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

# FORM 10-Q

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

**For the quarterly period ended June 30, 2014**

**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** | **80-0789789** |
| **(State or other jurisdiction of incorporation or organization)** | **(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 August 13, 2014 |
|---|---|
| Common stock, $0.01 par value | 12,892,155 |

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

| | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| Investments—non-controlled/non-affiliated, at fair value (amortized cost of $418,090 and $213,128, respectively) | $ 418,611 | $ 212,807 |
| Cash | 27,327 | 42,010 |
| Deferred financing costs | 5,037 | 4,426 |
| Interest receivable | 5,088 | 1,684 |
| Prepaid expenses and other assets | 122 | 40 |
| Total assets | $ 456,185 | $ 260,967 |
| **LIABILITIES** | | |
| Payable for investments purchased | $ 40,060 | $ 6,153 |
| Secured borrowings (Note 6) | 153,740 | 66,822 |
| Due to Investment Adviser (Note 5) | 21 | 16 |
| Interest and credit facility fees payable (Note 6) | 727 | 549 |
| Base management and incentive fees payable (Note 5) | 3,058 | 625 |
| Dividend payable (Note 8) | 3,481 | — |
| Administrative service fees payable (Note 5) | 160 | 131 |
| Other accrued expenses and liabilities | 783 | 669 |
| Total liabilities | 202,030 | 74,965 |
| Commitments and contingencies (Notes 7 and 11) | | |
| **NET ASSETS** | | |
| Common stock, $0.01 par value; 200,000,000 shares authorized; 12,891,569 shares and 9,575,990 shares, respectively, issued and outstanding | 129 | 96 |
| Paid-in capital in excess of par value | 252,407 | 186,965 |
| Offering costs | (74) | (74) |
| Accumulated net investment income (loss), net of cumulative dividends of $5,930 and $0, respectively | 981 | (664) |
| Net accumulated realized gain (loss) | 191 | — |
| Net change in unrealized appreciation (depreciation) | 521 | (321) |
| Total net assets | $ 254,155 | $ 186,002 |
| **NET ASSETS PER SHARE** | $ 19.71 | $ 19.42 |

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 period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2013 |
|---|---|---|---|
| Investment income: | | | |
| Interest income from non-controlled/non-affiliated investments | $ 9,944 | $ 16,577 | $ 20 |
| Total investment income | 9,944 | 16,577 | 20 |
| Expenses: | | | |
| Base management fees (Note 5) | 1,455 | 2,446 | 15 |
| Incentive fees (Note 5) | 1,149 | 2,089 | 13 |
| Organization expenses | — | — | 1,426 |
| Professional fees | 596 | 1,193 | 540 |
| Administrative service fees (Note 5) | 218 | 475 | 189 |
| Interest expense (Note 6) | 634 | 983 | — |
| Credit facility fees (Note 6) | 1,526 | 2,056 | 164 |
| Directors' fees and expenses | 103 | 185 | 108 |
| Transfer agency fees | 34 | 60 | 57 |
| Other general and administrative | 178 | 330 | 88 |
| Total expenses | 5,893 | 9,817 | 2,600 |
| Waiver of base management fees (Note 5) | 485 | 815 | 5 |
| Net expenses | 5,408 | 9,002 | 2,595 |
| Net investment income (loss) | 4,536 | 7,575 | (2,575) |
| Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments: | | | |
| Net realized gain (loss) on investments—non-controlled/non-affiliated | 145 | 191 | — |
| Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated | (89) | 842 | 64 |
| Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments | 56 | 1,033 | 64 |
| Net increase (decrease) in net assets resulting from operations | $ 4,592 | $ 8,608 | $ (2,511) |
| Basic and diluted earnings per common share (Note 8) | $ 0.36 | $ 0.73 | $ (7.92)* |
| Weighted-average shares of common stock outstanding—Basic and Diluted (Note 8) | 12,891,548 | 11,819,417 | 317,127* |
| Dividends declared per common share | $ 0.27 | $ 0.46 | $ — |

* For the three month period ended June 30, 2013. For the six month period ended June 30, 2013, basic and diluted earnings per common share was ($15.74) and weighted average shares of common stock outstanding was 159,489 (Note 8).

