5)(17)	Automotive	11.00	5/29/2022	5/29/2015	10,000	9,807	10,010	1.89
Prime Security Services Borrower, LLC (Protection One Inc.) (2)(3)(5)	Consumer Services	9.75	7/1/2022	6/19/2015	6,700	6,605	6,610	1.25
Prowler Acquisition Corp. (Pipeline Supply and Service, LLC) (2)(3)(5)	Wholesale	9.50	7/28/2020	1/24/2014	3,000	2,952	2,513	0.47
Systems Maintenance Services Holding, Inc. (2)(3)(4)	High Tech Industries	9.25	10/18/2020	10/18/2013	6,000	5,958	5,959	1.12
TASC, Inc. (5)(8)	Aerospace & Defense	12.00	5/23/2021	12/17/2014	6,000	5,888	6,050	1.14
Vitera Healthcare Solutions, LLC (2)(3)(4)	Healthcare & Pharmaceuticals	9.25	11/4/2021	11/1/2013	2,000	1,975	1,875	0.35
Watchfire Enterprises, Inc. (2)(3)(5)(13)	Media: Advertising, Printing & Publishing	9.00	10/2/2021	10/2/2013	7,000	6,921	6,880	1.30
Second Lien Debt Total						\$ 201,258	\$199,288	37.55%

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of September 30, 2015
(dollar amounts in thousands)
(unaudited)

Investments—non-controlled/non-affiliated (1)	Industry	Maturity Date	Acquisition Date	Par/ Principal Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
Structured Finance Obligations (5.52%) (5) (8) (11)							
1776 CLO I, Ltd., Subordinated Notes	Structured Finance	5/8/2020	2/27/2014	\$ 11,750	\$ 8,507	\$ 5,757	1.08%
AIMCO CLO, Series 2014-A, Class F, 5.47% (2)	Structured Finance	7/20/2026	5/12/2014	2,700	2,365	1,944	0.37
AIMCO CLO, Series 2014-A, Subordinated Notes	Structured Finance	7/20/2026	5/12/2014	11,500	8,859	7,107	1.34
Ares XXVIII CLO Ltd., Subordinated Notes	Structured Finance	10/17/2024	10/10/2013	7,000	4,693	3,920	0.74
Babson CLO Ltd. 2005-I, Subordinated Notes	Structured Finance	4/15/2019	7/16/2013	7,632	432	185	0.04
CIFC Funding 2007-III, Ltd., Income Notes	Structured Finance	7/26/2021	5/20/2014	6,500	3,008	2,990	0.56
Clydesdale CLO 2005, Ltd., Subordinated Notes	Structured Finance	12/6/2017	7/15/2013	5,750	—	10	0.00
Flagship VII Limited, Subordinated Notes	Structured Finance	1/20/2026	12/18/2013	7,000	5,172	4,081	0.77
ING IM CLO 2012-1 LLC, Preferred Shares	Structured Finance	3/14/2022	12/5/2014	7,610	4,779	4,699	0.89
ING IM CLO 2012-1 LLC, Subordinated Notes	Structured Finance	3/14/2022	12/5/2014	2,500	1,570	1,544	0.29
MSIM Peconic Bay, Ltd., Subordinated Notes	Structured Finance	7/20/2019	10/22/2013	4,500	1,073	1,125	0.21
Nautique Funding Ltd., Income Notes	Structured Finance	4/15/2020	2/24/2014	5,000	2,808	2,600	0.49
Steele Creek CLO 2014-I, LLC, Subordinated Notes	Structured Finance	8/21/2026	7/18/2014	18,000	13,924	12,600	2.37
Venture VI CDO Limited, Preference Shares	Structured Finance	8/3/2020	4/17/2014	7,000	3,578	3,553	0.67
Westwood CDO I, Ltd., Subordinated Notes	Structured Finance	3/25/2021	4/30/2015	4,000	1,912	1,710	0.32
Structured Finance Obligations Total					\$ 62,680	\$ 53,825	10.14%

Investments—non-controlled/non-affiliated (1)	Industry	Acquisition Date	Par/ Principal Amount	Cost	Fair Value (7)	Percentage of Net Assets	
Equity Investments (0.24%) (5)							
Power Stop, LLC	Automotive	5/29/2015	\$ 7	\$ 715	\$ 711	0.14%	
The Hilb Group, LLC	Banking, Finance, Insurance & Real Estate	6/24/2015	1,500	1,500	1,660	0.31	
Equity Investments Total					\$ 2,215	\$ 2,371	0.45%
Total Investments—non-controlled/non-affiliated					\$982,026	\$975,732	183.86%

(1) Unless otherwise indicated, issuers of debt and equity investments held by Carlyle GMS Finance, Inc. (“GMS Finance” or the “Company”) are domiciled in the United States and issuers of structured finance obligations are domiciled in the Cayman Islands. Under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the “Investment Company Act”), the Company would be deemed to “control” a portfolio company if the Company owned more than 25% of its outstanding voting securities and/or held the power to exercise control over the management or policies of the portfolio company. As of September 30, 2015, the Company does not “control” any of these portfolio

The accompanying notes are an integral part of these consolidated financial statements.

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- companies. Under the Investment Company Act, the Company would be deemed an “affiliated person” of a portfolio company if the Company owns 5% or more of the portfolio company’s outstanding voting securities. As of September 30, 2015, the Company is not an “affiliated person” of any of these portfolio companies.
- (2) Variable rate loans to the portfolio companies and variable rate notes of structured finance obligations bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), which generally resets quarterly. For each such loan and note, the Company has provided the interest rate in effect as of September 30, 2015.
 - (3) Loan includes interest rate floor feature.
 - (4) Denotes that all or a portion of the assets are owned by the Company’s wholly owned subsidiary, Carlyle GMS Finance SPV LLC (the “Borrower Sub”). The Borrower Sub has a senior secured revolving credit facility (as amended, the “Revolving Credit Facility”). The lenders of the Revolving Credit Facility have a first lien security interest in substantially all of the assets of the Borrower Sub (see Note 5, Borrowings) and such assets are assets of the Borrower Sub to satisfy obligations of the Borrower Sub under the Revolving Credit Facility and are not available to creditors of the Company or Carlyle GMS Finance MM CLO 2015-1 LLC (the “2015-1 Issuer”), a wholly-owned and consolidated subsidiary of the Company.
 - (5) Denotes that all or a portion of the assets are owned by the Company. The Company has a senior secured revolving credit facility (as amended, the “Facility”), which was subsequently amended on January 8, 2015. The lenders of the Facility have a perfected first-priority security interest in substantially all of the portfolio investments held by the Company (see Note 5, Borrowings).
 - (6) Amortized cost represents original cost, including origination fees, adjusted for the accretion/amortization of discounts/premiums, as applicable, on debt investments using the effective interest method. Equity tranche collateralized loan obligation (“CLO”) fund investments, which are referred to as “structured finance obligations”, are recorded at amortized cost using the effective interest method.
 - (7) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (Notes 2 and 3), pursuant to the Company’s valuation policies.
 - (8) The Company has determined the indicated investments are non-qualifying assets under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company’s total assets.
 - (9) Captive Resources Midco, LLC has an undrawn delayed draw term loan of \$3,125 par value at LIBOR + 5.75%, 1.00% floor, and an undrawn revolver of \$1,875 par value at LIBOR + 5.75%, 1.00% floor. An unused rate of 1.25% and 0.50% is charged on the delayed draw term loan and revolver principal, respectively, while undrawn.
 - (10) Green Energy Partners/Stonewall LLC has an undrawn delayed draw term loan of \$8,300 par value at LIBOR + 5.50%, 1.00% floor. An unused rate of 3.00% is charged on the principal while undrawn.
 - (11) As of September 30, 2015, the Company has a greater than 25% but less than 50% equity or subordinated notes ownership interest in certain structured finance obligations. These investments have governing documents that preclude the Company from controlling management of the entity and therefore the Company has determined that the issuer of the investment is not a controlled affiliate or a non-controlled affiliate because the investments are not “voting securities”.
 - (12) In addition to the interest earned based on the stated interest rate of this loan, which is the amount reflected in this schedule, the Company is entitled to receive additional interest as a result of an agreement among lenders. Pursuant to the agreement among lenders, this investment represents a “last out” first lien loan, which has a secondary priority behind the “first out” first lien loan with respect to principal, interest and other payments.
 - (13) Denotes that all or a portion of the assets secures the notes offered in connection with a \$400 million term debt securitization completed by the Company on June 26, 2015 (see Note 6, 2015-1 Notes). These assets are owned by the 2015-1 Issuer, and are not available to the creditors of the Borrower Sub or the Company.
 - (14) National Technical Systems, Inc. has an undrawn delayed draw term loan of \$4,469 par value at LIBOR + 6.00%, 1.00% floor, and an undrawn revolver of \$2,031 par value at LIBOR + 6.00%, 1.00% floor. An unused rate of 1.00% and 0.50% is charged on the delayed draw term loan and revolver principal, respectively, while undrawn.
 - (15) The Hilb Group, LLC has an undrawn delayed draw term loan of \$10,892 par value at LIBOR + 5.75%, 1.00% floor. An unused rate of 1.00% is charged on the principal while undrawn.
 - (16) Vetcor Professional Practices LLC has an undrawn delayed draw term loan of \$4,200 par value at LIBOR + 6.00%, 1.00% floor. An unused rate of 1.00% is charged on the principal while undrawn.
 - (17) Represents a corporate mezzanine loan, which is subordinated to senior secured term loans of the portfolio company.

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of September 30, 2015
(dollar amounts in thousands)
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As of September 30, 2015, investments—non-controlled/non-affiliated at fair value consisted of the following:

<u>Type</u>	<u>Amortized</u>		<u>% of Fair Value</u>
	<u>Cost</u>	<u>Fair Value</u>	
First Lien Debt	\$715,873	\$720,248	73.82%
Second Lien Debt	201,258	199,288	20.42
Structured Finance Obligations	62,680	53,825	5.52
Equity Investments	2,215	2,371	0.24
Total	\$982,026	\$975,732	100.00%

The industrial composition of investments—non-controlled/non-affiliated at fair value as of September 30, 2015 was as follows:

<u>Industry</u>	<u>Amortized</u>		<u>% of Fair Value</u>
	<u>Cost</u>	<u>Fair Value</u>	
Aerospace & Defense	\$ 77,271	\$ 77,739	7.97%
Automotive	53,912	54,466	5.58
Banking, Finance, Insurance & Real Estate	116,841	118,985	12.19
Business Services	127,009	128,092	13.13
Capital Equipment	18,357	18,181	1.86
Chemicals, Plastics & Rubber	27,295	26,619	2.73
Construction & Building	7,304	7,343	0.75
Consumer Services	49,107	48,845	5.01
Containers, Packaging & Glass	55,844	55,867	5.73
Durable Consumer Goods	22,811	22,846	2.34
Energy: Electricity	8,152	8,246	0.85
Energy: Oil & Gas	11,783	11,585	1.19
Environmental Industries	11,807	11,791	1.21
Healthcare & Pharmaceuticals	34,367	33,805	3.46
High Tech Industries	32,164	32,283	3.31
Hotel, Gaming & Leisure	32,170	32,228	3.30
Media: Advertising, Printing & Publishing	21,083	21,109	2.16
Metals & Mining	10,353	10,302	1.06
Non-durable Consumer Goods	41,794	41,710	4.27
Retail	24,318	24,541	2.52
Software	14,568	14,257	1.46
Structured Finance	62,680	53,825	5.52
Telecommunications	72,415	73,970	7.58
Transportation: Cargo	19,676	19,356	1.98
Transportation: Consumer	9,227	9,572	0.98
Utilities: Electric	5,906	5,834	0.60
Wholesale	13,812	12,335	1.26
Total	\$982,026	\$975,732	100.00%

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of September 30, 2015
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The geographical composition of investments—non-controlled/non-affiliated at fair value as of September 30, 2015 was as follows:

<u>Geography</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
Cayman Islands	\$ 62,680	\$ 53,825	5.52%
Ireland	9,811	9,851	1.01
United Kingdom	22,987	22,869	2.34
United States	886,548	889,187	91.13
Total	<u>\$982,026</u>	<u>\$975,732</u>	<u>100.00%</u>

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
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Investments—non-controlled/non-affiliated (1)	Industry	Interest Rate	Maturity Date	Acquisition Date	Par Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
First Lien Debt (73.68%)								
Access CIG, LLC (2) (3) (5)	Business Services	6.00%	10/17/2021	10/16/2014	\$15,000	\$ 14,855	\$ 14,865	4.40%
Accuvant Finance, LLC (2) (3) (5)	High Tech Industries	7.00	10/22/2020	4/22/2014	8,988	8,917	8,988	2.66
ACP Tower Merger Sub, Inc. (Telular Corporation) (2) (3) (4)	Telecommunications	5.50	6/24/2019	6/24/2013	5,781	5,764	5,689	1.68
AF Borrower LLC (Accuvant) (2) (3) (5)	High Tech Industries	6.25	1/28/2022	12/15/2014	12,000	11,762	11,842	3.50
Alpha Packaging Holdings, Inc. (2) (3) (4)	Containers, Packaging & Glass	5.25	5/12/2020	5/12/2014	11,567	11,554	11,301	3.34
American Tire Distributors, Inc. (2) (3) (5)	Automotive	5.75	6/1/2018	6/12/2014	3,192	3,193	3,116	0.92
Anaren, Inc. (2) (3) (4)	Telecommunications	5.50	2/18/2021	2/18/2014	11,497	11,396	11,363	3.36
APX Group, Inc. (5) (8)	Consumer Services	6.38	12/1/2019	10/15/2014	10,000	9,688	9,575	2.83
Blue Bird Body Company (2) (3) (4) (8)	Transportation: Consumer	6.50	6/27/2020	7/22/2014	11,250	10,719	10,940	3.24
Brooks Equipment Company, LLC (2) (3) (4)	Construction & Building	6.75	8/29/2020	8/29/2014	7,890	7,826	7,766	2.30
Capstone Logistics Acquisition, Inc. (2) (3) (4)	Transportation: Cargo	5.50	10/7/2021	10/3/2014	19,950	19,757	19,477	5.76
Castle Management Borrower LLC (Highgate Hotels L.P.) (2) (3) (4) (9)	Hotel, Gaming & Leisure	5.50	9/18/2020	10/10/2014	8,778	8,693	8,610	2.55
Central Security Group, Inc. (2) (3) (4)	Consumer Services	6.25	10/6/2020	10/3/2014	25,000	24,638	24,780	7.33
Consolidated Aerospace Manufacturing, LLC. (2) (3) (4)	Aerospace & Defense	5.00	3/27/2020	2/28/2014	6,730	6,708	6,558	1.94
CRCI Holdings Inc. (CLEAResult Consulting, Inc.) (2) (3) (4)	Utilities: Electric	5.25	7/10/2019	7/29/2014	5,985	5,962	5,858	1.73
DTZ U.S. Borrower, LLC (2) (3) (4)	Construction & Building	5.50	11/5/2021	10/28/2014	10,500	10,347	10,290	3.04
EP Minerals, LLC (2) (3) (4)	Metals & Mining	5.50	8/20/2020	8/20/2014	10,474	10,426	10,298	3.04
FCX Holdings Corp. (2) (3) (4)	Capital Equipment	5.50	8/4/2020	8/4/2014	10,149	10,141	9,942	2.94
Genex Holdings, Inc. (2) (3) (4)	Banking, Finance, Insurance & Real Estate	5.25	5/30/2021	5/22/2014	4,286	4,268	4,227	1.25
Green Energy Partners/Stonewall LLC (2) (3) (5) (10)	Energy: Electricity	6.50	11/13/2021	11/12/2014	8,300	8,136	8,338	2.46
Hercules Achievement, Inc. (Varsity Brands Holding Co., Inc.) (2) (3) (5)	Durable Consumer Goods	6.00	12/11/2021	12/10/2014	20,000	19,803	19,820	5.86
Indra Holdings Corp. (Totes Isotoner) (2) (3) (5)	Non-durable Consumer Goods	5.25	5/1/2021	4/29/2014	14,925	14,790	14,701	4.35
Landslide Holdings, Inc. (LANDesk Software) (2) (3) (4)	Software	5.00	2/25/2020	2/25/2014	9,875	9,878	9,705	2.87
Meritas Schools Holdings, LLC (2) (3) (4)	Consumer Services	7.00	6/25/2019	6/21/2013	7,080	7,025	7,138	2.11
Miller Heiman, Inc. (2) (3) (4)	Business Services	6.75	9/30/2019	10/1/2013	19,719	19,479	19,338	5.72
MRI Software LLC (2) (3) (4)	Software	5.25	2/4/2021	1/31/2014	14,888	14,823	14,560	4.30
MSX International, Inc. (2) (3) (4)	Automotive	6.00	8/21/2020	8/18/2014	11,176	11,072	11,039	3.26
NES Global Talent Finance US LLC (United Kingdom) (2) (3) (4) (8)	Energy: Oil & Gas	6.50	10/3/2019	10/2/2013	12,188	11,988	12,188	3.60
Novetta, LLC (2) (3) (4)	Aerospace & Defense	6.00	10/2/2020	11/19/2014	12,220	12,112	12,017	3.55

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Investments—non-controlled/non-affiliated (1)	Industry	Interest Rate	Maturity Date	Acquisition Date	Par Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
First Lien Debt (73.68%) (continued)								
Pelican Products, Inc. (2) (3) (4)	Containers, Packaging & Glass	5.25%	4/11/2020	4/8/2014	\$ 7,897	\$ 7,915	\$ 7,748	2.29%
Prowler Acquisition Corp. (Pipeline Supply and Service, LLC) (2) (3) (4)	Wholesale	5.50	1/28/2020	1/24/2014	11,024	10,933	10,764	3.18
PSC Industrial Holdings Corp (2) (3) (4)	Environmental Industries	7.00	12/5/2020	12/5/2014	12,000	11,884	11,820	3.50
QoL Meds, LLC (2) (3) (4)	Retail	5.50	7/15/2020	7/14/2014	12,988	12,929	12,757	3.77
RCHP, Inc. (Regionalcare) (2) (3) (4)	Healthcare & Pharmaceuticals	6.00	4/23/2019	4/21/2014	19,792	19,612	19,630	5.80
SolAero Technologies Corp. (2) (3) (4)	Telecommunications	5.75	12/10/2020	12/9/2014	11,250	11,150	10,936	3.23
Stafford Logistics, Inc. (Custom Ecology, Inc.) (2) (3) (4)	Environmental Industries	6.75	6/26/2019	7/1/2013	9,540	9,466	9,006	2.66
Sterling Infosystems, Inc (2) (3) (4)	Business Services	5.50	5/13/2021	5/12/2014	8,955	8,916	8,895	2.63
Synarc-Biocore Holdings, LLC (2) (3) (4)	Healthcare & Pharmaceuticals	5.50	3/10/2021	3/6/2014	13,399	13,280	12,953	3.83
Systems Maintenance Services Holding, Inc. (2) (3) (4)	High Tech Industries	5.00	10/18/2019	10/18/2013	2,215	2,208	2,170	0.64
TASC, Inc (2) (3) (5) (8)	Aerospace & Defense	7.00	5/23/2020	12/17/2014	20,000	19,200	19,600	5.79
The SI Organization, Inc. (2) (3) (4)	Aerospace & Defense	5.75	11/23/2019	5/16/2014	9,372	9,288	9,465	2.80
The Topps Company, Inc. (2) (3) (4)	Non-durable Consumer Goods	7.25	10/2/2018	10/1/2013	11,512	11,422	11,363	3.36
TruckPro, LLC (2) (3) (4)	Automotive	5.75	8/6/2018	8/6/2013	9,499	9,456	9,415	2.78
Violin Finco S.A.R.L. (Alexander Mann Solutions)								
(United Kingdom) (2) (3) (4) (8)	Business Services	5.75	12/20/2019	12/18/2013	12,375	12,274	12,375	3.66
Vitera Healthcare Solutions, LLC (2) (3) (4)	Healthcare & Pharmaceuticals	6.00	11/4/2020	11/1/2013	9,533	9,453	9,462	2.80
Zest Holdings, LLC (2) (3) (4)	Durable Consumer Goods	5.25	8/16/2020	8/18/2014	12,344	12,344	12,099	3.58
First Lien Debt Total						\$ 517,450	\$514,787	152.19%
Second Lien Debt (15.44%)								
AF Borrower LLC (Accuvant) (2) (3) (5)	High Tech Industries	10.00	1/28/2023	12/15/2014	8,000	7,921	7,839	2.32
Allied Security Holdings LLC (2) (3) (5)	Business Services	8.00	8/14/2021	9/25/2014	8,000	7,942	7,850	2.32
Ascensus Inc. (2) (3) (4)	Banking, Finance, Insurance & Real Estate	9.00	12/2/2020	12/2/2013	8,000	7,896	7,983	2.36
Berlin Packaging L.L.C. (2) (3) (5)	Containers, Packaging & Glass	7.75	10/1/2022	9/24/2014	9,200	9,132	9,062	2.68
Creganna Finance (US) LLC (Ireland) (2) (3) (5) (8)	Healthcare & Pharmaceuticals	9.00	6/1/2022	11/20/2014	9,900	9,804	9,402	2.78
Drew Marine Group Inc. (2) (3) (5)	Chemicals, Plastics & Rubber	8.00	5/19/2021	11/19/2013	12,500	12,475	11,720	3.46
Genex Holdings, Inc. (2) (3) (5)	Banking, Finance, Insurance & Real Estate	8.75	5/30/2022	5/22/2014	4,990	4,936	4,740	1.40
Institutional Shareholder Services Inc. (2) (3) (5)	Banking, Finance, Insurance & Real Estate	8.50	4/30/2022	4/30/2014	12,500	12,386	11,600	3.43
Jazz Acquisition, Inc. (Wencor) (2) (3) (5)	Aerospace & Defense	7.75	6/19/2022	6/25/2014	6,700	6,671	6,283	1.86
Landslide Holdings, Inc. (LANDesk Software) (2) (3) (5)	Software	8.25	2/25/2021	2/25/2014	3,500	3,477	3,335	0.99
Phillips-Medisize Corporation (2) (3) (5)	Chemicals, Plastics & Rubber	8.25	6/16/2022	6/13/2014	5,000	4,954	4,743	1.40

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Investments—non-controlled/non-affiliated (1)	Industry	Interest Rate	Maturity Date	Acquisition Date	Par Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets
Second Lien Debt (15.44%) (continued)								
Prowler Acquisition Corp. (Pipeline Supply and Service, LLC) (2)(3)(5)	Wholesale	9.50%	7/28/2020	1/24/2014	\$ 3,000	\$ 2,947	\$ 2,816	0.83%
Systems Maintenance Services Holding, Inc. (2)(3)(4)	High Tech Industries	9.25	10/18/2020	10/18/2013	6,000	5,953	5,830	1.72
TASC, Inc (5)(8)	Aerospace & Defense	12.00	5/23/2021	12/17/2014	6,000	5,880	6,060	1.79
Vitera Healthcare Solutions, LLC (2)(3)(5)	Healthcare & Pharmaceuticals	9.25	11/4/2021	11/1/2013	2,000	1,973	1,929	0.57
Watchfire Enterprises, Inc. (2)(3)(5)	Media: Advertising, Printing & Publishing	9.00	10/2/2021	10/2/2013	7,000	6,914	6,682	1.98
Second Lien Debt Total						\$ 111,261	\$107,874	31.89%

Investments—non-controlled/non-affiliated (1)	Industry	Maturity Date	Acquisition Date	Par Amount	Amortized Cost (6)	Fair Value (7)	Percentage of Net Assets	
Structured Finance Obligations (10.88%) (5)(8)(11)								
1776 CLO I, Ltd., Subordinated Notes	Structured Finance	5/8/2020	2/27/2014	\$11,750	\$ 10,106	\$ 8,813	2.61%	
AIMCO CLO, Series 2014-A, Class F, 5.47% (2)	Structured Finance	7/20/2026	5/12/2014	2,700	2,350	2,187	0.65	
AIMCO CLO, Series 2014-A, Subordinated Notes	Structured Finance	7/20/2026	5/12/2014	11,500	9,732	9,832	2.91	
Ares XXVIII CLO Ltd., Subordinated Notes	Structured Finance	10/17/2024	10/10/2013	7,000	5,242	5,278	1.56	
Babson CLO Ltd. 2005-I, Subordinated Notes	Structured Finance	4/15/2019	7/16/2013	7,632	432	161	0.05	
Blackrock Senior Income Series V, Limited, Subordinated Notes (Ireland)	Structured Finance	8/13/2019	3/11/2014	4,600	2,592	2,521	0.75	
CIFC Funding 2007-III, Ltd., Income Notes	Structured Finance	7/26/2021	5/20/2014	6,500	3,525	3,510	1.04	
Clydesdale CLO 2005, Ltd., Subordinated Notes	Structured Finance	12/6/2017	7/15/2013	5,750	—	10	0.00	
Flagship VII Limited, Subordinated Notes	Structured Finance	1/20/2026	12/18/2013	7,000	5,823	5,628	1.66	
GoldenTree Loan Opportunities V, Limited, Subordinated Notes	Structured Finance	10/18/2021	10/11/2013	5,000	3,136	2,920	0.86	
ING Investment Management CLO IV, Ltd., Preferred Shares	Structured Finance	6/14/2022	5/7/2014	8,925	5,327	5,690	1.68	
ING IM CLO 2012-1 LLC, Preferred Shares	Structured Finance	3/14/2022	12/5/2014	3,500	2,367	2,494	0.74	
ING IM CLO 2012-1 LLC, Subordinated Notes	Structured Finance	3/14/2022	12/5/2014	2,500	1,691	1,781	0.53	
Landmark VIII, CLO Ltd., Income Notes	Structured Finance	10/19/2020	10/22/2013	8,600	3,603	3,337	0.99	
MSIM Peconic Bay, Ltd., Subordinated Notes	Structured Finance	7/20/2019	10/22/2013	4,500	1,210	1,018	0.30	
Nautique Funding Ltd., Income Notes	Structured Finance	4/15/2020	2/24/2014	5,000	2,991	2,980	0.88	
Pacifica CDO V, Ltd., Subordinated Notes	Structured Finance	1/26/2020	3/28/2014	4,700	87	70	0.02	
Steele Creek CLO 2014-I, LLC, Subordinated Notes	Structured Finance	8/21/2026	7/18/2014	18,000	15,030	14,040	4.15	
Venture VI CDO Limited, Preference Shares	Structured Finance	8/3/2020	4/17/2014	7,000	3,746	3,731	1.09	
Structured Finance Obligations Total						\$ 78,990	\$ 76,001	22.47%
Total Investments—non-controlled/non-affiliated						\$ 707,701	\$698,662	206.55%

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of December 31, 2014
(dollar amounts in thousands)

- (1) Unless otherwise indicated, issuers of debt investments held by GMS Finance are domiciled in the United States and issuers of structured finance obligations are domiciled in the Cayman Islands. Under the Investment Company Act, the Company would be deemed to “control” a portfolio company if the Company owned more than 25% of its outstanding voting securities and/or held the power to exercise control over the management or policies of the portfolio company. As of December 31, 2014, the Company does not “control” any of these portfolio companies. Under the Investment Company Act, the Company would be deemed an “affiliated person” of a portfolio company if the Company owns 5% or more of the portfolio company’s outstanding voting securities. As of December 31, 2014, the Company is not an “affiliated person” of any of these portfolio companies.
- (2) Variable rate loans to the portfolio companies and variable rate notes of structured finance obligations bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), which generally resets quarterly. For each such loan and note, the Company has provided the interest rate in effect as of December 31, 2014.
- (3) Loan includes interest rate floor feature.
- (4) These assets are owned by the Borrower Sub. The Borrower Sub has the Revolving Credit Facility. The lenders of the Revolving Credit Facility have a first lien security interest in substantially all of the assets of the Borrower Sub (see Note 5, Borrowings) and such assets are assets of the Borrower Sub to satisfy obligations of the Borrower Sub under the Revolving Credit Facility and are not available to creditors of the Company.
- (5) These assets are owned by the Company. The Company has the Facility, which was subsequently amended on January 8, 2015. The lenders of the Facility have a perfected first-priority security interest in substantially all of the portfolio investments held by the Company. The lenders of the Facility also have a perfected first-priority security interest in the unfunded investor equity capital commitments (provided that the amount of unfunded capital commitments ultimately available to the lenders is limited to \$100,000) and such security interest will be released once the Company receives equity capital contributions in an amount equal to \$100,000 subsequent to January 8, 2015 (see Note 5, Borrowings).
- (6) Amortized cost represents original cost, including origination fees, adjusted for the accretion/amortization of discounts/premiums, as applicable, on debt investments using the effective interest method. Equity tranche structured finance obligations are recorded at amortized cost using an effective interest method.
- (7) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (Notes 2 and 3), pursuant to the Company’s valuation policies.
- (8) The Company has determined the indicated investments are non-qualifying assets under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company’s total assets.
- (9) Castle Management Borrower LLC (Highgate Hotels L.P.) has an undrawn delayed draw term loan of \$1,200 par value at LIBOR + 4.50%, 1.00% floor. An unused rate of 1.00% is charged on the principal while undrawn. The delayed draw term loan is owned by the Company.
- (10) Green Energy Partners/Stonewall LLC has an undrawn delayed draw term loan of \$8,300 par value at LIBOR + 5.50%, 1.00% floor. An unused rate of 3.00% is charged on the principal while undrawn.
- (11) As of December 31, 2014, the Company has a greater than 25% but less than 50% equity or subordinated notes ownership interest in certain structured finance obligations. These investments have governing documents that preclude the Company from controlling management of the entity and therefore the Company has determined that the issuer of the investment is not a controlled affiliate or a non-controlled affiliate because the investments are not “voting securities”.

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of December 31, 2014
(dollar amounts in thousands)

As of December 31, 2014, investments—non-controlled/non-affiliated at fair value consisted of the following:

Type	Amortized Cost	Fair Value	% of Fair Value
First Lien Debt	\$517,450	\$514,787	73.68%
Second Lien Debt	111,261	107,874	15.44
Structured Finance Obligations	78,990	76,001	10.88
Total	\$707,701	\$698,662	100.00%

The industrial composition of investments—non-controlled/non-affiliated at fair value as of December 31, 2014 was as follows:

Industry	Amortized Cost	Fair Value	% of Fair Value
Aerospace & Defense	\$ 59,859	\$ 59,983	8.59%
Automotive	23,721	23,570	3.37
Banking, Finance, Insurance & Real Estate	29,486	28,550	4.09
Business Services	63,466	63,323	9.06
Capital Equipment	10,141	9,942	1.42
Chemicals, Plastics & Rubber	17,429	16,463	2.36
Construction & Building	18,173	18,056	2.58
Consumer Services	41,351	41,493	5.94
Containers, Packaging & Glass	28,601	28,111	4.02
Durable Consumer Goods	32,147	31,919	4.57
Energy: Electricity	8,136	8,338	1.19
Energy: Oil & Gas	11,988	12,188	1.74
Environmental Industries	21,350	20,826	2.98
Healthcare & Pharmaceuticals	54,122	53,376	7.64
High Tech Industries	36,761	36,669	5.25
Hotel, Gaming & Leisure	8,693	8,610	1.23
Media: Advertising, Printing & Publishing	6,914	6,682	0.96
Metals & Mining	10,426	10,298	1.47
Non-durable Consumer Goods	26,212	26,064	3.73
Retail	12,929	12,757	1.83
Software	28,178	27,600	3.95
Structured Finance	78,990	76,001	10.88
Telecommunications	28,310	27,988	4.01
Transportation: Cargo	19,757	19,477	2.79
Transportation: Consumer	10,719	10,940	1.57
Utilities: Electric	5,962	5,858	0.84
Wholesale	13,880	13,580	1.94
Total	\$707,701	\$698,662	100.00%

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
As of December 31, 2014
(dollar amounts in thousands)

The geographical composition of investments—non-controlled/non-affiliated at fair value as of December 31, 2014 was as follows:

Geography	Amortized Cost	Fair Value	% of Fair Value
Cayman Islands	\$ 76,398	\$ 73,480	10.52%
Ireland	12,396	11,923	1.70
United Kingdom	24,262	24,563	3.51
United States	594,645	588,696	84.27
Total	\$707,701	\$698,662	100.00%

The accompanying notes are an integral part of these consolidated financial statements.

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CARLYLE GMS FINANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
September 30, 2015
(dollar amounts in thousands, except per share data)

1. ORGANIZATION

Carlyle GMS Finance, Inc. (“GMS Finance” or the “Company”) is a Maryland corporation formed on February 8, 2012, and structured as an externally managed, non-diversified closed-end investment company. On May 2, 2013, GMS Finance filed its election to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the “Investment Company Act”). GMS Finance has elected to be treated, and intends to continue to comply with the requirements to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

GMS Finance’s investment objective is to generate current income and capital appreciation primarily through debt investments in U.S. middle market companies, which the Company defines as companies with approximately \$10 million to \$100 million of earnings before interest, taxes, depreciation and amortization (“EBITDA”). GMS Finance seeks to achieve its investment objective by investing primarily in first lien senior secured loans (which may include stand-alone first lien loans; “last out” first lien loans, which are loans that have a secondary priority behind “first out” first lien loans; “unitranche” loans, which are loans that combine features of first lien, second lien or subordinated loans, generally in a first lien position; and secured corporate bonds with similar features to these categories of first lien loans) and second lien senior secured loans (which may include senior secured loans, and, to a lesser extent, secured corporate bonds, with a secondary priority behind first lien loans) (collectively, “Middle Market Senior Loans”). The Middle Market Senior Loans are generally made to private U.S. middle market companies that are, in many cases, controlled by private equity firms. Depending on market conditions, GMS Finance expects that between 70% and 80% of the value of its assets will be invested in Middle Market Senior Loans, with the balance invested in higher-yielding investments, which may include middle market junior loans such as corporate mezzanine loans, equity co-investments, broadly syndicated first lien and second lien senior secured loans, high-yield bonds, structured finance obligations and/or other opportunistic investments. GMS Finance expects that the composition of its portfolio will change over time given Carlyle GMS Investment Management L.L.C.’s (the “Investment Adviser”) view on, among other things, the economic and credit environment (including with respect to interest rates) in which the Company is operating.

On May 2, 2013, GMS Finance completed its initial closing of capital commitments (the “Initial Closing”) and subsequently commenced substantial investment operations. Prior to May 2, 2013, GMS Finance had not commenced operations and was a development stage company as defined by Accounting Standards Codification (“ASC”) 915, Development Stage Entity. During this time, GMS Finance focused substantially all of its efforts on establishing its business. If GMS Finance has not consummated an initial public offering of its common stock that results in an unaffiliated public float of at least 15% of the aggregate capital commitments received prior to the date of such initial public offering (a “Qualified IPO”) by May 2, 2018, then GMS Finance (subject to any necessary stockholder approvals and applicable requirements of the Investment Company Act) will use its best efforts to wind down and/or liquidate and dissolve.

GMS Finance is an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012. GMS Finance will remain an emerging growth company for up to five years following an initial public offering, although if the market value of the common stock that is held by non-affiliates exceeds \$700 million as of any June 30 before that time, GMS Finance would cease to be an emerging growth company as of the following December 31.

Carlyle GMS Finance SPV LLC (the “Borrower Sub”) is a Delaware limited liability company that was formed on January 3, 2013. The Borrower Sub invests in first and second lien senior secured loans. The

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Borrower Sub is a wholly-owned subsidiary of the Company and is consolidated in these consolidated financial statements commencing from the date of its formation, January 3, 2013.

On June 26, 2015, the Company completed a \$400 million term debt securitization (the “2015-1 Debt Securitization”). The notes offered in the 2015-1 Debt Securitization (the “2015-1 Notes”) were issued by Carlyle GMS Finance MM CLO 2015-1 LLC (the “2015-1 Issuer”), a wholly-owned and consolidated subsidiary of the Company, and are secured by a diversified portfolio consisting primarily of first and second lien senior secured loans. Refer to Note 6 for details. The 2015-1 Issuer is consolidated in these consolidated financial statements commencing from the date of its formation, May 8, 2015.

GMS Finance is externally managed by the Investment Adviser, an investment adviser registered under the Investment Advisers Act of 1940, as amended. Carlyle GMS Finance Administration L.L.C. (the “Administrator”) provides the administrative services necessary for GMS Finance to operate. Both the Investment Adviser and the Administrator are wholly-owned subsidiaries of Carlyle Investment Management L.L.C., a subsidiary of The Carlyle Group L.P. “Carlyle” refers to The Carlyle Group L.P., its affiliates and its consolidated subsidiaries, a global alternative asset manager publicly traded on NASDAQ Global Select Market under the symbol “CG”. Refer to the sec.gov website for further information on Carlyle.

As a BDC, GMS Finance is required to comply with certain regulatory requirements. As part of these requirements, the Company must not acquire any assets other than “qualifying assets” specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of its total assets are qualifying assets (with certain limited exceptions).

GMS Finance has elected to be treated, and intends to continue to comply with the requirements to qualify annually, as a RIC under the Code, and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, GMS Finance must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to its stockholders generally at least 90% of its investment company taxable income, as defined by the Code, for each year. Pursuant to this election, GMS Finance generally does not have to pay corporate level taxes on any income that it distributes to stockholders, provided that GMS Finance satisfies those requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“US GAAP”). The Company is an investment company for the purposes of accounting and financial reporting in accordance with Accounting Standards Update (“ASU”) 2013-08, Financial Services—Investment Companies (“ASU 2013-08”): *Amendments to the Scope, Measurement and Disclosure Requirements*. The consolidated financial statements include the accounts of GMS Finance and its wholly-owned subsidiaries, the Borrower Sub and the 2015-1 Issuer. All significant intercompany balances and transactions have been eliminated. US GAAP for an investment company requires investments to be recorded at fair value. The carrying value for all other assets and liabilities approximates their fair value.

The interim financial statements have been prepared in accordance with US GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, certain disclosures accompanying the annual consolidated financial statements prepared in accordance with US GAAP are omitted. In the opinion of management, all adjustments considered necessary for the fair presentation of consolidated financial statements for the interim period presented have been included. These adjustments are of a normal, recurring nature. This Form 10-Q should be read in conjunction with the Company’s annual report on Form 10-K for the year ended December 31, 2014. The results of operations for the

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three month and nine month periods ended September 30, 2015 are not necessarily indicative of the operating results to be expected for the full year.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experiences and other factors, including expectations of future events that management believes to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on base management and incentive fees involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the consolidated financial statements. Actual results could differ from these estimates and such differences could be material.

Investments

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment using the specific identification method without regard to unrealized appreciation or depreciation previously recognized, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation on investments as presented in the accompanying Consolidated Statements of Operations reflects the net change in the fair value of investments, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized. See Note 3 for further information about fair value measurements.

Cash

Cash consists of demand deposits. The Company's cash is held with two large financial institutions and cash held in such financial institutions may, at times, exceed the Federal Deposit Insurance Corporation insured limit.

Revenue Recognition

Interest from Investments and Realized Gain/Loss on Investments

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on debt securities purchased are accreted/amortized into interest income over the life of the respective security using the effective interest method. The amortized cost of debt investments represents the original cost, including origination fees, adjusted for the accretion of discounts and amortization of premiums, if any. At time of exit, the realized gain or loss on an investment is the difference between the amortized cost at time of exit and the cash received at exit using the specific identification method.

The Company may have loans in its portfolio that contain payment-in-kind ("PIK") provisions. PIK represents interest that is accrued and recorded as interest income at the contractual rates, increases the loan principal on the respective capitalization dates, and is generally due at maturity. As of September 30, 2015 and December 31, 2014 and for the three month and nine month periods ended September 30, 2015 and 2014, no loans in the portfolio contained PIK provisions.