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 six month period ended June 30, 2014 | For the six month period ended June 30, 2013 |
|---|---|---|
| **Increase (decrease) in net assets resulting from operations:** | | |
| Net investment income (loss) | $ 7,575 | $ (2,575) |
| Net realized gain (loss) on investments—non-controlled/non-affiliated | 191 | — |
| Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated | 842 | 64 |
| Net increase (decrease) in net assets resulting from operations | 8,608 | (2,511) |
| **Capital transactions:** | | |
| Common stock issued | 65,472 | 40,545 |
| Reinvestment of dividends | 3 | — |
| Dividends declared | (5,930) | — |
| Less: offering costs | — | (74) |
| Total capital share transactions | 59,545 | 40,471 |
| **Net increase (decrease) in net assets** | 68,153 | 37,960 |
| Net assets at beginning of period | 186,002 | 2 |
| **Net assets at end of period** | $ 254,155 | $ 37,962 |

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

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

| | For the six month period ended June 30, 2014 | For the six month period ended June 30, 2013 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net increase (decrease) in net assets resulting from operations | $ 8,608 | $ (2,511) |
| 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 | 1,347 | 86 |
| Net accretion of discount on securities | (518) | — * |
| Net realized (gain) loss on investments—non-controlled/non-affiliated | (191) | — |
| Net change in unrealized (appreciation) depreciation on investments—non-controlled/non-affiliated | (842) | (64) |
| Cost of investments purchased and change in payable for investments purchased | (225,613) | (10,721) |
| Proceeds from sales and repayments of investments | 55,267 | — |
| *Changes in operating assets:* | | |
| Interest receivable | (3,404) | (20) |
| Prepaid expenses and other assets | (82) | (113) |
| *Changes in operating liabilities:* | | |
| Due to Investment Adviser | 5 | 1,978 |
| Interest and credit facility fees payable | 178 | 78 |
| Base management and incentive fees payable | 2,433 | 23 |
| Administrative service fees payable | 29 | — |
| Other accrued expenses and liabilities | 114 | 543 |
| Net cash provided by (used in) operating activities | (162,669) | (10,721) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of common stock | 65,472 | 40,545 |
| Borrowings on Revolving Credit Facility and Facility | 108,100 | — |
| Repayments of Revolving Credit Facility | (21,182) | — |
| Debt issuance costs | (1,958) | — |
| Dividends paid in cash | (2,446) | — |
| Net cash provided by (used in) financing activities | 147,986 | 40,545 |
| Net increase (decrease) in cash | (14,683) | 29,824 |
| Cash, beginning of period | 42,010 | 2 |
| Cash, end of period | $ 27,327 | $ 29,826 |
| **Supplemental disclosures:** | | |
| Interest paid during the period | $ 795 | $ — |
| Offering expenses due to Investment Adviser | $ — | $ 74 |
| Financing costs due to Investment Adviser | $ — | $ 4,628 |
| Dividends declared during the period | $ 5,930 | $ — |
| Reinvestment of dividends | $ 3 | $ — |

* Amount was less than one.

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

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**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**As of June 30, 2014**
**(dollar amounts in thousands)**
**(unaudited)**

| Portfolio Company (1) | Industry | Interest Rate | Maturity Date | Acquisition Date | Par Amount | Amortized Cost (6) | Fair Value (7) | Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|
| Investments—non-controlled/non-affiliated | | | | | | | | |
| **First Lien Debt (65.43%)** | | | | | | | | |
| Accuvant Finance, LLC (2) (3) (5) | High Tech Industries | 5.75% | 10/22/2020 | 4/22/2014 | $ 9,033 | $ 8,957 | $ 8,995 | 3.54% |
| ACP Tower Merger Sub, Inc. (Telular Corporation) (2) (3) (4) | Telecommunications | 5.50 | 6/24/2019 | 6/24/2013 | 5,938 | 5,918 | 5,866 | 2.31 |
| Alpha Packaging Holdings, Inc. (2) (3) (5) | Containers, Packaging & Glass | 5.25 | 5/12/2020 | 5/12/2014 | 11,625 | 11,611 | 11,502 | 4.53 |
| American Tire Distributors, Inc. (2) (3) (5) (9) | Automotive | 5.75 | 6/1/2018 | 6/12/2014 | 2,596 | 2,597 | 2,606 | 1.03 |
| Anaren, Inc. (2) (3) (4) | Telecommunications | 5.50 | 2/18/2021 | 2/18/2014 | 11,555 | 11,446 | 11,454 | 4.51 |
| Consolidated Aerospace Manufacturing, LLC (2) (3) (4) | Aerospace & Defense | 5.00 | 3/27/2020 | 2/28/2014 | 5,777 | 5,757 | 5,762 | 2.27 |
| Genex Services, Inc. (2) (3) (5) | Banking, Finance, Insurance & Real Estate | 5.25 | 5/30/2020 | 5/22/2014 | 4,308 | 4,288 | 4,275 | 1.68 |
| Indra Holdings Corp. (Totes Isotoner) (2) (3) (5) | Non-durable Consumer Goods | 5.25 | 5/1/2021 | 4/29/2014 | 15,000 | 14,855 | 15,011 | 5.91 |
| Landslide Holdings, Inc. (LANDesk Software) (2) (3) (5) | Software | 5.00 | 2/25/2020 | 2/25/2014 | 9,925 | 9,928 | 9,997 | 3.93 |
| Meritas Schools Holdings, LLC (2) (3) (4) | Consumer Services | 7.00 | 6/25/2019 | 6/21/2013 | 8,415 | 8,344 | 8,371 | 3.29 |
| Miller Heiman, Inc. (2) (3) (4) | Business Services | 6.75 | 9/30/2019 | 10/1/2013 | 12,421 | 12,312 | 12,298 | 4.84 |
| MRI Software LLC (2) (3) (5) | Software | 5.25 | 2/4/2021 | 1/31/2014 | 15,000 | 14,931 | 14,805 | 5.83 |
| Nellson Nutraceutical, LLC (2) (3) (4) | Beverage, Food & Tobacco | 5.75 | 8/26/2018 | 8/26/2013 | 5,970 | 5,942 | 5,914 | 2.33 |
| NES Global Talent Finance US LLC (United Kingdom) (2) (3) (4) (8) | Energy: Oil & Gas | 6.50 | 10/3/2019 | 10/2/2013 | 12,344 | 12,125 | 12,467 | 4.91 |
| Packaging Coordinators, Inc. (2) (3) (4) | Containers, Packaging & Glass | 5.50 | 5/10/2020 | 5/10/2013 | 4,466 | 4,459 | 4,466 | 1.76 |
| Packaging Coordinators, Inc. (Delayed Draw) (2) (3) (4) | Containers, Packaging & Glass | 5.50 | 5/10/2020 | 12/20/2013 | 3,000 | 2,998 | 3,000 | 1.18 |
| Pelican Products, Inc. (2) (3) (5) | Containers, Packaging & Glass | 5.25 | 4/11/2020 | 4/8/2014 | 7,937 | 7,956 | 7,989 | 3.14 |
| Prowler Acquisition Corp. (Pipeline Supply and Service, LLC) (2) (3) (5) | Wholesale | 5.50 | 1/28/2020 | 1/24/2014 | 10,381 | 10,285 | 10,455 | 4.11 |
| RCHP, Inc. (Regionalcare) (2) (3) (5) | Healthcare & Pharmaceuticals | 6.00 | 4/23/2019 | 4/21/2014 | 13,125 | 12,997 | 13,179 | 5.19 |
| Stafford Logistics, Inc. (Custom Ecology, Inc.) (2) (3) (4) | Environmental Industries | 6.75 | 6/26/2019 | 7/1/2013 | 9,900 | 9,816 | 9,665 | 3.80 |
| Sterling Infosystems, Inc (2) (3) (5) | Business Services | 5.50 | 5/13/2021 | 5/12/2014 | 9,000 | 8,958 | 9,058 | 3.56 |
| Synarc-Biocore Holdings, LLC (2) (3) (5) | Healthcare & Pharmaceuticals | 5.50 | 3/10/2021 | 3/6/2014 | 13,466 | 13,339 | 13,570 | 5.34 |
| Systems Maintenance Services Holding, Inc. (2) (3) (4) | High Tech Industries | 5.25 | 10/18/2019 | 10/18/2013 | 2,226 | 2,219 | 2,195 | 0.86 |
| Tectum Holdings, Inc. (2) (3) (4) | Automotive | 5.25 | 9/12/2018 | 3/4/2014 | 6,529 | 6,517 | 6,529 | 2.57 |
| The SI Organization, Inc. (2) (3) (5) (10) | Aerospace & Defense | 5.75 | 11/23/2019 | 5/16/2014 | 8,832 | 8,734 | 8,911 | 3.51 |
| The Topps Company, Inc. (2) (3) (4) | Non-durable Consumer Goods | 7.25 | 10/2/2018 | 10/1/2013 | 11,570 | 11,470 | 11,364 | 4.47 |
| TruckPro, LLC (2) (3) (4) | Automotive | 5.75 | 8/6/2018 | 8/6/2013 | 9,700 | 9,650 | 9,662 | 3.80 |
| 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 | 12,438 | 12,328 | 12,406 | 4.88 |
| Vitera Healthcare Solutions, LLC (2) (3) (4) | Healthcare & Pharmaceuticals | 6.00 | 11/4/2020 | 11/1/2013 | 9,581 | 9,495 | 9,608 | 3.78 |
| Zest Holdings, LLC (2) (3) (4) | Durable Consumer Goods | 6.50 | 8/16/2020 | 8/14/2013 | 12,406 | 12,184 | 12,519 | 4.93 |
| ***First Lien Debt Total*** | | | | | | 272,416 | 273,899 | 107.79 |