Interest income from investments in the "equity" class of collateralized loan obligation ("CLO") funds, which are included in "structured finance obligations", is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in*

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Securitized Financials Assets. We monitor the expected cash inflows from our CLO equity investments, including the expected residual payments and the effective yield is determined and updated at least quarterly. In estimating these cash flows, there are a number of assumptions that are subject to uncertainties, including the amount and timing of principal payments which are impacted by prepayments, repurchases, defaults, delinquencies and liquidations of or within the CLO funds. These uncertainties are difficult to predict and are subject to future events that could have impacted the Company's estimates if the information was known at the time. As a result, actual results may differ significantly from these estimates. Interest income from investments in the notes of CLO funds, which are included in "structured finance obligations", is recorded on an accrual basis.

Other Income

Other income may include income such as consent, waiver and amendment fees associated with the Company's investment activities as well as any fees for managerial assistance services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered. The Company may receive a fee for guaranteeing the outstanding debt of a portfolio company. Such fee will be amortized into other income over the life of the guarantee. The unamortized amount, if any, is included in other assets in the accompanying Consolidated Statements of Assets and Liabilities.

Non-Accrual Income

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest are paid current and, in management's judgment, are likely to remain current. Management may not place a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection. As of September 30, 2015 and December 31, 2014, and for the three month and nine month periods ended September 30, 2015 and 2014, no loans in the portfolio were on non-accrual status.

Revolving Credit Facility, Facility and 2015-1 Notes Related Costs, Expenses and Deferred Financing Costs (See Note 5, Borrowings, and Note 6, 2015-1 Notes)

Interest expense and unused commitment fees on the Revolving Credit Facility and Facility are recorded on an accrual basis. Unused commitment fees are included in credit facility fees in the accompanying Consolidated Statements of Operations.

The Revolving Credit Facility and Facility are recorded at carrying value, which approximates fair value.

Deferred financing costs include capitalized expenses related to the closing of the Revolving Credit Facility and Facility. Amortization of deferred financing costs for each credit facility is computed on the straight-line basis over the respective term of each credit facility, except for a portion that was accelerated in connection with the amendment of the Revolving Credit Facility as described in Note 5. The amortization of such costs is included in credit facility fees in the accompanying Consolidated Statements of Operations.

Deferred financing costs also include capitalized expenses including structuring and arrangement fees related to the offering of the 2015-1 Notes. Amortization of deferred financing costs for the 2015-1 Notes is computed on the effective yield method over the term of 2015-1 Notes. The amortization of such costs is included in interest expense in the accompanying Consolidated Statement of Operations for the three month and nine month periods ended September 30, 2015.

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Organization and Offering Costs

The Company agreed to reimburse the Investment Adviser for initial organization and offering costs incurred on behalf of GMS Finance up to \$1,500. As of September 30, 2015 and December 31, 2014, \$1,500 of organization and offering costs had been incurred by GMS Finance and \$57 of excess organization and offering costs had been incurred by the Investment Adviser. The \$1,500 of incurred organization and offering costs are allocated to all stockholders based on their respective capital commitment and are re-allocated amongst all stockholders at the time of each capital drawdown subsequent to the Initial Closing. The Company's organization costs incurred are expensed and the offering costs are charged against equity when incurred.

Income Taxes

For federal income tax purposes, GMS Finance has elected to be treated as a RIC under the Code, and intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, GMS Finance must meet certain minimum distribution, source-of-income and asset diversification requirements. If such requirements are met, then GMS Finance is generally required to pay income taxes only on the portion of its taxable income and gains it does not distribute.

The minimum distribution requirements applicable to RICs require GMS Finance to distribute to its stockholders at least 90% of its investment company taxable income ("ICTI"), as defined by the Code, each year. Depending on the level of ICTI earned in a tax year, GMS Finance may choose to carry forward ICTI in excess of current year distributions into the next tax year. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

In addition, based on the excise distribution requirements, GMS Finance is subject to a 4% nondeductible federal excise tax on undistributed income unless GMS Finance distributes in a timely manner an amount at least equal to the sum of (1) 98% of its ordinary income for each calendar year, (2) 98.2% of capital gain net income (both long-term and short-term) for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year. For this purpose, however, any ordinary income or capital gain net income retained by GMS Finance that is subject to corporate income tax is considered to have been distributed. GMS Finance intends to make sufficient distributions each taxable year to satisfy the excise distribution requirements.

The Company evaluates tax positions taken or expected to be taken in the course of preparing its consolidated financial statements to determine whether the tax positions are "more-likely than not" to be sustained by the applicable tax authority. All penalties and interest associated with income taxes, if any, are included in income tax expense.

The Borrower Sub and the 2015-1 Issuer are disregarded entities for tax purposes and are consolidated with the tax return of GMS Finance.

Capital Calls and Dividends and Distributions to Common Stockholders

The Company records the shares issued in connection with capital calls as of the effective date of the capital call. To the extent that the Company has taxable income available, the Company intends to make quarterly distributions to its common stockholders. Dividends and distributions to common stockholders are recorded on the record date. The amount to be distributed is determined by the Board of Directors each quarter and is generally based upon the taxable earnings estimated by management and available cash. Net realized capital gains, if any, are generally distributed at least annually, although the Company may decide to retain such capital gains for investment.

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The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions on behalf of its stockholders, for those who have elected to participate in the plan. As a result of adopting such a plan, if the Board of Directors authorizes, and GMS Finance declares, a cash dividend or distribution, the stockholders who have elected to participate in the dividend reinvestment plan would have their cash dividends or distributions automatically reinvested in additional shares of the Company's common stock, rather than receiving cash. Prior to a Qualified IPO, the Company intends to use primarily newly issued shares of its common stock to implement the plan issued at the net asset value per share most recently determined by the Board of Directors. After a Qualified IPO, the Company intends to use primarily newly issued shares to implement the plan so long as the market value per share is equal to or greater than the net asset value per share as of the close of business on the relevant payment date for such dividend or distribution. If the market value per share is less than the net asset value per share as of the close of business on the relevant payment date, the plan administrator would purchase the common stock on behalf of participants in the open market, unless the Company instructs the plan administrator otherwise.

Functional Currency

The functional currency of the Company is the U.S. Dollar and all transactions were in U.S. Dollars.

Recent Accounting Standards Updates

On April 7, 2015, the Financial Accounting Standards Board issued ASU 2015-3, *Interest—Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-3"). ASU 2015-3 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. This guidance is effective for the Company on January 1, 2016 and the ASU requires the guidance to be applied on a retrospective basis. This guidance is not expected to have a material impact on the Company's consolidated financial statements upon adoption.

In August 2015, the Financial Accounting Standards Board issued ASU 2015-15, *Interest—Imputation of Interest (Sub-topic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"). ASU 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This guidance is effective for the Company on January 1, 2016 and is not expected to have a material impact on the Company's consolidated financial statements upon adoption.

3. FAIR VALUE MEASUREMENTS

The Company applies fair value accounting in accordance with the terms of Financial Accounting Standards Board ASC Topic 820, *Fair Value Measurement* ("ASC 820"). ASC 820 defines fair value as the amount that would be exchanged to sell an asset or transfer a liability in an orderly transfer between market participants at the measurement date. The Company values securities/instruments traded in active markets on the measurement date by multiplying the closing price of such traded securities/instruments by the quantity of shares or amount of the instrument held. The Company may also obtain quotes with respect to certain of its investments, such as its securities/instruments traded in active markets and its liquid securities/instruments that are not traded in active markets, from pricing services, brokers, or counterparties (i.e. "consensus pricing"). When doing so, the Company determines whether the quote obtained is sufficient according to US GAAP to determine the fair value of the security. The Company may use the quote obtained or alternative pricing sources may be utilized including valuation techniques typically utilized for illiquid securities/instruments.

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Securities/instruments that are illiquid or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of the Investment Adviser or GMS Finance's Board of Directors, does not represent fair value shall each be valued as of the measurement date using all techniques appropriate under the circumstances and for which sufficient data is available. These valuation techniques may vary by investment and include comparable public market valuations, comparable precedent transaction valuations and/or discounted cash flow analyses. The process generally used to determine the applicable value is as follows: (i) the value of each portfolio company or investment is initially reviewed by the investment professionals responsible for such portfolio company or investment and, for non-traded investments, a standardized template designed to approximate fair market value based on observable market inputs, updated credit statistics and unobservable inputs is used to determine a preliminary value, which is also reviewed alongside consensus pricing, where available; (ii) preliminary valuation conclusions are documented and reviewed by a valuation committee comprised of members of senior management; (iii) the Board of Directors engages a third-party valuation firm to provide positive assurance on portions of the Middle Market Senior Loans and equity investments portfolio each quarter (such that each non-traded investment is reviewed by a third-party valuation firm at least once on a rolling twelve month basis) including a review of management's preliminary valuation and conclusion on fair value; (iv) the Audit Committee of the Board of Directors (the "Audit Committee") reviews the assessments of the Investment Adviser and the third-party valuation firm and provides the Board of Directors with any recommendations with respect to changes to the fair value of each investment in the portfolio; and (v) the Board of Directors discusses the valuation recommendations of the Audit Committee and determines the fair value of each investment in the portfolio in good faith based on the input of the Investment Adviser and, where applicable, the third-party valuation firm.

All factors that might materially impact the value of an investment are considered, including, but not limited to the assessment of the following factors, as relevant:

- the nature and realizable value of any collateral;
- call features, put features and other relevant terms of debt;
- the portfolio company's leverage and ability to make payments;
- the portfolio company's public or private credit rating;
- the portfolio company's actual and expected earnings and discounted cash flow;
- prevailing interest rates and spreads for similar securities and expected volatility in future interest rates;
- the markets in which the portfolio company does business and recent economic and/or market events; and
- comparisons to comparable transactions and publicly traded securities.

Investment performance data utilized are the most recently available financial statements and compliance certificates received from the portfolio companies as of the measurement date which in many cases may reflect a lag in information.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been reported had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the realized gains or losses on investments to be different from the net change in unrealized appreciation or depreciation currently reflected in the consolidated financial statements as of September 30, 2015 and December 31, 2014.

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US GAAP establishes a hierarchical disclosure framework which ranks the level of observability of market price inputs used in measuring investments at fair value. The observability of inputs is impacted by a number of factors, including the type of investment and the characteristics specific to the investment and state of the marketplace, including the existence and transparency of transactions between market participants. Investments with readily available quoted prices or for which fair value can be measured from quoted prices in active markets generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

Investments measured and reported at fair value are classified and disclosed based on the observability of inputs used in determination of fair values, as follows:

- Level I—inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. The types of financial instruments in Level I generally include unrestricted securities, including equities and derivatives, listed in active markets. The Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.
- Level II—inputs to the valuation methodology are either directly or indirectly observable as of the reporting date and are those other than quoted prices in active markets. The type of financial instruments in this category generally includes less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.
- Level III—inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are in this category generally include investments in privately-held entities, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the overall fair value measurement. The Investment Adviser's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur. For the three month and nine month periods ended September 30, 2015 and 2014, there were no transfers between levels.

The following tables summarize the Company's investments measured at fair value on a recurring basis by the above fair value hierarchy levels as of September 30, 2015 and December 31, 2014:

	September 30, 2015			
	Level I	Level II	Level III	Total
Assets				
First Lien Debt	\$ —	\$9,600	\$710,648	\$720,248
Second Lien Debt	—	—	199,288	199,288
Structured Finance Obligations	—	—	53,825	53,825
Equity Investments	—	—	2,371	2,371
Total	<u>\$ —</u>	<u>\$9,600</u>	<u>\$966,132</u>	<u>\$975,732</u>

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	December 31, 2014			
	Level I	Level II	Level III	Total
Assets				
First Lien Debt	\$ —	\$9,575	\$505,212	\$514,787
Second Lien Debt	—	—	107,874	107,874
Structured Finance Obligations	—	—	76,001	76,001
Total	\$ —	\$9,575	\$689,087	\$698,662

The changes in the Company's investments at fair value for which the Company has used Level III inputs to determine fair value and net change in unrealized appreciation (depreciation) included in earnings for Level III investments still held are as follows:

	Financial Assets				
	For the three month period ended September 30, 2015				
	First Lien Debt	Second Lien Debt	Structured Finance Obligations	Equity Investments	Total
Balance, beginning of period	\$651,606	\$177,811	\$71,170	\$2,215	\$902,802
Purchases	113,246	21,612	—	—	134,858
Sales	(5,610)	—	(11,509)	—	(17,119)
Paydowns	(52,547)	—	(2,282)	—	(54,829)
Accretion of discount	930	52	6	—	988
Net realized gains (losses)	(11)	—	834	—	823
Net change in unrealized appreciation (depreciation)	3,034	(187)	(4,394)	156	(1,391)
Balance, end of period	\$710,648	\$199,288	\$53,825	\$2,371	\$966,132
Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of September 30, 2015 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations	\$3,110	\$(187)	\$(4,463)	\$156	\$(1,384)

	Financial Assets				
	For the three month period ended September 30, 2014				
	First Lien Debt	Second Lien Debt	Structured Finance Obligations	Equity Investments	Total
Balance, beginning of period	\$273,899	\$71,138	\$73,574	—	\$418,611
Purchases	88,560	13,215	22,062	—	123,837
Sales	—	—	(4,133)	—	(4,133)
Paydowns	(28,750)	—	(1,365)	—	(30,115)
Accretion of discount	347	14	6	—	367
Net realized gains (losses)	—	—	(45)	—	(45)
Net change in unrealized appreciation (depreciation)	(1,459)	(209)	(3,056)	—	(4,724)
Balance, end of period	\$332,597	\$84,158	\$87,043	—	\$503,798
Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of September 30, 2014 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations	\$(1,103)	\$(209)	\$(3,138)	—	\$(4,450)

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	Financial Assets				
	For the nine month period ended September 30, 2015				
	First Lien Debt	Second Lien Debt	Structured Finance Obligations	Equity Investments	Total
Balance, beginning of period	\$ 505,212	\$107,874	\$ 76,001	\$ —	\$ 689,087
Purchases	367,222	89,884	10,059	2,215	469,380
Sales	(15,467)	—	(19,930)	—	(35,397)
Paydowns	(155,623)	—	(7,411)	—	(163,034)
Accretion of discount	2,047	113	16	—	2,176
Net realized gains (losses)	196	—	956	—	1,152
Net change in unrealized appreciation (depreciation)	7,061	1,417	(5,866)	156	2,768
Balance, end of period	<u>\$ 710,648</u>	<u>\$199,288</u>	<u>\$ 53,825</u>	<u>\$ 2,371</u>	<u>\$ 966,132</u>
Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of September 30, 2015 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations	<u>\$ 5,728</u>	<u>\$ 1,417</u>	<u>\$ (6,073)</u>	<u>\$ 156</u>	<u>\$ 1,228</u>

	Financial Assets				
	For the nine month period ended September 30, 2014				
	First Lien Debt	Second Lien Debt	Structured Finance Obligations	Equity Investments	Total
Balance, beginning of period	\$ 141,676	\$ 39,767	\$ 31,364	\$ —	\$ 212,807
Purchases	258,776	50,568	74,013	—	383,357
Sales	—	(4,050)	(7,258)	—	(11,308)
Paydowns	(68,492)	(3,570)	(6,145)	—	(78,207)
Accretion of discount	779	100	6	—	885
Net realized gains (losses)	—	120	26	—	146
Net change in unrealized appreciation (depreciation)	(142)	1,223	(4,963)	—	(3,882)
Balance, end of period	<u>\$ 332,597</u>	<u>\$ 84,158</u>	<u>\$ 87,043</u>	<u>\$ —</u>	<u>\$ 503,798</u>
Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of September 30, 2014 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations	<u>\$ 24</u>	<u>\$ 1,197</u>	<u>\$ (4,959)</u>	<u>\$ —</u>	<u>\$ (3,738)</u>

The Company generally uses the following framework when determining the fair value of investments that are categorized as Level III:

Investments in debt securities are initially evaluated to determine whether the enterprise value of the portfolio company is greater than the applicable debt. The enterprise value of the portfolio company is estimated using a market approach and an income approach. The market approach utilizes market value (EBITDA) multiples of publicly traded comparable companies and available precedent sales transactions of comparable companies. The Company carefully considers numerous factors when selecting the appropriate companies whose multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The income approach typically uses a discounted cash flow analysis of the portfolio company.

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Investments in debt securities that do not have sufficient coverage through the enterprise value analysis are valued based on an expected probability of default and discount recovery analysis.

Investments in debt securities with sufficient coverage through the enterprise value analysis are generally valued using a discounted cash flow analysis of the underlying security. Projected cash flows in the discounted cash flow typically represent the relevant security's contractual interest, fees and principal payments plus the assumption of full principal recovery at the security's expected maturity date. The discount rate to be used is determined using an average of two market-based methodologies.

Investments in structured finance obligations are generally valued using a discounted cash flow and/or consensus pricing.

Investments in equities are generally valued using a market approach and/or an income approach. The market approach utilizes EBITDA multiples of publicly traded comparable companies and available precedent sales transactions of comparable companies. The income approach typically uses a discounted cash flow analysis of the portfolio company.

The following tables summarize the quantitative information related to the significant unobservable inputs for Level III instruments which are carried at fair value as of September 30, 2015 and December 31, 2014:

	Fair Value as of September 30, 2015	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average
				Low	High	
Investments in First Lien Debt	\$ 620,658	Discounted Cash Flow Consensus Pricing	Discount Rate	5.36%	11.56%	7.06%
	89,990		Indicative Quotes	97.50	100.00	99.12
Total First Lien Debt	710,648					
Investments in Second Lien Debt	139,987	Discounted Cash Flow Consensus Pricing	Discount Rate	9.12%	14.91%	9.98%
	59,301		Indicative Quotes	97.13	99.50	98.69
Total Second Lien Debt	199,288					
Investments in Structured Finance Obligations	51,686	Discounted Cash Flow Consensus Pricing	Discount Rate	14.60%	25.90%	17.79%
			Default Rate	0.10	2.00	0.84
			Prepayment Rate	16.48	50.00	26.08
			Recovery Rate	68.79	75.00	74.20
	2,139	Indicative Quotes	0.18	72.00	65.64	
Total Structured Finance Obligations	53,825					
Investments in Equity	2,371	Income Approach Market Approach	Discount Rate	10.61%	10.63%	10.62%
			Comparable Multiple	9.88x	11.09x	10.72x
Total Equity Investments	2,371					
Total Level III Investments	\$ 966,132					

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	Fair Value as of December 31, 2014	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average
				Low	High	
Investments in First Lien Debt	\$ 469,796	Discounted Cash Flow	Discount Rate	5.23%	9.02%	6.33%
	35,416	Consensus Pricing	Indicative Quotes	98.50	99.33	98.71
Total First Lien Debt	505,212					
Investments in Second Lien Debt	84,902	Discounted Cash Flow	Discount Rate	9.15%	11.32%	10.05%
	22,972	Consensus Pricing	Indicative Quotes	98.13	101.00	99.03
Total Second Lien Debt	107,874					
Investments in Structured Finance Obligations	59,533	Discounted Cash Flow	Discount Rate	12.65%	15.80%	13.87%
			Default Rate	—	1.32	0.60
			Prepayment Rate	18.78	32.50	25.41
			Recovery Rate	67.54	75.00	73.28
	16,468	Consensus Pricing	Indicative Quotes	0.18	81.00	77.28
Total Structured Finance Obligations	76,001					
Total Level III Investments	\$ 689,087					

The significant unobservable inputs used in the fair value measurement of the Company's investments in first and second lien debt securities are discount rates and indicative quotes. Significant increases in discount rates would result in a significantly lower fair value measurement. Significant decreases in indicative quotes in isolation may result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Company's investments in structured finance obligations are discount rates, default rates, prepayment rates, recovery rates and indicative quotes. Significant increases in discount rates, default rates or prepayment rates in isolation would result in a significantly lower fair value measurement, while a significant increase in recovery rates in isolation would result in a significantly higher fair value. Significant decreases in indicative quotes in isolation may result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Company's investments in equities are discount rates and comparable EBITDA multiples. Significant increases in discount rates would result in a significantly lower fair value measurement. Significant decreases in comparable EBITDA multiples would result in a significantly lower fair value measurement.

Financial instruments disclosed but not carried at fair value

The following table presents the carrying value and fair value of the Company's secured borrowings disclosed but not carried at fair value as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured borrowings	\$ 179,458	\$179,458	\$ 308,441	\$308,441
Total	\$ 179,458	\$179,458	\$ 308,441	\$308,441

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The carrying values of the secured borrowings approximate their respective fair values and are categorized as Level III within the hierarchy. Secured borrowings are valued generally using discounted cash flow analysis. The significant unobservable inputs used in the fair value measurement of the Company's secured borrowings are discount rates. Significant increases in discount rates would result in a significantly lower fair value measurement.

The following table represents the carrying values and fair values of the Company's 2015-1 Notes disclosed but not carried at fair value as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Aaa/AAA Class A-1A Notes	\$ 160,000	\$157,043	\$ —	\$ —
Aaa/AAA Class A-1B Notes	40,000	39,418	—	—
Aaa/AAA Class A-1C Notes	27,000	26,817	—	—
Aa2 Class A-2 Notes	46,000	45,217	—	—
Total	\$ 273,000	\$268,495	\$ —	\$ —

The fair value determination was based on the market quotation(s) received from broker/dealer(s). These fair value measurements were based on significant inputs not observable and thus represent Level III measurements as defined in the accounting guidance for fair value measurement.

The carrying value of other financial assets and liabilities approximates their fair value based on the short term nature of these items.

4. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

On April 3, 2013, the Company's Board of Directors, including a majority of the directors who are not "interested persons" as defined in Section 2(a) (19) of the Investment Company Act ("Independent Directors"), approved an investment advisory and management agreement (the "Investment Advisory Agreement") between the Company and the Investment Adviser in accordance with, and on the basis of an evaluation satisfactory to such directors as required by, Section 15(c) of the Investment Company Act. The initial term of the Investment Advisory Agreement is two years from April 3, 2013 and, unless terminated earlier, the Investment Advisory Agreement will renew automatically for successive annual periods, provided that such continuance is specifically approved at least annually by the vote of the Board of Directors and by the vote of a majority of the Independent Directors. On March 11, 2015, the Company's Board of Directors, including a majority of the Independent Directors, approved the continuance of the Advisory Agreement for a one year period. The Investment Advisory Agreement will automatically terminate in the event of an assignment and may be terminated by either party without penalty upon at least 60 days' written notice to the other party. Subject to the overall supervision of the Board of Directors, the Investment Adviser provides investment advisory services to the Company. For providing these services, the Investment Adviser receives fees from the Company consisting of two components—a base management fee and an incentive fee.

Prior to a Qualified IPO, the base management fee is calculated and payable quarterly in arrears at an annual rate of 1.50% of the average daily gross assets of the Company for the period adjusted for share issuances or repurchases, excluding any cash and cash equivalents and including assets acquired with leverage from use of the Revolving Credit Facility and Facility and 2015-1 Notes (see Note 5, Borrowings, and Note 6, 2015-1 Notes). For purposes of this calculation, cash and cash equivalents include any temporary investments in cash-equivalents, U.S. government securities and other high quality investment grade debt investments that mature in 12 months or less from the date of investment. Base management fees for any partial quarter are prorated. The

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Investment Adviser contractually waived one-third (0.50%) of the base management fee prior to a Qualified IPO. The fee waiver will terminate if and when a Qualified IPO has been consummated.

The incentive fee has two parts. The first part is calculated and payable quarterly in arrears based on the pre-incentive fee net investment income for the immediately preceding calendar quarter. The second part is determined and payable in arrears based on capital gains as of the end of each calendar year.

Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the operating expenses accrued for the quarter (including the base management fee, expenses payable under the administration agreement, and any interest expense or fees on any credit facilities or outstanding debt and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay-in-kind interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Prior to any Qualified IPO of the Company's common stock, pre-incentive fee net investment income, expressed as a rate of return on the average daily Hurdle Calculation Value (as defined below) throughout the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.50% per quarter (6% annualized). "Hurdle Calculation Value" means, on any given day, the sum of (x) the value of net assets as of the end of the calendar quarter immediately preceding such day plus (y) the aggregate amount of capital drawn from investors (or reinvested in the Company pursuant to a dividend reinvestment plan) from the beginning of the current quarter to such day minus (z) the aggregate amount of distributions (including share repurchases) made by the Company from the beginning of the current quarter to such day but only to the extent such distributions were not declared and accounted for on the books and records in a previous quarter.

GMS Finance pays its Investment Adviser an incentive fee with respect to its pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee based on pre-incentive fee net investment income in any calendar quarter in which its pre-incentive fee net investment income does not exceed the hurdle of 1.50%;
- 100% of pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 1.875% in any calendar quarter (7.50% annualized). The Company refers to this portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 1.875%) as the "catch-up." The "catch-up" is meant to provide the Investment Adviser with approximately 20% of the Company's pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 1.875% in any calendar quarter; and
- 20% of the amount of pre-incentive fee net investment income, if any, that exceeds 1.875% in any calendar quarter (7.50% annualized) will be payable to the Investment Adviser. This reflects that once the hurdle is reached and the catch-up is achieved, 20% of all pre-incentive fee investment income thereafter is allocated to the Investment Adviser.

The second part of the incentive fee 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 realized capital gains, if any, on a cumulative basis from inception through the date of determination, computed net of all realized capital losses on a cumulative basis and unrealized capital depreciation, less the aggregate amount of any previously paid capital gain incentive fees, provided that, the incentive fee determined at the end

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of the first calendar year of operations may be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses on a cumulative basis and unrealized capital depreciation.

The Company will defer payment of any incentive fee otherwise earned by the Investment Adviser if, during the most recent four full calendar quarter periods (or, if less, the number of full calendar quarters completed since the initial drawdown of capital from the stockholders, "Initial Drawdown") ending on or prior to the date such payment is to be made, the sum of (a) the aggregate distributions to stockholders and (b) the change in net assets (defined as gross assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 6.0% of net assets (defined as gross assets less indebtedness) at the beginning of such period, provided, that such percentage will be appropriately prorated during the four full calendar quarters immediately following the Initial Drawdown. These calculations are adjusted for any share issuances or repurchases. Any deferred incentive fees are carried over for payment in subsequent calculation periods. The Investment Adviser may earn an incentive fee under the Investment Advisory Agreement on the Company's repurchase of debt issued by the Company at a gain.

Prior to a Qualified IPO, the Company's Investment Adviser intends to make (or require individual employees or entities in which employees own an interest to make) capital commitments to purchase shares of the Company's common stock in an amount not to exceed 25% of each installment of the net after tax incentive fee that the Investment Adviser receives from the Company. For the three month and nine month periods ended September 30, 2015, incentive fee paid on pre-incentive fee net investment income resulted in new commitments of \$274 by the Investment Adviser related to the after tax incentive. For the three month and nine month periods ended September 30, 2014, there was no incentive fee paid on pre-incentive fee net investment income or realized capital gains, therefore, no commitments were made and no shares were issued to the Investment Adviser related to the after tax incentive.

For the three month and nine month periods ended September 30, 2015, base management fees were \$2,452 and \$6,321, respectively (net of waiver of \$1,227 and \$3,161 respectively), incentive fees related to pre-incentive fee net investment income were \$2,584 and \$6,190, respectively, and there were no incentive fees related to realized capital gains. For the three month and nine month periods ended September 30, 2014, base management fees were \$1,188 and \$2,819, respectively (net of waiver of \$594 and \$1,409, respectively), incentive fees related to pre-incentive fee net investment income were \$1,388 and \$3,321, respectively, and there were no incentive fees related to realized capital gains. For the three month and nine month periods ended September 30, 2015, the Company recorded an accrued capital gains incentive fee of \$0 and \$0, respectively, based upon the cumulative net realized and unrealized appreciation (depreciation) as of September 30, 2015. For the three month and nine month periods ended September 30, 2014, the Company recorded an accrued capital gains incentive fee of \$(156) and \$0, respectively, based upon the cumulative net realized and unrealized appreciation (depreciation) as of September 30, 2014. The accrual for any capital gains incentive fee under US GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual.

As of September 30, 2015 and December 31, 2014, \$8,899 and \$6,319, respectively, was included in base management and incentive fees payable in the accompanying Consolidated Statements of Assets and Liabilities.

On April 3, 2013, the Investment Adviser entered into a personnel agreement with The Carlyle Group Employee Co., L.L.C. ("Carlyle Employee Co."), an affiliate of the Investment Adviser, pursuant to which Carlyle Employee Co. provides the Investment Adviser with access to investment professionals.

Administration Agreement

On April 3, 2013, the Company's Board of Directors approved an administration agreement (the "Administration Agreement") between the Company and the Administrator. Pursuant to the Administration

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Agreement, the Administrator provides services and receives reimbursements equal to an amount that reimburses the Administrator for its costs and expenses and the Company's allocable portion of overhead incurred by the Administrator in performing its obligations under the Administration Agreement, including the Company's allocable portion of the compensation paid to or compensatory distributions received by the Company's officers (including the Chief Compliance Officer and Chief Financial Officer) and respective staff who provide services to the Company, operations staff who provide services to the Company, and any internal audit staff, to the extent internal audit performs a role in the Company's Sarbanes-Oxley Act internal control assessment. Reimbursement under the Administration Agreement occurs quarterly in arrears.

The initial term of the Administration Agreement is two years from April 3, 2013 and, unless terminated earlier, the Administration Agreement will renew automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (i) the vote of the Board of Directors or by a majority vote of the outstanding voting securities of the Company and (ii) the vote of a majority of the Company's Independent Directors. On March 11, 2015, the Company's Board of Directors, including a majority of the Independent Directors, approved the continuance of the Administration Agreement for a one year period. The Administration Agreement may not be assigned by a party without the consent of the other party and may be terminated by either party without penalty upon at least 60 days' written notice to the other party.

For the three month and nine month periods ended September 30, 2015, GMS Finance incurred \$152 and \$452, respectively, and for the three month and nine month periods ended September 30, 2014, GMS Finance incurred \$84 and \$559, respectively in fees under the Administrative Agreement, which were included in administrative service fees in the accompanying Consolidated Statements of Operations. As of September 30, 2015 and December 31, 2014, \$118 and \$91, respectively, was unpaid and included in administrative service fees payable in the accompanying Consolidated Statements of Assets and Liabilities.

Sub-Administration Agreements

On April 3, 2013, the Administrator entered into sub-administration agreements with Carlyle Employee Co. and CELF Advisors LLP. Pursuant to the agreements, Carlyle Employee Co. and CELF Advisors LLP provide the Administrator with access to personnel.

On April 3, 2013, the Administrator entered into a sub-administration agreement with State Street Bank and Trust Company (as amended, the "Sub-Administration Agreement"). On March 11, 2015, the Company's Board of Directors, including a majority of the Independent Directors, approved an amendment to the Sub-Administration Agreement. As amended, effective as of April 1, 2015 the initial term of the Sub-Administration Agreement ends on April 1, 2017 and, unless terminated earlier, the Sub-Administration Agreement will renew automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (i) the vote of the Board of Directors or by the vote of a majority of the outstanding voting securities of the Company and (ii) the vote of a majority of the Company's Independent Directors. The Sub-Administration Agreement may be terminated upon at least 60 days' written notice and without penalty by the vote of a majority of the outstanding securities of the Company, or by the vote of the Board of Directors or by either party to the Sub-Administration Agreement.

For the three month and nine month periods ended September 30, 2015, fees incurred in connection with the Sub-Administration Agreement, which amounted to \$134 and \$353, respectively, were included in other general and administrative in the accompanying Consolidated Statements of Operations. For the three month and nine month periods ended September 30, 2014, fees incurred in connection with the Sub-Administration Agreement, which amounted to \$61 and \$141, respectively, were included in other general and administrative in the accompanying Consolidated Statements of Operations. As of September 30, 2015 and December 31, 2014, \$141 and \$80, respectively, was unpaid and included in other accrued expenses and liabilities in the accompanying Consolidated Statements of Assets and Liabilities

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Placement Fees

On April 3, 2013, the Company entered into a placement fee arrangement with TCG Securities, L.L.C. (“TCG”), a licensed broker-dealer and an affiliate of the Investment Adviser, which may require stockholders to pay a placement fee to TCG for TCG’s services.

For the three month and nine month periods ended September 30, 2015, TCG earned placement fees of \$2 and \$4, respectively, from GMS Finance stockholders in connection with the issuance or sale of the Company’s common stock. For the three month and nine month periods ended September 30, 2014, TCG earned placement fees of \$1 from GMS Finance stockholders in connection with the issuance or sale of the Company’s common stock.

Board of Directors

GMS Finance’s Board of Directors currently consists of seven members, four of whom are Independent Directors. On April 3, 2013, the Board of Directors also established an Audit Committee consisting of its Independent Directors, and may establish additional committees in the future. For the three month and nine month periods ended September 30, 2015, GMS Finance incurred \$109 and \$316, respectively, and for the three month and nine month periods ended September 30, 2014, GMS Finance incurred \$105 and \$290, respectively, in fees and expenses associated with its Independent Directors and Audit Committee. As of September 30, 2015 and December 31, 2014, \$0 and \$5, respectively, was unpaid and included in other accrued expenses and liabilities in the accompanying Consolidated Statements of Assets and Liabilities. As of September 30, 2015 and December 31, 2014, certain current directors had committed \$1,541 and \$1,500, respectively, in capital commitments to the Company.

5. BORROWINGS

In accordance with the Investment Company Act, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of September 30, 2015 and December 31, 2014, asset coverage was 217.29% including the 2015-1 Notes, and 209.67%, respectively. During the nine month periods ended September 30, 2015, there were net secured borrowings of \$320,200 under the Revolving Credit Facility and Facility and net repayments of \$449,183 under the Revolving Credit Facility and Facility. During the nine month period ended September 30, 2014, there were net repayments of \$102,461 under the Revolving Credit Facility and secured borrowings of \$63,000 under the Facility. As of September 30, 2015 and December 31, 2014, there was \$179,458 and \$308,441, respectively, in secured borrowings outstanding.

Revolving Credit Facility

The Borrower Sub closed on May 24, 2013 on the Revolving Credit Facility, which was subsequently amended on June 30, 2014 (the “First Amendment”) and further amended on June 19, 2015.

Advances under the Revolving Credit Facility first became available once the Borrower Sub held at least \$30,000 of minimum equity in its assets. The Revolving Credit Facility provides for secured borrowings during the applicable revolving period up to an amount equal to the lesser of \$400,000, the borrowing base as calculated pursuant to the terms of the Revolving Credit Facility, and the amount of net cash proceeds and unpledged capital commitments the Company has received with an accordion feature that can, subject to certain conditions, increase the aggregate maximum credit commitment up to an amount not to exceed \$750,000, subject to restrictions imposed on borrowings under the Investment Company Act and certain restrictions and conditions set forth in the Revolving Credit Facility, including adequate collateral to support such borrowings. The Revolving Credit Facility has a revolving period through May 24, 2018 and a maturity date of May 22, 2021. Borrowings under the Revolving Credit Facility bear interest initially at the applicable commercial paper rate (if the lender is

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a conduit lender) or LIBOR (or, if applicable, a rate based on the prime rate or federal funds rate) plus 1.90% per year during the revolving period, with pre-determined future interest rate increases of 1.00%-1.85% over the three years following the end of the revolving period. The Borrower Sub is also required to pay an undrawn commitment fee of between 0.25% and 0.75% per year depending on the usage of the Revolving Credit Facility. Payments under the Revolving Credit Facility are made quarterly. The lenders have a first lien security interest on substantially all of the assets of the Borrower Sub

As part of the Revolving Credit Facility, the Borrower Sub is subject to limitations as to how borrowed funds may be used and the types of loans that are eligible to be acquired by the Borrower Sub including, but not limited to, restrictions on sector and geographic concentrations, loan size, payment frequency, tenor and minimum investment ratings (or estimated ratings). In addition, borrowed funds are intended to be used primarily to purchase first lien loan assets, and the Borrower Sub is limited in its ability to purchase certain other assets (including, but not limited to, second lien loans, covenant-lite loans, revolving and delayed draw loans and discount loans) and other assets are not permitted to be purchased (including, but not limited to paid-in-kind loans and structured finance obligations). The Revolving Credit Facility has certain requirements relating to interest coverage, collateral quality and portfolio performance, including limitations on delinquencies and charge offs, certain violations of which could result in the acceleration of the amounts due under the Revolving Credit Facility. The Revolving Credit Facility is also subject to a borrowing base that applies different advance rates to assets held by the Borrower Sub based generally on the fair market value of such assets. Under certain circumstances as set forth in the Revolving Credit Facility, the Company could be obliged to repurchase loans from the Borrower Sub.

Related to the First Amendment, which reduced the maximum commitments under the Revolving Credit Facility, \$827 of deferred financing costs (representing the prorated financing costs related to the reduction in commitments) were immediately expensed on June 30, 2014 in lieu of continuing to amortize over the term of the Revolving Credit Facility.

As of September 30, 2015 and December 31, 2014, the Borrower Sub was in compliance with all covenants and other requirements of the Revolving Credit Facility.

Facility

The Company closed on March 21, 2014 on the Facility, which was subsequently amended on January 8, 2015. The maximum principal amount of the Facility is \$150,000, subject to availability under the Facility, which is based on certain advance rates multiplied by the value of the Company's portfolio investments (subject to certain concentration limitations) net of certain other indebtedness that the Company may incur in accordance with the terms of the Facility. Proceeds of the Facility may be used for general corporate purposes, including the funding of portfolio investments. Maximum capacity under the Facility may be increased to \$225,000 through the exercise by the Company of an uncommitted accordion feature through which existing and new lenders may, at their option, agree to provide additional financing. The Facility includes a \$20,000 limit for swingline loans and a \$5,000 limit for letters of credit. The Company may borrow amounts in U.S. dollars or certain other permitted currencies. Amounts drawn under the Facility, including amounts drawn in respect of letters of credit, will bear interest at either LIBOR plus an applicable spread of 2.25%, or an "alternative base rate" (which is the highest of a prime rate, the federal funds effective rate plus 0.50%, or one month LIBOR plus 1.00%) plus an applicable spread of 1.25%. The Company may elect either the LIBOR or the "alternative base rate" at the time of drawdown, and loans may be converted from one rate to another at any time, subject to certain conditions. The Company also pays a fee of 0.375% on undrawn amounts under the Facility and, in respect of each undrawn letter of credit, a fee and interest rate equal to the then-applicable margin under the Facility while the letter of credit is outstanding. The availability period under the Facility will terminate on March 21, 2018 and the Facility will mature on March 21, 2019. During the period from March 21, 2018 to March 21, 2019, the Company will be obligated to make mandatory prepayments under the Facility out of the proceeds of certain asset sales, other recovery events and equity and debt issuances.

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Subject to certain exceptions, the Facility is secured by a perfected first-priority security interest in substantially all of the portfolio investments held by the Company and the Company's unfunded investor equity capital commitments (provided that the amount of unfunded capital commitments ultimately available to the lenders is limited to \$100,000). The pledge of unfunded investor equity capital commitments was subject to release once \$100,000 of incremental capital had been called and received by the Company subsequent to January 8, 2015. Such capital call commitment had not been satisfied as of December 31, 2014. The pledge of unfunded investor equity capital commitments had been released as of September 30, 2015. The Facility includes customary covenants, including certain financial covenants related to asset coverage, shareholders' equity and liquidity, certain limitations on the incurrence of additional indebtedness and liens, and other maintenance covenants, as well as usual and customary events of default for senior secured revolving credit facilities of this nature.

As of September 30, 2015 and December 31, 2014, the Company was in compliance with all covenants and other requirements of the Facility.

Summary of Facilities

The facilities of the Company and the Borrower Sub consisted of the following as of September 30, 2015 and December 31, 2014:

	September 30, 2015			Amount Available (2)
	Total Facility	Borrowings Outstanding	Unused Portion (1)	
Revolving Credit Facility	\$ 400,000	\$ 168,458	\$ 231,542	\$ 1,755
Facility	150,000	11,000	139,000	139,000
Total	<u>\$ 550,000</u>	<u>\$ 179,458</u>	<u>\$ 370,542</u>	<u>\$ 140,755</u>

	December 31, 2014			Amount Available (2)
	Total Facility	Borrowings Outstanding	Unused Portion (1)	
Revolving Credit Facility	\$ 400,000	\$ 246,441	\$ 153,559	\$ 10,557
Facility	150,000	62,000	88,000	58,623
Total	<u>\$ 550,000</u>	<u>\$ 308,441</u>	<u>\$ 241,559</u>	<u>\$ 69,180</u>

- (1) The unused portion is the amount upon which commitment fees are based.
(2) Available for borrowing based on the computation of collateral to support the borrowings.