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**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)**
**As of June 30, 2014**
**(dollar amounts in thousands)**
**(unaudited)**

| Portfolio Company (1) | Industry | Interest Rate | Maturity Date | Acquisition Date | Par Amount | Amortized Cost (6) | Fair Value (7) | Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|
| **Second Lien Debt (16.99%)** | | | | | | | | |
| Ascensus Inc. (2) (3) (5) | Banking, Finance, Insurance & Real Estate | 9.00% | 12/2/2020 | 12/2/2013 | $ 8,000 | $ 7,889 | $ 8,240 | 3.24% |
| Drew Marine Group Inc. (2) (3) (5) | Chemicals, Plastics & Rubber | 8.00 | 5/19/2021 | 11/19/2013 | 12,500 | 12,474 | 12,408 | 4.88 |
| Genex Services, Inc. (2) (3) (5) | Banking, Finance, Insurance & Real Estate | 8.75 | 5/30/2022 | 5/22/2014 | 3,000 | 2,971 | 2,980 | 1.17 |
| Institutional Shareholder Services Inc. (2) (3) (5) | Banking, Finance, Insurance & Real Estate | 9.75 | 4/30/2022 | 4/30/2014 | 12,500 | 12,380 | 12,205 | 4.80 |
| Jazz Acquisition, Inc. (Wencor) (2) (3) (5) | Aerospace & Defense | 7.75 | 6/19/2022 | 6/25/2014 | 6,700 | 6,669 | 6,728 | 2.65 |
| Landslide Holdings, Inc. (LANDesk Software) (2) (3) (5) | Software | 8.25 | 2/25/2021 | 2/25/2014 | 3,500 | 3,476 | 3,535 | 1.39 |
| Nellson Nutraceutical, LLC (2) (3) (4) | Beverage, Food & Tobacco | 10.50 | 2/26/2019 | 8/26/2013 | 2,000 | 1,986 | 2,039 | 0.80 |
| Phillips-Medisize Corporation (2) (3) (5) | Chemicals, Plastics & Rubber | 8.25 | 6/16/2022 | 6/13/2014 | 5,000 | 4,952 | 5,064 | 1.99 |
| Prowler Acquisition Corp. (Pipeline Supply and Service, LLC) (2) (3) (5) | Wholesale | 9.50 | 7/28/2020 | 1/24/2014 | 3,000 | 2,943 | 3,060 | 1.20 |
| Systems Maintenance Services Holding, Inc. (2) (3) (4) | High Tech Industries | 9.25 | 10/18/2020 | 10/18/2013 | 6,000 | 5,952 | 6,020 | 2.37 |
| Vitera Healthcare Solutions, LLC (2) (3) (5) | Healthcare & Pharmaceuticals | 9.25 | 11/4/2021 | 11/1/2013 | 2,000 | 1,972 | 2,009 | 0.79 |
| Watchfire Enterprises, Inc. (2) (3) (5) | Media: Advertising, Printing & Publishing | 9.00 | 10/2/2021 | 10/2/2013 | 7,000 | 6,911 | 6,850 | 2.70 |
| ***Second Lien Debt Total*** | | | | | | 70,575 | 71,138 | 27.98 |