As of September 30, 2015 and December 31, 2014, \$755 and \$1,025, respectively, of interest expense, \$155 and \$139, respectively, of unused commitment fees and \$22 and \$28, respectively of other fees were included in interest and credit facility fees payable related to the facilities. For the three month and nine month periods ended September 30, 2015, the weighted average interest rate was 2.28% and 2.22%, respectively, and average principal debt outstanding was \$167,952 and \$285,547, respectively. For the three month and nine month periods ended September 30, 2014, the weighted average interest rate was 2.23% and 2.18%, respectively, and average principal debt outstanding was \$199,214 and \$128,397, respectively. As of September 30, 2015 and December 31, 2014, the interest rate was 2.25% and 2.17%, respectively, based on floating LIBOR rates.

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For the three month and nine month periods ended September 30, 2015 and 2014, the components of interest expense and credit facility fees on secured borrowings were as follows:

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense	\$ 996	\$ 1,135	\$ 4,815	\$ 2,118
Facility unused commitment fee	282	251	587	908
Amortization of deferred financing costs	215	234	728	1,581
Other fees	25	25	81	77
Total interest expense and credit facility fees	\$ 1,518	\$ 1,645	\$ 6,211	\$ 4,684
Cash paid for interest expense	\$ 1,518	\$ 848	\$ 5,080	\$ 1,643

6. 2015-1 Notes

On June 26, 2015, the Company completed the 2015-1 Debt Securitization. The 2015-1 Notes were issued by the 2015-1 Issuer, a wholly-owned and consolidated subsidiary of the Company, and are secured by a diversified portfolio consisting primarily of first and second lien senior secured loans. The 2015-1 Debt Securitization was executed through a private placement of the 2015-1 Notes, consisting of \$160 million of Aaa/AAA Class A-1A Notes which bear interest at the three-month London Interbank Offered Rate (“LIBOR”) plus 1.85%; \$40 million of Aaa/AAA Class A-1B Notes, which bear interest at the three-month LIBOR plus 1.75% for the first 24 months and the three-month LIBOR plus 2.05% thereafter; \$27 million of Aaa/AAA Class A-1C Notes, which bear interest at 3.75%; and \$46 million of Aa2 Class A-2 Notes, which bear interest at the three-month LIBOR plus 2.70%. The 2015-1 Notes were issued at par and are scheduled to mature on July 15, 2027. The Company received 100% of the preferred interests (the “Preferred Interests”) issued by the 2015-1 Issuer on the closing date of the 2015-1 Debt Securitization in exchange for the Company’s contribution to the Issuer of the initial closing date loan portfolio. The Preferred Interests do not bear interest and had a nominal value of \$125.9 million at closing. In connection with the contribution, the Company has made customary representations, warranties and covenants to the 2015-1 Issuer in the purchase agreement. The Class A-1A, Class A-1B and Class A-1C and Class A-2 Notes are included in the September 30, 2015 consolidated financial statements. The Preferred Interests were eliminated in consolidation.

On the closing date of the 2015-1 Debt Securitization, the 2015-1 Issuer effected a one-time distribution to the Company of a substantial portion of the proceeds of the private placement of the 2015-1 Notes, net of expenses, which distribution was used to repay a portion of the certain amounts outstanding under the Revolving Credit Facility and the Facility. As part of the 2015-1 Debt Securitization, certain first and second lien senior secured loans were distributed by the Borrower Sub to the Company pursuant to a distribution and contribution agreement. The Company contributed the loans that comprised the initial closing date loan portfolio (including the loans distributed to the Company from the Borrower Sub) to the 2015-1 Issuer pursuant to a contribution agreement. Future loans transfers from the Company to the 2015-1 Issuer will be made pursuant to a sale agreement and are subject to the approval of the Company’s Board of Directors. Assets of the 2015-1 Issuer are not available to the creditors of the Borrower Sub or the Company. In connection with the issuance and sale of the 2015-1 Notes, the Company has made customary representations, warranties and covenants in the purchase agreement.

During the reinvestment period, pursuant to the indenture governing the 2015-1 Notes, all principal collections received on the underlying collateral may be used by the 2015-1 Issuer to purchase new collateral under the direction of Investment Adviser in its capacity as collateral manager of the 2015-1 Issuer and in accordance with the Company’s investment strategy.

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The Investment Adviser serves as collateral manager to the 2015-1 Issuer under a collateral management agreement (the “Collateral Management Agreement”). Pursuant to the Collateral Management Agreement, the 2015-1 Issuer will pay management fees (comprised of base management fees, subordinated management fees and incentive management fees) (“Management Fees”) to the Investment Adviser for rendering collateral management services. As per the Collateral Management Agreement, for the period the Company retains all of the Preferred Interests, the Investment Adviser will not earn Management Fees for providing such collateral management services. The Company currently retains all of the Preferred Interests, thus there were no management fees for the three and nine month periods ended September 30, 2015.

Pursuant to an undertaking by the Company in connection with the 2015-1 Debt Securitization, the Company has agreed to hold on an ongoing basis Preferred Interests with an aggregate dollar purchase price at least equal to 5% of the aggregate outstanding amount of all collateral obligations by the 2015-1 Issuer for so long as any securities of the 2015-1 Issuer remain outstanding. As of September 30, 2015, the Company was in compliance with its undertaking.

The 2015-1 Issuer pays ongoing administrative expenses to the trustee, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports, and providing required services in connection with the administration of the 2015-1 Issuer.

As of September 30, 2015, there were 55 first lien and second lien senior secured loans with a total fair value of approximately \$392,163 securing the 2015-1 Notes. The pool of loans in the securitization must meet certain requirements, including asset mix and concentration, term, agency rating, collateral coverage, minimum coupon, minimum spread and sector diversity requirements.

For the nine months ended September 30, 2015, the effective annualized weighted average interest rate, which includes amortization of debt issuance costs on the 2015-1 Notes, was 2.42%, based on floating LIBOR rates. For the three and nine month periods ended September 30, 2015, interest expense, including the amortization of deferred debt issuance costs, was \$1,662 and \$1,752 respectively. There was no cash paid for interest during the nine months ended September 30, 2015.

For the three month and nine month periods ended September 30, 2015 and 2014, the components of interest expense on the 2015-1 Notes were as follows:

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense	\$ 1,611	\$ —	\$ 1,698	\$ —
Amortization of deferred financing costs	51	—	54	—
Total interest expense	\$ 1,662	\$ —	\$ 1,752	\$ —
Cash paid for interest expense	\$ —	\$ —	\$ —	\$ —

7. COMMITMENTS AND CONTINGENCIES

A summary of significant contractual payment obligations was as follows as of September 30, 2015 and December 31, 2014:

Payment Due by Period	Revolving Credit Facility and Facility		2015-1 Notes	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Less than 1 Year	\$ —	\$ —	\$ —	\$ —
1-3 Years	—	—	—	—
3-5 Years	11,000	62,000	—	—
More than 5 Years	168,458	246,441	273,000	—
Total	\$ 179,458	\$ 308,441	\$ 273,000	\$ —

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In the ordinary course of its business, the Company enters into contracts or agreements that contain indemnification or warranties. Future events could occur that lead to the execution of these provisions against the Company. The Company believes that the likelihood of such an event is remote; however, the maximum potential exposure is unknown. No accrual has been made in the consolidated financial statements as of September 30, 2015 and December 31, 2014 for any such exposure.

As of September 30, 2015 and December 31, 2014, the Company had \$1,159,529 and \$1,129,522, respectively, in total capital commitments from stockholders, of which \$613,667 and \$776,750, respectively, was unfunded. As of September 30, 2015 and December 31, 2014, certain current directors had committed \$1,541 and \$1,500, respectively, in capital commitments to the Company.

As of December 31, 2014, there was a \$100,000 pledge of unfunded investor equity capital commitments to the lenders of the Facility, which was subject to release once \$100,000 of incremental capital had been called and received by the Company subsequent to the effective date of the First Facility Amendment Effective Date. Such capital call commitment had not been satisfied as of December 31, 2014. The pledge of unfunded investor equity capital commitments had been released as of September 30, 2015.

The Company had the following unfunded commitments to fund delayed draw and revolving senior secured loans as of the indicated dates:

	Par Value as of	
	September 30, 2015	December 31, 2014
Unfunded delayed draw commitments	\$ 30,986	\$ 9,500
Unfunded revolving term loan commitments	3,906	—
Total unfunded commitments	\$ 34,892	\$ 9,500

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8. NET ASSETS

The Company has the authority to issue 200,000,000 shares of common stock, \$0.01 per share par value.

During the nine month period ended September 30, 2015, the Company issued 9,962,714 shares for \$193,176. The following table summarizes capital activity during the nine month period ended September 30, 2015:

	Common Stock		Capital In Excess Of Par Value	Subscribed But Unissued Shares	Subscriptions Receivable	Offering Costs	Accumulated Net Investment Income (Loss)	Accumulated Net Realized Gain (Loss) on Investments	Accumulated Net Unrealized Appreciation (Depreciation) on Investments	Total Net Assets
	Shares	Amount								
Balance, beginning of period	17,932,697	\$ 179	\$351,636	\$ —	\$ —	\$ (74)	\$ (4,388)	\$ (57)	\$ (9,039)	\$338,257
Common stock issued	9,958,294	100	192,992	—	—	—	—	—	—	193,092
Reinvestment of dividends	4,420	—	84	—	—	—	—	—	—	84
Subscribed but unissued shares	—	—	—	24,038	—	—	—	—	—	24,038
Subscriptions receivable	—	—	—	—	(24,038)	—	—	—	—	(24,038)
Net investment income (loss)	—	—	—	—	—	—	24,759	—	—	24,759
Net realized gain (loss) on investments— non-controlled/non-affiliated	—	—	—	—	—	—	—	1,152	—	1,152
Net change in unrealized appreciation (depreciation) on investments—non- controlled/non-affiliated	—	—	—	—	—	—	—	—	2,745	2,745
Dividends declared	—	—	—	—	—	—	(29,405)	—	—	(29,405)
Balance, end of period	<u>27,895,411</u>	<u>\$ 279</u>	<u>\$544,712</u>	<u>\$ 24,038</u>	<u>\$ (24,038)</u>	<u>\$ (74)</u>	<u>\$ (9,034)</u>	<u>\$ 1,095</u>	<u>\$ (6,294)</u>	<u>\$530,684</u>

During the nine month period ended September 30, 2014, the Company issued 3,959,225 shares for \$78,277. The following table summarizes capital activity during the nine month period ended September 30, 2014:

	Common Stock		Capital In Excess Of Par Value	Offering Costs	Accumulated Net Investment Income (Loss)	Accumulated Net Realized Gain (Loss) on Investments	Accumulated Net Unrealized Appreciation (Depreciation) on Investments	Total Net Assets
	Shares	Amount						
Balance, beginning of period	9,575,990	\$ 96	\$186,965	\$ (74)	\$ (664)	\$ —	\$ (321)	\$186,002
Common stock issued	3,958,491	39	78,223	—	—	—	—	78,262
Reinvestment of dividends	734	—	15	—	—	—	—	15
Net investment income (loss)	—	—	—	—	13,281	—	—	13,281
Net realized gain (loss) on investments-non-controlled/non- affiliated	—	—	—	—	—	146	—	146
Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated	—	—	—	—	—	—	(3,882)	(3,882)
Dividends declared	—	—	—	—	(11,886)	—	—	(11,886)
Balance, end of period	<u>13,535,215</u>	<u>\$ 135</u>	<u>\$265,203</u>	<u>\$ (74)</u>	<u>\$ 731</u>	<u>\$ 146</u>	<u>\$ (4,203)</u>	<u>\$261,938</u>

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The following table summarizes total shares issued and proceeds received related to capital drawdowns delivered pursuant to subscriptions for the Company's common stock and reinvestment of dividends during the nine month period ended September 30, 2015:

	<u>Shares Issued</u>	<u>Proceeds Received</u>
January 16, 2015	924,977	\$ 18,000
January 26, 2015**	1,051	20
February 26, 2015	2,312,659	45,005
April 21, 2015**	1,351	25
May 1, 2015	1,462,746	28,085
May 22, 2015	1,708,068	33,000
June 25, 2015	2,412,386	46,992
July 22, 2015**	2,018	38
August 21, 2015	1,032,504	20,002
September 30, 2015	104,954	2,009
Total	<u>9,962,714</u>	<u>\$ 193,176</u>

** Represents shares issued upon the reinvestment of dividends

The following table summarizes total shares issued and proceeds received related to capital drawdowns delivered pursuant to subscriptions for the Company's common stock during the nine month period ended September 30, 2014:

	<u>Shares Issued</u>	<u>Proceeds Received</u>
January 27, 2014	1,020,810	\$ 19,998
February 21, 2014	491,849	9,689
March 21, 2014	1,802,772	35,785
April 14, 2014**	148	3
July 14, 2014**	586	12
September 17, 2014	643,060	12,790
Total	<u>3,959,225</u>	<u>\$ 78,277</u>

** Represents shares issued upon the reinvestment of dividends

On September 25, 2015, the Company issued a capital call and delivered capital drawdown notices totaling \$26,047. Subscribed but unissued shares are presented in equity with a deduction of subscriptions receivable until cash is received for a subscription. As of September 30, 2015, the Company received \$2,009 from stockholders, which was included in cash on the Consolidated Statements of Assets and Liabilities and in common stock issued on the Consolidated Statement of Changes in Net Assets for the nine month period ended September 30, 2015. There were 1,255,914 and 0 subscribed but unissued shares as of September 30, 2015 and December 31, 2014, respectively.

Subscription transactions during the nine month periods ended September 30, 2015 and 2014 were executed at an offering price at a premium to net asset value due to the requirement to use prior quarter net asset value as the offering price unless it would result in the Company selling shares of its common stock at a price below the current net asset value and also in order to effect a reallocation of organizational costs to subsequent investors. Such subscription transactions increased net asset value by \$0.09 per share and \$0.04 per share, respectively, for the nine month periods ended September 30, 2015 and 2014.

The Company computes earnings per common share in accordance with ASC 260, Earnings Per Share. Basic earnings per common share were calculated by dividing net increase (decrease) in net assets resulting from operations attributable to the Company by the weighted-average number of common shares outstanding for the period.

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Basic and diluted earnings per common share were as follows:

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net increase (decrease) in net assets resulting from operations	\$ 9,653	\$ 937	\$ 28,656	\$ 9,545
Weighted-average common shares outstanding	27,219,231	12,989,929	23,314,654	12,213,875
Basic and diluted earnings per common share	<u>\$ 0.35</u>	<u>\$ 0.07</u>	<u>\$ 1.23</u>	<u>\$ 0.78</u>

The following table summarizes the Company's dividends declared and payable since inception through the quarter ended September 30, 2015:

Date Declared	Record Date	Payment Date	Per Share Amount	Total Amount
March 13, 2014	March 31, 2014	April 14, 2014	\$ 0.19	\$ 2,449
June 26, 2014	June 30, 2014	July 14, 2014	\$ 0.27	\$ 3,481
September 12, 2014	September 18, 2014	October 9, 2014	\$ 0.44	\$ 5,956
December 19, 2014	December 29, 2014	January 26, 2015	\$ 0.35	\$ 6,276
March 11, 2015	March 13, 2015	April 17, 2015	\$ 0.37	\$ 7,833
June 24, 2015	June 30, 2015	July 22, 2015	\$ 0.37	\$ 9,902
September 24, 2015	September 24, 2015	October 22, 2015	\$ 0.42	\$ 11,670

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9. CONSOLIDATED FINANCIAL HIGHLIGHTS

The following is a schedule of consolidated financial highlights for the nine month periods ended September 30, 2015 and 2014:

	For the nine month periods ended	
	September 30, 2015	September 30, 2014
Per Share Data:		
Net asset value per share, beginning of period	\$ 18.86	\$ 19.42
Net investment income (loss) (1)	1.06	1.09
Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments	0.17	(0.30)
Net increase (decrease) in net assets resulting from operations	1.23	0.79
Dividends declared (2)	(1.16)	(0.90)
Effect of subscription offering price (3)	0.09	0.04
Net asset value per share, end of period	\$ 19.02	\$ 19.35
Number of shares outstanding, end of period	27,895,411	13,535,215
Total return (4)	7.00%	4.27%
Net assets, end of period	\$ 530,684	\$ 261,938
Ratio to average net assets (5):		
Expenses net of waiver, before incentive fees	3.82%	4.27%
Expenses net of waiver, after incentive fees	5.17%	5.62%
Expenses gross of waiver, after incentive fees	5.85%	6.19%
Net investment income (loss) (6)	5.39%	5.40%
Interest expense and credit facility fees	1.73%	1.91%
Ratios/Supplemental Data:		
Asset coverage	217.29%	212.77%
Portfolio turnover	23.71%	24.01%
Total committed capital, end of period	\$ 1,159,529	\$ 1,124,812
Ratio of total contributed capital to total committed capital, end of period	47.08%	23.67%
Weighted-average shares outstanding	23,314,654	12,213,875

- (1) Net investment income (loss) per share was calculated as net investment income (loss) for the period divided by the weighted average number of shares outstanding for the period.
- (2) Dividends declared per share was calculated as the sum of dividends declared during the period divided by the number of shares outstanding at each respective quarter-end date (refer to Note 8).
- (3) Increase is due to offering price of subscriptions during the period (refer to Note 8).
- (4) Total return (not annualized) is based on the change in net asset value per share during the period plus the declared dividends, assuming reinvestment of dividends in accordance with the dividend reinvestment plan, divided by the beginning net asset value for the period. Total return for the nine month periods ended September 30, 2015 and 2014 is inclusive of \$0.09 and \$0.04, respectively, per share increase in net asset value for the periods related to the offering price of subscriptions. Excluding the effects of the higher offering price of subscriptions, total return (not annualized) would have been 6.52% and 4.07%, respectively (refer to Note 8).
- (5) These ratios to average net assets have not been annualized.
- (6) The net investment income ratio is net of the waiver of base management fees.

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10. LITIGATION

The Company may become party to certain lawsuits in the ordinary course of business. The Company does not believe that the outcome of current matters, if any, will materially impact the Company or its consolidated financial statements. As of September 30, 2015 and December 31, 2014, the Company was not subject to any material legal proceedings, nor, to the Company's knowledge, is any material legal proceeding threatened against the Company.

In addition, portfolio investments of the Company could be the subject of litigation or regulatory investigations in the ordinary course of business. The Company does not believe that the outcome of any current contingent liabilities of its portfolio investments, if any, will materially affect the Company or these consolidated financial statements.

11. TAX

The Company has not recorded a liability for any uncertain tax positions pursuant to the provisions of ASC 740, *Income Taxes*, as of September 30, 2015 and December 31, 2014.

In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax regulators for the 2013 and 2014 tax years. As of September 30, 2015 and December 31, 2014, the Company had filed tax returns and therefore is subject to examination.

The Company's taxable income for each period is an estimate and will not be finally determined until the Company files its tax return for each year. Therefore, the final taxable income, and the taxable income earned in each period and carried forward for distribution in the following period, may be different than this estimate. The estimated tax character of dividends declared for the nine month periods ended September 30, 2015 and 2014 was as follows:

	For the nine month periods ended	
	September 30, 2015	September 30, 2014
Ordinary income	\$ 29,405	\$ 11,886
Tax return of capital	\$ —	\$ —

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the consolidated financial statements were issued. There have been no subsequent events that require recognition or disclosure through the date the consolidated financial statements were issued, except as disclosed below.

Subsequent to September 30, 2015, the Company borrowed \$3,000 under the Revolving Credit Facility and \$35,000 under the Facility to fund investment acquisitions. The Company also voluntarily repaid \$10,145 under the Revolving Credit Facility and \$11,000 under the Facility.

Subsequent to September 30, 2015, subscribed but unissued shares as of September 30, 2015 were issued to the stockholders for proceeds received in the amount of \$24,038.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.
(dollar amounts in thousands, except per share data, unless otherwise indicated)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have included or incorporated by reference in this Form 10-Q, and from time to time our management may make, “forward-looking statements”. These forward-looking statements are not historical facts, but instead relate to future events or the future performance or financial condition of Carlyle GMS Finance, Inc. (“we,” “us,” “our,” “GMS Finance,” or the “Company”). These statements are based on current expectations, estimates and projections about us, our current or prospective portfolio investments, our industry, our beliefs, and our assumptions. The forward-looking statements contained in this Form 10-Q and the documents incorporated by reference herein involve a number of risks and uncertainties, including statements concerning:

- our, or our portfolio companies’, future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations (including the interpretation thereof) governing our operations or the operations of our portfolio companies;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to recover unrealized losses;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- our contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- our ability to successfully integrate any acquisitions;
- the adequacy of our cash resources and working capital;
- the timing, form and amount of any dividend distributions;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments; and
- our intent to satisfy the requirements of a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

We use words such as “anticipates,” “believes,” “expects,” “intends,” “will,” “should,” “may” and similar expressions to identify forward-looking statements, although not all forward-looking statements include these words. Our actual results and condition could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “*Risk Factors*” in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2014 and Part II, Item 1A of and elsewhere in this Form 10-Q.

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

OVERVIEW

Management’s Discussion and Analysis should be read in conjunction with Part I, Item 1 of this Form 10-Q “Financial Statements.” This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to those described in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2014 and Part II, Item 1A of this Form 10-Q “Risk Factors.” Actual results may differ materially from those contained in any forward-looking statements.

Carlyle GMS Finance, Inc. (“we,” “us,” “our,” “GMS Finance,” or the “Company”) is a Maryland corporation formed on February 8, 2012, and structured as an externally managed, non-diversified closed-end investment company. On May 2, 2013, GMS Finance filed its election to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the “Investment Company Act”). GMS Finance has elected to be treated, and intends to continue to comply with the requirements to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended, (the “Code”).

GMS Finance’s investment objective is to generate current income and capital appreciation primarily through debt investments in U.S. middle market companies, which we define as companies with approximately \$10 million to \$100 million of earnings before interest, taxes, depreciation and amortization (“EBITDA”). GMS Finance seeks to achieve its investment objective by investing primarily in first lien senior secured loans (which may include stand-alone first lien loans; “last out” first lien loans, which are loans that have a secondary priority behind “first out” first lien loans; “unitranche” loans, which are loans that combine features of first lien, second lien or subordinated loans, generally in a first lien position; and secured corporate bonds with similar features to these categories of first lien loans) and second lien senior secured loans (which may include senior secured loans, and, to a lesser extent, secured corporate bonds, with a secondary priority behind first lien loans) (collectively, “Middle Market Senior Loans”). The Middle Market Senior Loans are generally made to private U.S. middle market companies that are, in many cases, controlled by private equity firms. Depending on market conditions, GMS Finance expects that between 70% and 80% of the value of its assets will be invested in Middle Market Senior Loans, with the balance invested in higher-yielding investments, which may include middle market junior loans such as corporate mezzanine loans, equity co-investments, broadly syndicated first lien and second lien senior secured loans, high-yield bonds, structured finance obligations and/or other opportunistic investments. We expect that the composition of our portfolio will change over time given our Investment Adviser’s view on, among other things, the economic and credit environment (including with respect to interest rates) in which we are operating.

GMS Finance is externally managed by the Investment Adviser, an investment adviser registered under the Investment Advisers Act of 1940, as amended. Carlyle GMS Finance Administration L.L.C. (the “Administrator”) provides the administrative services necessary for GMS Finance to operate. Both the Investment Adviser and the Administrator are wholly-owned subsidiaries of Carlyle Investment Management L.L.C., a subsidiary of The Carlyle Group L.P. “Carlyle” refers to The Carlyle Group L.P., its affiliates and its consolidated subsidiaries, a global alternative asset manager publicly traded on NASDAQ Global Select Market under the symbol “CG”. Refer to the sec.gov website for further information on Carlyle.

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Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt available to middle market companies, the general economic environment and the competitive environment for the type of investments we make.

Revenue

We generate revenue primarily in the form of interest and fee income on debt investments we hold and capital gains, if any, on investments. Our debt investments generally have a stated term of five to eight years and generally bear interest at a floating rate usually determined on the basis of a benchmark such as LIBOR. Interest on these debt securities is generally paid quarterly. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. We may also generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees.

Expenses

Our primary operating expenses include the payment of: (i) investment advisory fees, including base management fees and incentive fees, to our Investment Adviser pursuant to an investment advisory and management agreement (the "Investment Advisory Agreement") between us and our Investment Adviser; (ii) costs and other expenses and our allocable portion of overhead incurred by our Administrator in performing its administrative obligations under an administration agreement (the "Administration Agreement") between us and our Administrator; and (iii) other operating expenses as detailed below:

- our initial organization costs and offering costs incurred prior to the filing of our election to be regulated as a BDC (the amount in excess of \$1,500 to be paid by our Investment Adviser);
- the costs associated with the Private Offering;
- the costs of any other offerings of our common stock and other securities, if any;
- calculating individual asset values and our net asset value (including the cost and expenses of any independent valuation firms);
- expenses, including travel expenses, incurred by the Investment Adviser, or members of the Investment Adviser team managing our investments, or payable to third parties, performing due diligence on prospective portfolio companies and, if necessary, expenses of enforcing our rights;
- the base management fee and any incentive fee payable under our Investment Advisory Agreement;
- certain costs and expenses relating to distributions paid on our shares;
- administration fees payable under our Administration Agreement and sub-administration agreements, including related expenses;
- debt service and other costs of borrowings or other financing arrangements;
- the allocated costs incurred by the Investment Adviser in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making or holding investments;
- the costs associated with subscriptions to data service, research-related subscriptions and expenses and quotation equipment and services used in making or holding investments;
- transfer agent and custodial fees;

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- costs of hedging;
- commissions and other compensation payable to brokers or dealers;
- federal and state registration fees;
- any U.S. federal, state and local taxes, including any excise taxes;
- independent director fees and expenses;
- costs of preparing financial statements and maintaining books and records, costs of preparing tax returns, costs of Sarbanes-Oxley Act compliance and attestation and costs of filing reports or other documents with the SEC (or other regulatory bodies), and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation or review of the foregoing;
- the costs of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholders' meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- the costs of specialty and custom software for monitoring risk, compliance and overall portfolio, including any development costs incurred prior to the filing of our election to be regulated as a BDC;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct fees and expenses associated with independent audits, agency, consulting and legal costs; and
- all other expenses incurred by us or the Administrator in connection with administering our business, including our allocable share of certain officers and their staff compensation.

We expect our general and administrative expenses to be relatively stable or to decline as a percentage of total assets during periods of asset growth and to increase during periods of asset declines.

PORTFOLIO AND INVESTMENT ACTIVITY

As of September 30, 2015 and December 31, 2014, average loan size in the portfolio was approximately \$12,228 and \$10,141, respectively, at amortized cost, with no single industry representing more than 14% and 11%, respectively, of total fair value.

The fair value of our investments was approximately \$975,732 comprised of 83 portfolio companies/structured finance obligations as of September 30, 2015. The fair value of our investments was approximately \$698,662 comprised of 72 portfolio companies/structured finance obligations as of December 31, 2014.

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The Company's investment activity for the three month periods ended September 30, 2015 and 2014 is presented below (information presented herein is at amortized cost unless otherwise indicated).

	For the three month periods ended	
	September 30, 2015	September 30, 2014
Investments—non-controlled/non-affiliated:		
Total Investments—non-controlled/non-affiliated, beginning of period	\$ 917,292	\$ 418,090
New investments	134,858	123,837
Net accretion of discount on securities	1,001	367
Net realized gain (loss) on investments	823	(45)
Investments sold or repaid	(71,948)	(34,248)
Total Investments—non-controlled/non-affiliated, end of period	\$ 982,026	\$ 508,001
Principal amount of investments funded:		
First Lien Debt	\$ 116,450	\$ 89,593
Second Lien Debt	22,000	13,305
Structured Finance Obligations	—	25,850
Total	\$ 138,450	\$ 128,748
Principal amount of investments sold or repaid:		
First Lien Debt	\$ (58,171)	\$ (28,750)
Structured Finance Obligations	(19,175)	(9,770)
Total	\$ (77,346)	\$ (38,520)
Number of new funded investments	8	16
Average new funded investment amount	\$ 16,857	\$ 7,740
Percentage of new funded debt investments at floating rates	100.00%	97.66%
Percentage of new funded debt investments at fixed rates	0%	2.44%

As of September 30, 2015 and December 31, 2014, investments—non-controlled/non-affiliated consisted of the following:

	September 30, 2015		December 31, 2014	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
First Lien Debt	\$715,873	\$720,248	\$517,450	\$514,787
Second Lien Debt	201,258	199,288	111,261	107,874
Structured Finance Obligations	62,680	53,825	78,990	76,001
Equity Investments	2,215	2,371	—	—
Total	\$982,026	\$975,732	\$707,701	\$698,662

The weighted average yields ⁽¹⁾ for our first and second lien debt, based on the amortized cost and fair value as of September 30, 2015 and December 31, 2014, were as follows:

	September 30, 2015		December 31, 2014	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
First Lien Debt	6.75%	6.71%	6.01%	6.04%
Second Lien Debt	9.25%	9.34%	8.86%	9.14%

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- (1) Yields do not include the effect of accretion of discounts and amortization of premiums and are based on interest rates as of September 30, 2015 and December 31, 2014. Actual yields earned over the life of each investment could differ materially from the yields presented above.

Weighted average yields on first lien and second lien debt have increased as of September 30, 2015 compared to December 31, 2014 primarily due to a shift in mix to higher yielding assets, including unitranche loans.

See the Consolidated Schedules of Investments as of September 30, 2015 and December 31, 2014 in our consolidated financial statements in Part I, Item 1 of this Form 10-Q for more information on these investments, including a list of companies and type and amount of investments.

As part of the monitoring process, our Investment Adviser has developed risk policies pursuant to which it regularly assesses the risk profile of each of our debt investments and rates each of them based on the following categories, which we refer to as "Internal Risk Ratings":

Internal Risk Ratings Definitions

Rating	Definition
1	Performing—Low Risk: Borrower is operating more than 10% ahead of the Base Case.
2	Performing—Stable Risk: Borrower is operating within 10% of the Base Case (above or below). This is the initial rating assigned to all new borrowers.
3	Performing—Management Notice: Borrower is operating more than 10% below the Base Case. A financial covenant default may have occurred, but there is a low risk of payment default.
4	Watch List: Borrower is operating more than 20% below the Base Case and there is a high risk of covenant default, or it may have already occurred. Payments are current although subject to greater uncertainty, and there is moderate to high risk of payment default.
5	Watch List—Possible Loss: Borrower is operating more than 30% below the Base Case. At the current level of operations and financial condition, the borrower does not have the ability to service and ultimately repay or refinance all outstanding debt on current terms. Payment default is very likely or may have occurred. Loss of principal is possible.
6	Watch List—Probable Loss: Borrower is operating more than 40% below the Base Case, and at the current level of operations and financial condition, the borrower does not have the ability to service and ultimately repay or refinance all outstanding debt on current terms. Payment default is very likely or may have already occurred. Additionally, the prospects for improvement in the borrower's situation are sufficiently negative that impairment of some or all principal is probable.

Our Investment Adviser's risk rating model is based on evaluating portfolio company performance in comparison to the Base Case when considering certain credit metrics including, but not limited to, adjusted EBITDA and net senior leverage as well as specific events including, but not limited to, default and impairment.

Our Investment Adviser monitors and, when appropriate, changes the investment ratings assigned to each debt investment in our portfolio. In connection with our quarterly valuation process, our Investment Adviser reviews our investment ratings on a regular basis. The following table summarizes the Internal Risk Ratings as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Fair Value	% of Fair Value	Fair Value	% of Fair Value
(dollar amounts in millions)				
Internal Risk Rating 1	\$ 19.2	2.09%	\$ 55.6	8.93%
Internal Risk Rating 2	821.6	89.35	517.1	83.04
Internal Risk Rating 3	66.4	7.22	41.0	6.58
Internal Risk Rating 4	12.3	1.34	9.0	1.45
Internal Risk Rating 5	—	—	—	—
Internal Risk Rating 6	—	—	—	—
Total	\$ 919.5	100.00%	\$ 622.7	100.00%

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As part of our monitoring process, our Investment Adviser has developed risk policies pursuant to which it regularly assesses the risk profile of each of the structured finance obligation investments.

CONSOLIDATED RESULTS OF OPERATIONS

For the three month and nine month periods ended September 30, 2015 and 2014

The net increase or decrease in net assets from operations may vary substantially from period to period as a result of various factors, including the recognition of realized gains and losses and net change in unrealized appreciation and depreciation. As a result, quarterly comparison may not be meaningful.

Investment Income

Interest income for the three month and nine month periods ended September 30, 2015 and 2014 were as follows:

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest income from non-controlled/non-affiliated investments	\$ 19,601	\$ 10,522	\$ 48,505	\$ 27,099
Total investment income	<u>\$ 19,601</u>	<u>\$ 10,522</u>	<u>\$ 48,505</u>	<u>\$ 27,099</u>

The increase in interest income and net investment income for the three month and nine month periods ended September 30, 2015 and 2014 was driven by our deployment of capital and increasing invested balance. As of September 30, 2015 and 2014, the size of our portfolio was \$982,026 and \$508,001, respectively, at amortized cost, with total principal amount of investments outstanding of \$1,039,912 and \$558,437, respectively. As of September 30, 2015 and 2014, the weighted average yield of our first and second lien debt was 7.30% and 6.40%, respectively, on an amortized cost basis.

Interest income on our first and second lien debt investments is dependent on the composition and credit quality of the portfolio. Generally, we expect the portfolio to generate predictable quarterly interest income based on the terms stated in each loan's credit agreement. As of September 30, 2015 and 2014, all of our first and second lien debt investments were performing and current on their interest payments. Interest income from structured finance obligations is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows. The effective yield is updated at least quarterly based on payments received and expected future payments. In estimating these cash flows, there are a number of assumptions that are subject to uncertainties, including the amount and timing of principal payments which are impacted by prepayments, repurchases, defaults, delinquencies and liquidations of or within the CLO funds. These uncertainties are difficult to predict and are subject to future events that could have impacted the Company's estimates if the information was known at the time. As a result, actual results may differ significantly from these estimates.

Net investment income (loss) for the three month and nine month periods ended September 30, 2015 and 2014 was as follows:

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Total investment income from non-controlled/non-affiliated investments	\$ 19,601	\$ 10,522	\$ 48,505	\$ 27,099
Net expenses	(9,267)	(4,816)	(23,746)	(13,818)
Net investment income (loss)	<u>\$ 10,334</u>	<u>\$ 5,706</u>	<u>\$ 24,759</u>	<u>\$ 13,281</u>

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Expenses

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Base management fees	\$ 3,679	\$ 1,782	\$ 9,482	\$ 4,228
Incentive fees	2,584	1,232	6,190	3,321
Professional fees	453	354	1,302	1,547
Administrative service fees	152	84	452	559
Interest expense	2,658	1,135	6,567	2,118
Credit facility fees	522	510	1,396	2,566
Directors' fees and expenses	109	105	316	290
Transfer agency fees	46	31	139	91
Trustee fees	21	—	21	—
Other general and administrative	270	177	1,042	507
Total expenses	10,494	5,410	26,907	15,227
Waiver of base management fees	(1,227)	(594)	(3,161)	(1,409)
Net expenses	\$ 9,267	\$ 4,816	\$ 23,746	\$ 13,818

Interest expense and credit facility fees for the three month and nine month periods ended September 30, 2015 and 2014 were comprised of the following:

	For the three month periods ended		For the nine month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense	\$ 2,658	\$ 1,135	\$ 6,567	\$ 2,118
Unused commitment fee	282	251	587	908
Amortization of deferred financing costs	215	234	728	1,581
Other fees	25	25	81	77
Total interest expense and credit facility fees	\$ 3,180	\$ 1,645	\$ 7,963	\$ 4,684
Cash paid for interest expense	\$ 1,518	\$ 848	\$ 5,080	\$ 1,643

The increase in interest expense for the three month and nine month periods ended September 30, 2015 was driven by increased usage of the facilities, additional debt issued through the securitization in the form of the 2015-1 Notes (as defined below), and increased deployment of capital to investments. See Note 6 to the consolidated financial states included in Part I, Item 1 of this Form 10-Q for more information. For the three month and nine month periods ended September 30, 2015, the weighted average interest rate under the facilities was 2.28% and 2.22%, respectively, and average principal debt outstanding was \$167,952 and 285,547, respectively. For the three month and nine month periods ended September 30, 2014, the weighted average interest rate under the facilities was 2.23% and 2.18%, respectively, and average principal debt outstanding was \$199,214 and \$128,397, respectively.

For the nine months ended September 30, 2015, the effective annualized weighted average interest rate, which includes amortization of debt issuance costs on the 2015-1 Notes, was 2.42%, based on floating LIBOR rates. For the nine months ended September 30, 2015, interest expense, including the amortization of deferred debt issuance costs, was \$1,662.

Increased base management fees (and related waiver of base management fees) and incentive fees related to pre-incentive fee net investment income for the three month and nine month periods ended September 30, 2015 and 2014 were driven by our deployment of capital and increasing invested balance. For the three month and nine

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month periods ended September 30, 2015, base management fees were \$2,452 and \$6,321, respectively (net of waiver of \$1,227 and \$3,161, respectively), incentive fees related to pre-incentive fee net investment income were \$2,854 and \$6,190, respectively, and there were no incentive fees related to realized capital gains. For the three month and nine month periods ended September 30, 2014, base management fees were \$1,188 and \$2,819, respectively (net of waiver of \$594 and \$1,409, respectively), incentive fees related to pre-incentive fee net investment income were \$1,388 and \$3,321, respectively, and there were no incentive fees related to realized capital gains. The accrual for any capital gains incentive fee under accounting principles generally accepted in the United States ("US GAAP") in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. See Note 4 to the consolidated financial statements included in Part I, Item 1 of this Form 10-Q for more information on the incentive and base management fees. For the three month and nine month periods ended September 30, 2015, we recorded no accrued capital gains incentive fees based upon our cumulative net realized and unrealized appreciation (depreciation) as of September 30, 2015. For the three month and nine month periods ended September 30, 2014, we recorded an accrued capital gains incentive fee of \$(156) and \$0, respectively, based upon our cumulative net realized and unrealized appreciation (depreciation) as of September 30, 2014.

Professional fees include legal, rating agencies, audit, tax, valuation, technology and other professional fees incurred related to the management of the Company. Administrative service fees represent fees paid to the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staff. Other general and administrative expenses include insurance, filing, research, subscriptions and other costs.

Net Realized Gain (Loss) and Net Change in Unrealized Appreciation (Depreciation) on Investments

During the three month and nine month periods ended September 30, 2015, the Company had a change in unrealized appreciation on 38 and 64 investments, respectively, totaling approximately \$7,122 and \$13,956, respectively, which was offset by a change in unrealized depreciation on 60 and 47 investments, respectively, totaling approximately \$8,626 and \$11,211, respectively. During the three month and nine month periods ended September 30, 2014, the Company had a change in unrealized appreciation on 15 and 30 investments, respectively, totaling approximately \$1,156 and \$3,473, respectively, which was offset by a change in unrealized depreciation on 53 and 43 investments, respectively, totaling approximately \$5,880 and \$7,355, respectively.