| Portfolio Company (1) | Industry | Maturity Date | Acquisition Date | Par Amount | Amortized Cost (6) | Fair Value (7) | Percentage of Net Assets |
|---|---|---|---|---|---|---|---|
| **Structured Finance Obligations (17.58%) (5) (8)** | | | | | | | |
| 1776 CLO 1, Ltd., Subordinated Notes | Structured Finance | 5/8/2020 | 2/27/2014 | 6,750 | 6,581 | 6,581 | 2.59 |
| AIMCO CLO, Series 2014-A, Class F, 5.47% (2) | Structured Finance | 7/20/2026 | 5/12/2014 | 2,700 | 2,338 | 2,322 | 0.91 |
| AIMCO CLO, Series 2014-A, Subordinated Notes | Structured Finance | 7/20/2026 | 5/12/2014 | 11,500 | 9,732 | 9,631 | 3.79 |
| Apidos CDO II, Subordinated Notes | Structured Finance | 12/21/2018 | 1/31/2014 | 4,820 | 211 | 129 | 0.05 |
| Ares XXVIII CLO Ltd., Subordinated Notes | Structured Finance | 10/17/2024 | 10/10/2013 | 7,000 | 6,108 | 5,775 | 2.27 |
| Babson CLO Ltd. 2005-I, Subordinated Notes | Structured Finance | 4/15/2019 | 7/16/2013 | 7,632 | 4,364 | 4,121 | 1.62 |
| Blackrock Senior Income Series V, Limited, Subordinated Notes (Ireland) | Structured Finance | 8/13/2019 | 3/11/2014 | 4,600 | 3,197 | 3,013 | 1.19 |
| CIFC Funding 2006-II, Ltd., Preferred Shares | Structured Finance | 3/1/2021 | 2/3/2014 | 14,693 | 6,850 | 6,612 | 2.60 |
| CIFC Funding 2007-III, Ltd., Income Notes | Structured Finance | 7/26/2021 | 5/20/2014 | 6,500 | 4,124 | 4,128 | 1.62 |
| 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 | 6,160 | 6,475 | 2.55 |
| GoldenTree Loan Opportunities V, Limited, Subordinated Notes | Structured Finance | 10/18/2021 | 10/11/2013 | 5,000 | 3,431 | 3,325 | 1.31 |
| ING Investment Management CLO IV, Ltd., Preferred Shares | Structured Finance | 6/14/2022 | 5/7/2014 | 8,800 | 6,083 | 6,105 | 2.40 |
| Landmark VIII, CLO Ltd., Income Notes | Structured Finance | 10/19/2020 | 10/22/2013 | 8,600 | 4,097 | 4,322 | 1.70 |
| MSIM Peconic Bay, Ltd., Subordinated Notes | Structured Finance | 7/20/2019 | 10/22/2013 | 4,500 | 1,454 | 1,277 | 0.50 |

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**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)**
**As of June 30, 2014**
**(dollar amounts in thousands)**
**(unaudited)**

| Portfolio Company (1) | Industry | Maturity Date | Acquisition Date | Par Amount | Amortized Cost (6) | Fair Value (7) | Percentage of Net Assets |
|---|---|---|---|---|---|---|---|
| **Structured Finance Obligations (17.58%) (Continued) (5) (8)** | | | | | | | |
| Nautique Funding Ltd., Income Notes | Structured Finance | 4/15/2020 | 2/24/2014 | $ 5,000 | $ 3,475 | $ 3,350 | 1.32% |
| Pacifica CDO V, Ltd., Subordinated Notes | Structured Finance | 1/26/2020 | 3/28/2014 | 4,700 | 2,256 | 2,233 | 0.88 |
| Venture VI CDO Limited, Preference Shares | Structured Finance | 8/3/2020 | 4/17/2014 | 7,000 | 4,638 | 4,165 | 1.64 |
| ***Structured Finance Obligations Total*** | | | | | 75,099 | 73,574 | 28.94 |
| Total Investments—non-controlled/non-affiliated | | | | | $ 418,090 | $418,611 | 164.71% |

(1) Unless otherwise indicated, debt investments of Carlyle GMS Finance, Inc. ("GMS Finance" or the "Company") are domiciled in the United States and 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 June 30, 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 June 30, 2014, the Company is not an "affiliated person" of any portfolio company.

(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 reset quarterly. For each such loan and note, the Company has provided the interest rate in effect as of June 30, 2014.

(3) Loan includes interest rate floor feature.

(4) These 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 with various lenders (the "Revolving Credit Facility"). The lenders of the Revolving Credit Facility have a first lien security interest in all of the assets of the Borrower Sub (see Note 6, Borrowings) and such assets are not generally available to creditors of GMS Finance other than to satisfy obligations of the Borrower Sub under the Revolving Credit Facility.

(5) These assets are owned by the Company. The Company has a senior secured revolving credit facility with various lenders (the "Facility"). The lenders of the Facility have a perfected first-priority security interest in substantially all of the portfolio investments held by the Company and certain future domestic subsidiaries of 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 removed once the Company receives equity capital contributions in an amount equal to $100,000 since the closing date of the Facility (see Note 6, 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. The cost of equities, including the "equity" class of collateralized loan obligation ("CLO") funds, which are referred to as "structured finance obligations", is not amortized.

(7) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (Notes 2 and 4), 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) American Tire Distributors, Inc. has an undrawn delayed draw term loan of $612 par value at LIBOR + 4.75%, 1.00% floor. No unused rate is charged on the principal while undrawn for the first 30 days, thereafter, a rate of LIBOR + 4.75%, 1.00% floor, is charged.