	<u>For the three month periods ended</u>		<u>For the nine month periods ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Net realized gain (loss) on investments—non-controlled/non-affiliated	\$ 823	\$ (45)	\$ 1,152	\$ 146
Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated	<u>(1,504)</u>	<u>(4,724)</u>	<u>2,745</u>	<u>(3,882)</u>
Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments	<u>\$ (681)</u>	<u>\$ (4,769)</u>	<u>\$ 3,897</u>	<u>\$ (3,736)</u>

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Net realized gain (loss) and net change in unrealized appreciation (depreciation) for the three month and nine month periods ended September 30, 2015 and 2014 was as follows:

Type	For the three month periods ended			
	September 30, 2015		September 30, 2014	
	Net realized gain (loss)	Net change in unrealized appreciation (depreciation)	Net realized gain (loss)	Net change in unrealized appreciation (depreciation)
First Lien Debt	\$ (11)	\$ 2,921	\$ —	\$ (1,459)
Second Lien Debt	—	(187)	—	(209)
Structured Finance Obligations	834	(4,394)	(45)	(3,056)
Equity Investments	—	156	—	—
Total	\$ 823	\$ (1,504)	\$ (45)	\$ (4,724)

Type	For the nine month periods ended			
	September 30, 2015		September 30, 2014	
	Net realized gain (loss)	Net change in unrealized appreciation (depreciation)	Net realized gain (loss)	Net change in unrealized appreciation (depreciation)
First Lien Debt	\$ 196	\$ 7,038	\$ —	\$ (142)
Second Lien Debt	—	1,417	120	1,223
Structured Finance Obligations	956	(5,866)	26	(4,963)
Equity Investments	—	156	—	—
Total	\$ 1,152	\$ 2,745	\$ 146	\$ (3,882)

For the nine month period ended September 30, 2015, we had a net realized gain of \$1,152 primarily due to the sale of three structured finance obligations and the prepayment of one loan investment with a call premium. Net change in unrealized appreciation in our investments for the three month and nine month periods ended September 30, 2015 was primarily due to a tightening spread environment during the period.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company generates cash from the net proceeds of offerings of our common stock and through cash flows from operations, including investment sales and repayments as well as income earned on investments and cash equivalents. We may also fund a portion of our investments through borrowings under the Borrower Sub's senior secured revolving credit facility (as amended, the "Revolving Credit Facility") and/or the Company's senior secured revolving credit facility (as amended, the "Facility"), as well as through securitization of a portion of our existing investments. The Borrower Sub closed on May 24, 2013 on a senior secured revolving credit facility (as amended, the "Revolving Credit Facility"), which was subsequently amended on June 30, 2014 and further amended on June 19, 2015. The Revolving Credit Facility provides for secured borrowings during the applicable revolving period up to an amount equal to the lesser of \$400,000, the borrowing base as calculated pursuant to the terms of the Revolving Credit Facility, and the amount of net cash proceeds and unpledged capital commitments the Company has received with an accordion feature that can, subject to certain conditions, increase the aggregate maximum credit commitment up to an amount not to exceed \$750,000, subject to restrictions imposed on borrowings under the Investment Company Act and certain restrictions and conditions set forth in the Revolving Credit Facility, including adequate collateral to support such borrowings. The Revolving Credit Facility imposes financial and operating covenants on us and Borrower Sub that restrict our and its business activities. Continued compliance with these covenants will depend on many factors, some of which are beyond our control. The Company closed on March 21, 2014 the Facility, which was subsequently amended on January 8, 2015. The maximum principal amount of the Facility is \$150,000, subject to availability under the

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Facility, which is based on certain advance rates multiplied by the value of the Company's portfolio investments (subject to certain concentration limitations) net of certain other indebtedness that the Company may incur in accordance with the terms of the Facility. Proceeds of the Facility may be used for general corporate purposes, including the funding of portfolio investments. Maximum capacity under the Facility may be increased to \$225,000 through the exercise by the Company of an uncommitted accordion feature through which existing and new lenders may, at their option, agree to provide additional financing. The Facility includes a \$20,000 limit for swingline loans and a \$5,000 limit for letters of credit. Subject to certain exceptions, the Facility is secured by a perfected first-priority security interest in substantially all of the portfolio investments held by the Company.

The Facility includes customary covenants, including certain financial covenants related to asset coverage, shareholders' equity and liquidity, certain limitations on the incurrence of additional indebtedness and liens, and other maintenance covenants, as well as usual and customary events of default for senior secured revolving credit facilities of this nature.

Although we believe that we and the Borrower Sub will remain in compliance, there are no assurances that we or the Borrower Sub will continue to comply with the covenants in the Facility and Revolving Credit Facility, as applicable. Failure to comply with these covenants could result in a default under the Facility and/or Revolving Credit Facility that, if we or the Borrower Sub were unable to obtain a waiver from the applicable lenders, could result in the immediate acceleration of the amounts due under the Facility and/or Revolving Credit Facility, and thereby have a material adverse impact on our business, financial condition and results of operations.

For more information on the Revolving Credit Facility and Facility, see Note 5 to the consolidated financial statements in Part I, Item 1 of this Form 10-Q.

The primary use of existing funds and any funds raised in the future is expected to be for investments in portfolio companies, repayment of indebtedness, cash distributions to our stockholders and for other general corporate purposes.

On June 26, 2015, the Company completed a \$400 million term debt securitization (the "2015-1 Debt Securitization"). The notes offered in the Debt Securitization (the "2015-1 Notes") were issued by Carlyle GMS Finance MM CLO 2015-1 LLC (the "2015-1 Issuer"), a wholly-owned and consolidated subsidiary of the Company, and are secured by a diversified portfolio consisting primarily of first and second lien senior secured loans. The 2015-1 Debt Securitization was executed through a private placement of the 2015-1 Notes, consisting of \$160 million of Aaa/AAA Class A-1A Notes, which bear interest at the three-month London Interbank Offered Rate ("LIBOR") plus 1.85%; \$40 million of Aaa/AAA Class A-1B Notes, which bear interest at the three-month LIBOR plus 1.75% for the first 24 months and the three-month LIBOR plus 2.05% thereafter; \$27 million of Aaa/AAA Class A-1C Notes; which bear interest at 3.75%; and \$46 million of Aa2 Class A-2 Notes which bear interest at the three-month LIBOR plus 2.70%. The 2015-1 Notes were issued at par and are scheduled to mature on July 15, 2027. The Company received 100% of the preferred interests (the "Preferred Interests") issued by the 2015-1 Issuer on the closing date of the 2015-1 Debt Securitization in exchange for the Company's contribution to the Issuer of the initial closing date loan portfolio. The Preferred Interests do not bear interest and had a nominal value of \$125.9 million at closing. In connection with the contribution, the Company has made customary representations, warranties and covenants to the 2015-1 Issuer. The Class A-1A, Class A-1B and Class A-1C and Class A-2 Notes are included in the September 30, 2015 consolidated financial statements. The Preferred Interests were eliminated in consolidation. For more information on the 2015-1 Notes, see Note 6 to the consolidated financial statements in Part I, Item 1 of this Form 10-Q.

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As of September 30, 2015 and December 31, 2014, the Company had \$22,683 and \$8,754, respectively, in cash. The facilities of the Company and the Borrower Sub consisted of the following as of September 30, 2015 and December 31, 2014:

	September 30, 2015			
	Total Facility	Borrowings Outstanding	Unused Portion (1)	Amount Available (2)
Revolving Credit Facility	\$400,000	\$ 168,458	\$231,542	\$ 1,755
Facility	150,000	11,000	139,000	139,000
Total	\$550,000	\$ 179,458	\$370,542	\$ 140,755

	December 31, 2014			
	Total Facility	Borrowings Outstanding	Unused Portion (1)	Amount Available (2)
Revolving Credit Facility	\$400,000	\$ 246,441	\$153,559	\$ 10,557
Facility	150,000	62,000	88,000	58,623
Total	\$550,000	\$ 308,441	\$241,559	\$ 69,180

- (1) The unused portion is the amount upon which commitment fees are based.
(2) Available for borrowing based on the computation of collateral to support the borrowings.

The following were the carrying values and fair values of the Company's 2015-1 Notes as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Aaa/AAA Class A-1A Notes	\$ 160,000	\$157,043	\$ —	\$ —
Aaa/AAA Class A-1B Notes	40,000	39,418	—	—
Aaa/AAA Class A-1C Notes	27,000	26,817	—	—
Aa2 Class A-2 Notes	46,000	45,217	—	—
Total	\$ 273,000	\$268,495	\$ —	\$ —

Equity Activity

There were \$8,425 and \$30,007 of investor equity capital commitments made to the Company during the three month and nine month periods ended September 30, 2015, respectively. There were \$15,650 and \$247,404 of investor equity capital commitments made to the Company during the three month and nine month periods ended September 30, 2014, respectively. As of September 30, 2015 and December 31, 2014, the Company had \$1,159,529 and \$1,129,522, respectively, in total capital commitments from stockholders, of which \$613,667 and \$776,750, respectively, was unfunded. As of September 30, 2015 and December 31, 2014, certain current directors had committed \$1,541 and \$1,500, respectively, in capital commitments to the Company.

Shares issued as of September 30, 2015 and December 31, 2014 were 27,895,411 and 17,932,697, respectively.

The following table summarizes activity in the number of shares of our common stock outstanding during the nine month periods ended September 30, 2015 and 2014:

	For the nine month periods ended	
	September 30, 2015	September 30, 2014
Shares outstanding, beginning of period	17,932,697	9,575,990
Common stock issued	9,958,294	3,958,491
Reinvestment of dividends	4,420	734
Shares outstanding, end of period	<u>27,895,411</u>	<u>13,535,215</u>

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On September 25, 2015, the Company issued a capital call and delivered capital drawdown notices totaling \$26,047. Subscribed but unissued shares are presented in equity with a deduction of subscriptions receivable until cash is received for a subscription. As of September 30, 2015, the Company received \$2,009 from stockholders, which was included in cash and cash equivalents and in common stock issued and outstanding. There were 1,255,914 and 0 subscribed but unissued shares as of September 30, 2015 and December 31, 2014, respectively.

Contractual Obligations

A summary of our significant contractual payment obligations was as follows as of September 30, 2015 and December 31, 2014:

Payment Due by Period	Revolving Credit Facility and Facility		2015-1 Notes	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Less than 1 Year	\$ —	\$ —	\$ —	\$ —
1-3 Years	—	—	—	—
3-5 Years	11,000	62,000	—	—
More than 5 Years	168,458	246,441	273,000	—
Total	\$ 179,458	\$ 308,441	\$ 273,000	\$ —

For more information on the Revolving Credit Facility and Facility and 2015-1 Notes, see Note 5 and Note 6, respectively, to the consolidated financial statements in Part I, Item 1 of this Form 10-Q.

As of September 30, 2015 and December 31, 2014, \$168,458 and \$246,441, respectively, of secured borrowings were outstanding under the Revolving Credit Facility, and \$11,000 and \$62,000, respectively, of secured borrowings were outstanding under the Facility and \$273,000, and \$0, respectively, of 2015-1 Notes were outstanding. For the three month and nine month periods ended September 30, 2015, we incurred \$2,658 and \$6,567, respectively, of interest expense and \$282 and \$587, respectively, of unused commitment fees. For the three month and nine month periods ended September 30, 2014, we incurred \$1,135 and \$2,118, respectively, of interest expense and \$251 and \$908 of unused commitment fees.

OFF BALANCE SHEET ARRANGEMENTS

In the ordinary course of its business, the Company enters into contracts or agreements that contain indemnification or warranties. Future events could occur that lead to the execution of these provisions against the Company. The Company believes that the likelihood of such an event is remote; however, the maximum potential exposure is unknown. No accrual has been made in these consolidated financial statements as of September 30, 2015 and December 31, 2014 included in Part I, Item 1 of this Form 10-Q for any such exposure.

We may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments, or delayed draw commitments.

The Company had the following unfunded commitments to fund delayed draw and revolving senior secured loans as of the indicated dates:

	Par Value as of	
	September 30, 2015	December 31, 2014
Unfunded delayed draw commitments	\$ 30,986	\$ 9,500
Unfunded revolving term loan commitments	3,906	—
Total unfunded commitments	\$ 34,892	\$ 9,500

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Pursuant to an undertaking by the Company in connection with the 2015-1 Debt Securitization, the Company has agreed to hold on an ongoing basis Preferred Interests with an aggregate dollar purchase price at least equal to 5% of the aggregate outstanding amount of all collateral obligations by the 2015-1 Issuer for so long as any securities of the 2015-1 Issuer remains outstanding. As of September 30, 2015, the Company was in compliance with its undertaking.

DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions on behalf of its stockholders, for those who have elected to participate in the plan. As a result of adopting such a plan, if the Board of Directors authorizes, and GMS Finance declares, a cash dividend or distribution, the stockholders who have elected to participate in the dividend reinvestment plan would have their cash dividends or distributions automatically reinvested in additional shares of the Company's common stock, rather than receiving cash. Prior to a Qualified IPO, the Company intends to use primarily newly issued shares of its common stock to implement the plan issued at the net asset value per share most recently determined by the Board of Directors. After a Qualified IPO, the Company intends to use primarily newly issued shares to implement the plan so long as the market value per share is equal to or greater than the net asset value per share as of the close of business on the relevant payment date for such dividend or distribution. If the market value per share is less than the net asset value per share as of the close of business on the relevant payment date, the plan administrator would purchase the common stock on behalf of participants in the open market, unless the Company instructs the plan administrator otherwise.

The following table summarizes the Company's dividends declared and payable since inception through the quarter ended September 30, 2015:

Date Declared	Record Date	Payment Date	Per Share Amount	Total Amount	Annualized Dividend Yield (1)
March 13, 2014	March 31, 2014	April 14, 2014	\$ 0.19	\$ 2,449	4.76%
June 26, 2014	June 30, 2014	July 14, 2014	\$ 0.27	\$ 3,481	5.52%
September 12, 2014	September 18, 2014	October 9, 2014	\$ 0.44	\$ 5,956	9.23%
December 19, 2014	December 29, 2014	January 26, 2015	\$ 0.35	\$ 6,276	8.17%
March 11, 2015	March 13, 2015	April 17, 2015	\$ 0.37	\$ 7,833	8.58%
June 24, 2015	June 30, 2015	July 22, 2015	\$ 0.37	\$ 9,902	9.03%
September 24, 2015	September 24, 2015	October 22, 2015	\$ 0.42	\$11,670	8.91%

- (1) Annualized dividend yield is calculated by dividing the declared dividend by the weighted average of the net asset value at the beginning of the quarter and the capital called during the quarter and annualizing over 4 quarterly periods.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements requires us 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. Our critical accounting policies, including those relating to the valuation of our investment portfolio, are described below. The critical accounting policies should be read in connection with our consolidated financial statements in Part I, Item 1 of this Form 10-Q and in Part II, Item 8 of the Company's annual report on Form 10-K for the year ended December 31, 2014.

Fair Value Measurements

The Company applies fair value accounting in accordance with the terms of Financial Accounting Standards Board ASC Topic 820, *Fair Value Measurement* ("ASC 820"). ASC 820 defines fair value as the amount that

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would be exchanged to sell an asset or transfer a liability in an orderly transfer between market participants at the measurement date. The Company values securities/instruments traded in active markets on the measurement date by multiplying the closing price of such traded securities/instruments by the quantity of shares or amount of the instrument held. The Company may also obtain quotes with respect to certain of its investments, such as its securities/instruments traded in active markets and its liquid securities/instruments that are not traded in active markets, from pricing services, brokers, or counterparties (i.e. "consensus pricing"). When doing so, the Company determines whether the quote obtained is sufficient according to US GAAP to determine the fair value of the security. The Company may use the quote obtained or alternative pricing sources may be utilized including valuation techniques typically utilized for illiquid securities/instruments.

Securities/instruments that are illiquid or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of the Investment Adviser or the Board of Directors, does not represent fair value shall each be valued as of the measurement date using all techniques appropriate under the circumstances and for which sufficient data is available. These valuation techniques may vary by investment and include comparable public market valuations, comparable precedent transaction valuations and/or discounted cash flow analyses. The process generally used to determine the applicable value is as follows: (i) the value of each portfolio company or investment is initially reviewed by the investment professionals responsible for such portfolio company or investment and, for non-traded investments, a standardized template designed to approximate fair market value based on observable market inputs, updated credit statistics and unobservable inputs is used to determine a preliminary value, which is also reviewed alongside consensus pricing, where available; (ii) preliminary valuation conclusions are documented and reviewed by a valuation committee comprised of members of senior management; (iii) the Board of Directors engages a third-party valuation firm to provide positive assurance on portions of the Middle Market Senior Loans and equity investments portfolio each quarter (such that each non-traded investment is reviewed by a third-party valuation firm at least once on a rolling twelve month basis) including a review of management's preliminary valuation and conclusion on fair value; (iv) the Audit Committee of the Board of Directors (the "Audit Committee") reviews the assessments of the Investment Adviser and the third-party valuation firm and provides the Board of Directors with any recommendations with respect to changes to the fair value of each investment in the portfolio; and (v) the Board of Directors discusses the valuation recommendations of the Audit Committee and determines the fair value of each investment in the portfolio in good faith based on the input of the Investment Adviser and, where applicable, the third-party valuation firm.

All factors that might materially impact the value of an investment are considered, including, but not limited to the assessment of the following factors, as relevant:

- the nature and realizable value of any collateral;
- call features, put features and other relevant terms of debt;
- the portfolio company's leverage and ability to make payments;
- the portfolio company's public or private credit rating;
- the portfolio company's actual and expected earnings and discounted cash flow;
- prevailing interest rates and spreads for similar securities and expected volatility in future interest rates;
- the markets in which the portfolio company does business and recent economic and/or market events; and
- comparisons to comparable transactions and publicly traded securities.

Investment performance data utilized are the most recently available financial statements and compliance certificates received from the portfolio companies as of the measurement date which in many cases may reflect a lag in information.

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Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been reported had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the realized gains or losses on investments to be different from the net change in unrealized appreciation or depreciation currently reflected in the consolidated financial statements as of September 30, 2015 and December 31, 2014.

US GAAP establishes a hierarchical disclosure framework which ranks the level of observability of market price inputs used in measuring investments at fair value. The observability of inputs is impacted by a number of factors, including the type of investment and the characteristics specific to the investment and state of the marketplace, including the existence and transparency of transactions between market participants. Investments with readily available quoted prices or for which fair value can be measured from quoted prices in active markets generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

Investments measured and reported at fair value are classified and disclosed based on the observability of inputs used in determination of fair values, as follows:

- Level I—inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. The types of financial instruments in Level I generally include unrestricted securities, including equities and derivatives, listed in active markets. The Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.
- Level II—inputs to the valuation methodology are either directly or indirectly observable as of the reporting date and are those other than quoted prices in active markets. The type of financial instruments in this category generally includes less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.
- Level III—inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are in this category generally include investments in privately-held entities, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the overall fair value measurement. The Investment Adviser's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Transfer between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

The Company generally uses the following framework when determining the fair value of investments that are categorized as Level III:

Investments in debt securities are initially evaluated to determine whether the enterprise value of the portfolio company is greater than the applicable debt. The enterprise value of the portfolio company is estimated using a market approach and an income approach. The market approach utilizes market value (EBITDA)

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multiples of publicly traded comparable companies and available precedent sales transactions of comparable companies. The Company carefully considers numerous factors when selecting the appropriate companies whose multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The income approach typically uses a discounted cash flow analysis of the portfolio company.

Investments in debt securities that do not have sufficient coverage through the enterprise value analysis are valued based on an expected probability of default and discount recovery analysis.

Investments in debt securities with sufficient coverage through the enterprise value analysis are generally valued using a discounted cash flow analysis of the underlying security. Projected cash flows in the discounted cash flow typically represent the relevant security's contractual interest, fees and principal payments plus the assumption of full principal recovery at the security's expected maturity date. The discount rate to be used is determined using an average of two market-based methodologies.

Investments in structured finance obligations are generally valued using a discounted cash flow and/or consensus pricing.

Investments in equities are generally valued using a market approach and/or an income approach. The market approach utilizes EBITDA multiples of publicly traded comparable companies and available precedent sales transactions of comparable companies. The income approach typically uses a discounted cash flow analysis of the portfolio company.

The significant unobservable inputs used in the fair value measurement of the Company's investments in first and second lien debt securities are discount rates and indicative quotes. Significant increases in discount rates would result in a significantly lower fair value measurement. Significant decreases in indicative quotes in isolation may result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Company's investments in structured finance obligations are discount rates, default rates, prepayment rates, recovery rates and indicative quotes. Significant increases in discount rates, default rates or prepayment rates in isolation would result in a significantly lower fair value measurement, while a significant increase in recovery rates in isolation would result in a significantly higher fair value. Significant decreases in indicative quotes in isolation may result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Company's investments in equities are discount rates and comparable EBITDA multiples. Significant increases in discount rates would result in a significantly lower fair value measurement. Significant decreases in comparable EBITDA multiples would result in a significantly lower fair value measurement.

The carrying values of the secured borrowings and 2015-1 Notes approximate their respective fair values and are categorized as Level III within the hierarchy. Secured borrowings and 2015-1 Notes are valued generally using discounted cash flow analysis. The significant unobservable inputs used in the fair value measurement of the Company's secured borrowings are discount rates. Significant increases in discount rates would result in a significantly lower fair value measurement. The significant unobservable inputs used in the fair value measurement of the Company's 2015-1 Notes are discount rates, default rates, prepayment rates and recovery rates. Significant increases in discount rates, default rates or prepayment rates in isolation would result in a significantly lower fair value measurement, while a significant increase in recovery rates in isolation would result in a significantly higher fair value.

The carrying value of other financial assets and liabilities approximates their fair value based on the short term nature of these items.

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See Note 3 to the consolidated financial statements in Part I, Item 1 of this Form 10-Q for further information on fair value measurements.

Use of Estimates

The preparation of consolidated financial statements included in Part I, Item 1 of this Form 10-Q, in conformity with US GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experiences and other factors, including expectations of future events that management believes to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on base management and incentive fees involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the consolidated financial statements included in Part I, Item 1 of this Form 10-Q. Actual results could differ from these estimates and such differences could be material.

Investments

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment using the specific identification method without regard to unrealized appreciation or depreciation previously recognized, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation on investments as presented in the Consolidated Statements of Operations included in Part I, Item 1 of this Form 10-Q reflects the net change in the fair value of investments, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

Revenue Recognition

Interest from Investments and Realized Gain/Loss on Investments

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on debt securities purchased are accreted/amortized into interest income over the life of the respective security using the effective interest method. The amortized cost of debt investments represents the original cost, including origination fees, adjusted for the accretion of discounts and amortization of premiums, if any. At time of exit, the realized gain or loss on an investment is the difference between the amortized cost at time of exit and the cash received at exit using the specific identification method.

The Company may have loans in its portfolio that contain payment-in-kind ("PIK") provisions. PIK represents interest that is accrued and recorded as interest income at the contractual rates, increases the loan principal on the respective capitalization dates, and is generally due at maturity.

Interest income from investments in the "equity" class of collateralized loan obligation ("CLO") funds, which are included in "structured finance obligations", is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financials Assets*. We monitor the expected cash inflows from our CLO equity investments, including the expected residual payments and the effective yield is determined and updated at least quarterly. In estimating these cash flows, there are a number of assumptions that are subject to uncertainties, including the amount and timing of principal payments which are impacted by prepayments, repurchases, defaults, delinquencies and liquidations of or within the CLO funds. These uncertainties are difficult to predict and are subject to future events that could have impacted the Company's estimates if the information was known at the time. As a result, actual results may differ significantly from these estimates. Interest income from investments in the notes of CLO funds, which are also included in "structured finance obligations", is recorded on an accrual basis.

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Other Income

Other income may include income such as consent, waiver and amendment fees associated with the Company's investment activities as well as any fees for managerial assistance services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered. The Company may receive fees for guaranteeing the outstanding debt of a portfolio company. Such fees will be amortized into other income over the life of the guarantee. The unamortized amount, if any, is included in other assets in the Consolidated Statements of Assets and Liabilities included in Part I, Item 1 of this Form 10-Q.

Non-Accrual Income

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest are paid current and, in management's judgment, are likely to remain current. Management may not place a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection.

Income Taxes

For federal income tax purposes, GMS Finance has elected to be treated as a RIC under the Code, and intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, GMS Finance must meet certain minimum distribution, source-of-income and asset diversification requirements. If such requirements are met, then GMS Finance is generally required to pay income taxes only on the portion of its taxable income and gains it does not distribute.

The minimum distribution requirements applicable to RICs require GMS Finance to distribute to its stockholders at least 90% of its investment company taxable income ("ICTI"), as defined by the Code, each year. Depending on the level of ICTI earned in a tax year, GMS Finance may choose to carry forward ICTI in excess of current year distributions into the next tax year. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

In addition, based on the excise distribution requirements, GMS Finance is subject to a 4% nondeductible federal excise tax on undistributed income unless GMS Finance distributes in a timely manner an amount at least equal to the sum of (1) 98% of its ordinary income for each calendar year, (2) 98.2% of capital gain net income (both long-term and short-term) for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year. For this purpose, however, any ordinary income or capital gain net income retained by GMS Finance that is subject to corporate income tax is considered to have been distributed. GMS Finance intends to make sufficient distributions each taxable year to satisfy the excise distribution requirements.

The Company evaluates tax positions taken or expected to be taken in the course of preparing its consolidated financial statements to determine whether the tax positions are "more-likely than not" to be sustained by the applicable tax authority. All penalties and interest associated with income taxes, if any, are included in income tax expense.

The Borrower Sub is a disregarded entity for tax purposes and is consolidated with the tax return of GMS Finance.

Capital Calls and Dividends and Distributions to Common Stockholders

The Company records the shares issued in connection with capital calls as of the effective date of the capital call. To the extent that the Company has taxable income available, the Company intends to make quarterly

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distributions to its common stockholders. Dividends and distributions to common stockholders are recorded on the record date. The amount to be distributed is determined by the Board of Directors each quarter and is generally based upon the taxable earnings estimated by management and available cash. Net realized capital gains, if any, are generally distributed at least annually, although the Company may decide to retain such capital gains for investment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions on behalf of its stockholders, for those who have elected to participate in the plan. As a result of adopting such a plan, if the Board of Directors authorizes, and GMS Finance declares, a cash dividend or distribution, the stockholders who have elected to participate in the dividend reinvestment plan would have their cash dividends or distributions automatically reinvested in additional shares of the Company's common stock, rather than receiving cash. Prior to a Qualified IPO, the Company intends to use primarily newly issued shares of its common stock to implement the plan issued at the net asset value per share most recently determined by the Board of Directors. After a Qualified IPO, the Company intends to use primarily newly issued shares to implement the plan so long as the market value per share is equal to or greater than the net asset value per share as of the close of business on the relevant payment date for such dividend or distribution. If the market value per share is less than the net asset value per share as of the close of business on the relevant payment date, the plan administrator would purchase the common stock on behalf of participants in the open market, unless the Company instructs the plan administrator otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in the valuations of our investment portfolio and interest rates.

Valuation Risk

Our investments may not have a readily available market price, and we value these investments at fair value as determined in good faith by our Board of Directors in accordance with our valuation policy. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is possible that the difference could be material.

Interest Rate Risk

During the three month and nine month periods ended September 30, 2015, a majority of the debt investments held in the Company's portfolio had floating interest rates. Interest rates on the investments held within the Company's portfolio of investments are typically based on floating LIBOR, with many of these investments also having a LIBOR floor. Additionally, the Company's credit facilities are also subject to floating interest rates and are currently paid based on floating LIBOR rates.

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. There can be no assurance that a significant change in market interest rates will not have a material adverse effect on our income in the future.

The following table estimates the potential changes in net cash flow generated from interest income, should interest rates increase or decrease by 100, 200 or 300 basis points. Interest income is calculated as revenue from

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interest generated from the Company's settled portfolio of investments held as of September 30, 2015 and December 31, 2014, excluding structured finance obligations. These hypothetical calculations are based on a model of the settled investments in our portfolio, excluding structured finance obligations, held as of September 30, 2015 and December 31, 2014, and are only adjusted for assumed changes in the underlying base interest rates and the impact of that change on interest income. Interest expense is calculated based on outstanding secured borrowings as of September 30, 2015 and December 31, 2014 and based on the terms of the Company's credit facilities. Interest expense on the Company's credit facilities is calculated using the interest rate as of September 30, 2015 and December 31, 2014, adjusted for the hypothetical changes in rates, as shown below. We intend to continue to finance a portion of our investments with borrowings and the interest rates paid on our borrowings may impact significantly our net interest income.

The Company regularly measures exposure to interest rate risk. The Company assesses interest rate risk and manages interest rate exposure on an ongoing basis by comparing our interest rate sensitive assets to our interest rate sensitive liabilities. Based on that review, we determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates.

Based on our Consolidated Statements of Assets and Liabilities as of September 30, 2015 and December 31, 2014, the following table shows the annual impact on net investment income of base rate changes in interest rates for our settled investments (considering interest rate floors for variable rate instruments), excluding structured finance obligations, and outstanding secured borrowings assuming no changes in our investment and borrowing structure:

Basis Point Change	As of September 30, 2015			As of December 31, 2014		
	Interest Income	Interest Expense	Net Investment Income	Interest Income	Interest Expense	Net Investment Income
Up 300 basis points	\$21,030	\$(12,764)	\$ 8,266	\$12,899	\$(9,253)	\$ 3,646
Up 200 basis points	\$11,990	\$ (8,509)	\$ 3,481	\$ 7,212	\$(6,169)	\$ 1,043
Up 100 basis points	\$ 2,950	\$ (4,255)	\$ (1,305)	\$ 1,525	\$(3,084)	\$ (1,559)
Down 100 basis points	\$ —	\$ 1,368	\$ 1,368	\$ (210)	\$ 736	\$ 526
Down 200 basis points	\$ —	\$ 1,368	\$ 1,368	\$ (420)	\$ 736	\$ 316
Down 300 basis points	\$ —	\$ 1,368	\$ 1,368	\$ (630)	\$ 736	\$ 106

Item 4. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our President (Principal Executive Officer) and our Chief Financial Officer and Treasurer (Principal Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our President and our Chief Financial Officer and Treasurer have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to the Company that is required to be disclosed by us in the reports we file or submit under the Exchange Act.

There have been no changes in our internal control over financial reporting periods during the three month period ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may become party to certain lawsuits in the ordinary course of business. The Company is not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against the Company. See also Note 10 to the consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes to the risk factors previously disclosed in our annual report on Form 10-K for the year ended December 31, 2014. For a discussion of our potential risks and uncertainties, see the information under the heading “Risk Factors” in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 27, 2015, which is accessible on the SEC’s website at sec.gov.

Risks Related to debt securitization financing transactions.

We are subject to certain risks as a result of our direct interest in the Preferred Interests of the 2015-1 Issuer.

As part of the 2015-1 Debt Securitization, certain first and second lien senior secured loans were distributed by the Borrower Sub to the Company pursuant to a distribution and contribution agreement. The Company contributed the loans that comprised the initial closing date loan portfolio (including the loans distributed to the Company from the Borrower Sub) to the 2015-1 Issuer pursuant to a contribution agreement. Following this transfer, the 2015-1 Issuer held all of the equity ownership interest in such loans portfolio. As a result, the Company received 100% of the Preferred Interests issued by the 2015-1 Issuer in exchange for the Company’s contribution to the 2015-1 Issuer of the initial closing date loan portfolio. The 2015-1 Notes are included in the consolidated financial statements and the Preferred Interests are eliminated in consolidation.

Because each of the Borrower Sub and the 2015-1 Issuer is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the sale or contribution by Borrower Sub to us and the sale or contribution by us to the 2015-1 Issuer did not constitute a taxable event for U.S. federal income tax purposes. If the U.S. Internal Revenue Service were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

The Preferred Interests in the 2015-1 Issuer are subordinated obligations of the 2015-1 Issuer.

The 2015-1 Issuer is the residual claimant on funds, if any, remaining after holders of all classes of 2015-1 Notes have been paid in full on each payment date or upon maturity of the 2015-1 Notes under the 2015-1 Debt Securitization documents. The Preferred Interests in the 2015-1 Issuer represent all of the equity interest in the 2015-1 Issuer and, as the holder of the Preferred Interests, we may receive distributions, if any, only to the extent that the 2015-1 Issuer makes distributions out of funds remaining after holders of all classes of 2015-1 Notes have been paid in full on each payment date any amounts due and owing on such payment date or upon maturity of the 2015-1 Notes.

The 2015-1 Issuer may fail to meet certain asset coverage tests.

Under the documents governing the 2015-1 Debt Securitization, there are two coverage tests applicable to the 2015-1 Notes.

The first such test compares the amount of interest received on the portfolio loans held by the 2015-1 Issuer to the amount of interest payable in respect of the 2015-1 Notes. To meet this first test, interest received on the portfolio loans must equal at least 120% of the interest payable in respect of the 2015-1 Notes issued by the 2015-1 Issuer.

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The second such test compares the adjusted collateral principal amount of the portfolio loans of the 2015-1 Debt Securitization to the aggregate outstanding principal amount of the 2015-1 Notes. To meet this second test at any time, the adjusted collateral principal amount of the portfolio loans must equal at least 140% of the outstanding principal amount of the 2015-1 Notes. If any coverage test with respect to the 2015-1 Notes is not met, proceeds from the portfolio of loans that otherwise would have been distributed to the holders of the Preferred Interests of 2015-1 Issuer will instead be used to redeem first the 2015-1 Notes, to the extent necessary to satisfy the applicable asset coverage tests on a pro forma basis after giving effect to all payments made in respect of the 2015-1 Notes, which we refer to as a mandatory redemption, or to obtain the necessary ratings confirmation.

We may not receive cash from the 2015-1 Issuer.

We receive cash from the 2015-1 Issuer only to the extent of payments on the distributions, if any, with respect to the Preferred Interests of the 2015-1 Issuer as permitted under the 2015-1 Debt Securitization. The 2015-1 Issuer may only make payments on Preferred Interests to the extent permitted by the payment priority provisions of the indenture governing the 2015-1 Notes (the "2015-1 Indenture"), as applicable, which generally provide, distribution to Preferred Interests holder may not be made on any payment date unless all amounts owing under the 2015-1 Notes are paid in full.

In addition, if the 2015-1 Issuer does not meet the asset coverage tests or the interest coverage test set forth in the documents governing the 2015-1 Debt Securitization, cash would be diverted to first pay the 2015-1 Notes in amounts sufficient to cause such tests to be satisfied. In the event that we fail to receive cash directly from the 2015-1 Issuer, we could be unable to make such distributions in amounts sufficient to maintain our status as a RIC for U.S. federal income tax purposes, or at all.

We may be required to assume liabilities of the 2015-1 Issuer and are indirectly liable for certain representations and warranties in connection with the 2015-1 Debt Securitization.

As part of the 2015-1 Debt Securitization, we entered into a contribution agreement under which we would be required to repurchase any loan (or participation interest therein) which was sold to the 2015-1 Issuer, in breach of any representation or warranty made by us with respect to such loan on the date such loan was sold. To the extent we fail to satisfy any such repurchase obligation, the trustee of the 2015-1 Debt Securitization may, on behalf of the 2015-1 Issuer, bring an action against us to enforce these repurchase obligations.

The structure of the 2015-1 Debt Securitization is intended to prevent, in the event of our bankruptcy, the consolidation of the 2015-1 Issuer with our operations. If the true sale of the assets in the 2015-1 Debt Securitization were not respected in the event of our insolvency, a trustee or debtor-in-possession might reclaim the assets of the 2015-1 Issuer for our estate. However, in doing so, we would become directly liable for all of the indebtedness then outstanding under the 2015-1 Debt Securitization, which would equal the full amount of debt of the 2015-1 Issuer reflected on our consolidated balance sheet.

In addition, in connection with 2015-1 Debt Securitization, the Company has made customary representations, warranties and covenants to the 2015-1 Issuer. We remain liable for any breach of such representations for the life of the 2015-1 Debt Securitization.

The interests of holders of the 2015-1 Notes issued by the 2015-1 Issuer may not be aligned with our interests.

The 2015-1 Notes are the debt obligations ranking senior in right of payment to the Preferred Interests holders. As such, there are circumstances in which the interests of holders of the 2015-1 Notes may not be aligned with the interests of the Preferred Interests of the 2015-1 Issuer. For example, under the terms of the 2015-1 Issuer, holders of the 2015-1 Notes have the right to receive payments of principal and interest prior to distribution to the holders of the Preferred Interests of the 2015-1 Issuer.

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For as long as the 2015-1 Notes remain outstanding, holders of the 2015-1 Notes have the right to act, in certain circumstances, with respect to the portfolio loans in ways that may benefit their interests but not the interests of holders of the Preferred Interests of the 2015-1 Issuer, including by exercising remedies under the 2015-1 Indenture.

If an event of default has occurred and acceleration occurs in accordance with the terms of the 2015-1 Indenture, the 2015-1 Notes then outstanding will be paid in full before any further payment or distribution to the Preferred Interests. In addition, if an event of default occurs, holders of a majority of the 2015-1 Notes then outstanding will be entitled to determine the remedies to be exercised under the 2015-1 Indenture, subject to the terms of the 2015-1 Indenture. For example, upon the occurrence of an event of default with respect to the notes issued by the 2015-1 Issuer, the trustee or holders of a majority of the 2015-1 Notes then outstanding may declare the principal, together with any accrued interest, of all the 2015-1 Notes to be immediately due and payable. This would have the effect of accelerating the principal on such notes, triggering a repayment obligation on the part of the 2015-1 Issuer. If at such time the portfolio loans of the 2015-1 Issuer were not performing well, the 2015-1 Issuer may not have sufficient proceeds available to enable the trustee under the 2015-1 Indenture to pay a distribution to holders of the Preferred Interests of the 2015-1 Issuer.

Remedies pursued by the holders of the 2015-1 Notes could be adverse to the interests of the holders of the Preferred Interests, and the holders of the 2015-1 Notes will have no obligation to consider any possible adverse effect on such other interests. Thus, any remedies pursued by the holders of the 2015-1 Notes may not be in our best interests and we may not receive payments or distributions upon an acceleration of the 2015-1 Notes. Any failure of the 2015-1 Issuer to make distributions on Preferred Interests we hold, directly or indirectly, whether as a result of an event of default or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in an inability of us to make distributions sufficient to allow for us to qualify as a RIC for U.S. federal income tax purposes.

If we have not consummated a Qualified IPO by May 2, 2018, it could result in an early optional redemption of the 2015-1 Notes

As previously disclosed, if we have not consummated an initial public offering of our common stock that results in an unaffiliated public float of at least 15% of the aggregate capital commitments received prior to the date of such initial public offering (a “Qualified IPO”) by May 2, 2018, then our Board of Directors (subject to any necessary stockholder approvals and applicable requirements of the Investment Company Act) will use its best efforts to wind-down and/or liquidate and dissolve us. If this were to occur, it would likely result in us using our rights, as a holder of the Preferred Interests to effect an optional redemption of the 2015-1 Notes. If at such time the portfolio loans of the 2015-1 Issuer were not performing well, the 2015-1 Issuer may not have sufficient proceeds available to enable the trustee under the 2015-1 Indenture to pay a distribution to holders of the Preferred Interests of the 2015-1 Issuer.

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

Except as previously reported by the Company on a current report on Form 8-K or a quarterly reporting on Form 10-Q, we did not sell any equity securities during the period covered in this report that were not registered under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

- 31.1 Certification of President (Principal Executive Officer) Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.*
- 31.2 Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
- 32.1 Certification of President (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* 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.

CARLYLE GMS FINANCE, INC.

Dated: November 6, 2015

By /s/ Venugopal Rathi
Venugopal Rathi
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

CERTIFICATION

I, Michael Hart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carlyle GMS Finance, 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 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: November 6, 2015

/s/ Michael Hart

Michael Hart
President
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

CERTIFICATION

I, Venugopal Rathi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carlyle GMS Finance, 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 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: November 6, 2015

/s/ Venugopal Rathi

Venugopal Rathi
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER, SECTION 906

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Hart, the President (Principal Executive Officer) of Carlyle GMS Finance, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Form 10-Q of the Company for the quarter ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2015

/s/ Michael Hart

Michael Hart
President
(Principal Executive Officer)

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER, SECTION 906

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Venugopal Rathi, the Chief Financial Officer (Principal Financial Officer) of Carlyle GMS Finance, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Form 10-Q of the Company for the quarter ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2015

/s/ Venugopal Rathi

Venugopal Rathi
Chief Financial Officer
(Principal Financial Officer)

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.