(10) The SI Organization, Inc. has an undrawn delayed draw term loan of $1,168 par value at LIBOR + 4.75%, 1.00% floor. An unused rate of 0.90% is charged on the principal while undrawn for the first 90 days, thereafter, a rate of LIBOR + 4.75%, 1.00% floor, is charged.

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**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)**
**As of June 30, 2014**
**(dollar amounts in thousands)**
**(unaudited)**

The type and industrial composition of our investments as of June 30, 2014 were as follows:

| Type | Amortized Cost | Fair Value | % of Fair Value |
|---|---|---|---|
| First Lien Debt | $272,416 | $273,899 | 65.43% |
| Second Lien Debt | 70,575 | 71,138 | 16.99 |
| Structured Finance Obligations | 75,099 | 73,574 | 17.58 |
| **Total** | $418,090 | $418,611 | 100.00% |

| Industry | Amortized Cost | Fair Value | % of Fair Value |
|---|---|---|---|
| Aerospace and Defense | $ 21,160 | $ 21,401 | 5.10% |
| Automotive | 18,764 | 18,797 | 4.49 |
| Banking, Finance, Insurance & Real Estate | 27,528 | 27,700 | 6.61 |
| Beverage, Food & Tobacco | 7,928 | 7,953 | 1.90 |
| Business Services | 33,598 | 33,762 | 8.07 |
| Chemicals, Plastics & Rubber | 17,426 | 17,472 | 4.17 |
| Consumer Services | 8,344 | 8,371 | 2.00 |
| Containers, Packaging & Glass | 27,024 | 26,957 | 6.44 |
| Durable Consumer Goods | 12,184 | 12,519 | 2.99 |
| Energy: Oil & Gas | 12,125 | 12,467 | 2.98 |
| Environmental Industries | 9,816 | 9,665 | 2.31 |
| Healthcare & Pharmaceuticals | 37,803 | 38,366 | 9.17 |
| High Tech Industries | 17,128 | 17,210 | 4.11 |
| Media: Advertising, Printing & Publishing | 6,911 | 6,850 | 1.64 |
| Non-durable Consumer Goods | 26,325 | 26,375 | 6.30 |
| Software | 28,335 | 28,337 | 6.77 |
| Structured Finance | 75,099 | 73,574 | 17.58 |
| Telecommunications | 17,364 | 17,320 | 4.14 |
| Wholesale | 13,228 | 13,515 | 3.23 |
| **Total** | $418,090 | $418,611 | 100.00% |

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

**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**As of December 31, 2013**
**(dollar amounts in thousands)**

| Portfolio Company (1) | Industry | Interest Rate | Maturity Date | Acquisition Date | Par Amount | Amortized Cost (5) | Fair Value (6) | Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|
| Investments—non-controlled/non-affiliated | | | | | | | | |
| **First Lien Debt (66.57%)** | | | | | | | | |
| ACP Tower Merger Sub, Inc. (Telular Corporation) (2) (3) (4) | Telecommunications | 5.50% | 6/24/2019 | 6/24/2013 | $ 6,094 | $ 6,073 | $ 5,968 | 3.21% |
| Dialysis Newco, Inc., d/b/a DSI Renal (2) (3) (4) | Healthcare & Pharmaceuticals | 5.25 | 8/16/2020 | 8/16/2013 | 9,715 | 9,624 | 9,743 | 5.24 |
| Genex Services, Inc. (2) (3) (4) | Banking, Finance, Insurance & Real Estate | 5.25 | 7/26/2018 | 7/25/2013 | 7,934 | 7,898 | 7,741 | 4.16 |
| Landslide Holdings, Inc. (LANDesk Software) (2) (3) (4) | High Tech Industries | 5.25 | 8/9/2019 | 8/7/2013 | 6,922 | 6,859 | 6,958 | 3.74 |
| Meritas Schools Holdings, LLC (2) (3) (4) | Consumer Services | 7.00 | 6/25/2019 | 6/21/2013 | 8,458 | 8,380 | 8,331 | 4.48 |
| Miller Heiman, Inc. (2) (3) (4) | Business Services | 6.75 | 9/30/2019 | 10/1/2013 | 12,500 | 12,381 | 12,584 | 6.76 |
| Nellson Nutraceutical, LLC (2) (3) (4) | Beverage, Food & Tobacco | 6.75 | 8/26/2018 | 8/26/2013 | 5,985 | 5,954 | 5,908 | 3.18 |
| NES Global Talent Finance US LLC (United Kingdom) (2) (3) (4) (7) | Energy: Oil & Gas | 6.50 | 10/3/2019 | 10/2/2013 | 12,500 | 12,262 | 12,531 | 6.74 |
| Packaging Coordinators, Inc. (2) (3) (4) (8) | Containers, Packaging & Glass | 5.50 | 5/10/2020 | 5/10/2013 | 4,489 | 4,479 | 4,516 | 2.43 |
| Systems Maintenance Services Holding, Inc. (2) (3) (4) | High Tech Industries | 5.25 | 10/18/2019 | 10/18/2013 | 2,237 | 2,229 | 2,177 | 1.17 |
| Stafford Logistics, Inc. (Custom Ecology, Inc.) (2) (3) (4) | Environmental Industries | 6.75 | 6/26/2019 | 7/1/2013 | 9,950 | 9,859 | 9,786 | 5.26 |
| TruckPro, LLC (2) (3) (4) | Automotive | 5.75 | 8/6/2018 | 8/6/2013 | 9,900 | 9,844 | 9,665 | 5.19 |
| The Topps Company, Inc. (2) (3) (4) | Non-durable Consumer Goods | 7.25 | 10/2/2018 | 10/1/2013 | 11,628 | 11,518 | 11,471 | 6.17 |
| Violin Finco S.A.R.L. (Alexander Mann Solutions) (United Kingdom) (2) (3) (4) (7) | Business Services | 5.75 | 12/20/2019 | 12/18/2013 | 12,500 | 12,382 | 12,349 | 6.64 |
| Vitera Healthcare Solutions, LLC (2) (3) (4) | Healthcare & Pharmaceuticals | 6.00 | 11/4/2020 | 11/1/2013 | 9,630 | 9,537 | 9,649 | 5.19 |
| Zest Holdings, LLC (2) (3) (4) | Durable Consumer Goods | 6.50 | 8/16/2020 | 8/14/2013 | 12,469 | 12,231 | 12,299 | 6.61 |
| ***First Lien Debt Total*** | | | | | | 141,510 | 141,676 | 76.17 |
| **Second Lien Debt (18.69%)** | | | | | | | | |
| Ascensus, Inc. (2) (3) | Banking, Finance, Insurance & Real Estate | 9.00 | 12/2/2020 | 12/2/2013 | 8,000 | 7,883 | 8,033 | 4.32 |
| Drew Marine Group Inc. (2) (3) | Chemicals, Plastics & Rubber | 8.00 | 5/19/2021 | 11/19/2013 | 12,500 | 12,473 | 11,741 | 6.31 |
| Genex Services, Inc. (2) (3) (4) | Banking, Finance, Insurance & Real Estate | 9.25 | 1/26/2019 | 7/25/2013 | 3,500 | 3,468 | 3,442 | 1.85 |
| Nellson Nutraceutical, LLC (2) (3) (4) | Beverage, Food & Tobacco | 11.50 | 2/26/2019 | 8/26/2013 | 2,000 | 1,985 | 2,025 | 1.09 |
| Systems Maintenance Services Holding, Inc. (2) (3) (4) | High Tech Industries | 9.25 | 10/18/2020 | 10/18/2013 | 6,000 | 5,949 | 5,818 | 3.13 |
| Vitera Healthcare Solutions, LLC (2) (3) | Healthcare & Pharmaceuticals | 9.25 | 11/4/2021 | 11/1/2013 | 2,000 | 1,971 | 2,003 | 1.08 |
| Watchfire Enterprises, Inc. (2) (3) | Media: Advertising, Printing & Publishing | 9.00 | 10/2/2021 | 10/2/2013 | 7,000 | 6,907 | 6,705 | 3.60 |
| ***Second Lien Debt Total*** | | | | | | 40,636 | 39,767 | 21.38 |

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**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**
**As of December 31, 2013**
**(dollar amounts in thousands)**

| Portfolio Company (1) | Industry | Maturity Date | Acquisition Date | Par Amount | Amortized Cost (5) | Fair Value (6) | Percentage of Net Assets |
|---|---|---|---|---|---|---|---|
| **Structured Finance Obligations (14.74%) (7)** | | | | | | | |
| Ares XXVIII CLO Ltd., Subordinated Notes | Structured Finance | 10/17/2024 | 10/10/2013 | 7,000 | 6,107 | 6,125 | 3.29 |
| Babson CLO Ltd. 2005-I, Subordinated Notes | Structured Finance | 4/15/2019 | 7/16/2013 | 7,632 | 4,364 | 4,426 | 2.38 |
| Clydesdale CLO 2005, Ltd., Subordinated Notes | Structured Finance | 12/6/2017 | 7/15/2013 | 5,750 | 3,019 | 3,048 | 1.64 |
| Flagship VII Limited, Subordinated Notes | Structured Finance | 1/20/2026 | 12/18/2013 | 7,000 | 6,160 | 6,160 | 3.31 |
| GoldenTree Loan Opportunities V, Limited, Subordinated Notes | Structured Finance | 10/18/2021 | 10/11/2013 | 5,000 | 3,430 | 3,485 | 1.87 |
| Kingsland III, Ltd., Subordinated Notes | Structured Finance | 8/24/2021 | 11/22/2013 | 4,000 | 3,176 | 3,180 | 1.71 |
| Landmark VIII CLO Ltd., Income Notes | Structured Finance | 10/19/2020 | 10/22/2013 | 7,000 | 3,272 | 3,486 | 1.88 |
| MSIM Peconic Bay, Ltd., Subordinated Notes | Structured Finance | 7/20/2019 | 10/22/2013 | 4,500 | 1,454 | 1,454 | 0.78 |
| ***Structured Finance Obligations Total*** | | | | | 30,982 | 31,364 | 16.86 |
| Total Investments—non-controlled/non-affiliated | | | | | $ 213,128 | $212,807 | 114.41% |

(1) Unless otherwise indicated, debt investments of GMS Finance are domiciled in the United States and 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, 2013, 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, 2013, the Company is not an "affiliated person" of any portfolio company.
(2) Variable rate loans to the portfolio companies 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 reset quarterly. For each such loan, the Company has provided the interest rate in effect as of December 31, 2013.
(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 all of the assets of the Borrower Sub (see Note 6, Borrowings) and such assets are not generally available to creditors of GMS Finance other than to satisfy obligations of the Borrower Sub under the Revolving Credit Facility.
(5) 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. The cost of equities, including the "equity" class of CLO funds, which are referred to as "structured finance obligations", is not amortized.
(6) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (Notes 2 and 4), pursuant to the Company's valuation policies.
(7) 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.
(8) Packaging Coordinators, Inc. has an undrawn delayed draw term loan of $3,000 par value at LIBOR + 4.25%, 1.25% floor. An unused rate of 2.13% is charged on the principal while undrawn.

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**CARLYLE GMS FINANCE, INC.**
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**
**As of December 31, 2013**
**(dollar amounts in thousands)**

The type and industrial composition of our investments as of December 31, 2013 were as follows:

| Type | Amortized Cost | Fair Value | % of Fair Value |
|---|---|---|---|
| First Lien Debt | $141,510 | $141,676 | 66.57% |
| Second Lien Debt | 40,636 | 39,767 | 18.69 |
| Structured Finance Obligations | 30,982 | 31,364 | 14.74 |
| **Total** | $213,128 | $212,807 | 100.00% |

| Industry | Amortized Cost | Fair Value | % of Fair Value |
|---|---|---|---|
| Automotive | $ 9,844 | $ 9,665 | 4.54% |
| Banking, Finance, Insurance & Real Estate | 19,249 | 19,216 | 9.03 |
| Beverage, Food & Tobacco | 7,939 | 7,933 | 3.73 |
| Business Services | 24,763 | 24,933 | 11.72 |
| Chemicals, Plastics & Rubber | 12,473 | 11,741 | 5.52 |
| Consumer Services | 8,380 | 8,331 | 3.91 |
| Containers, Packaging & Glass | 4,479 | 4,516 | 2.12 |
| Durable Consumer Goods | 12,231 | 12,299 | 5.78 |
| Energy: Oil & Gas | 12,262 | 12,531 | 5.89 |
| Environmental Industries | 9,859 | 9,786 | 4.60 |
| Healthcare & Pharmaceuticals | 21,132 | 21,395 | 10.05 |
| High Tech Industries | 15,037 | 14,953 | 7.03 |
| Media: Advertising, Printing & Publishing | 6,907 | 6,705 | 3.15 |
| Non-durable Consumer Goods | 11,518 | 11,471 | 5.39 |
| Structured Finance | 30,982 | 31,364 | 14.74 |
| Telecommunications | 6,073 | 5,968 | 2.80 |
| **Total** | $213,128 | $212,807 | 100.00% |

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

**CARLYLE GMS FINANCE, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**
**June 30, 2014**
**(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 intends to be treated, and intends 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"), commencing with its taxable year ended December 31, 2013.

GMS Finance's investment objective is to generate current income and capital appreciation primarily through debt investments in U.S. middle market 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 and unitranche loans to private U.S. middle market companies that are, in many cases, controlled by private equity investment firms ("Middle Market Senior Loans"). 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 senior secured loans and second lien loans, high-yield bonds, structured finance obligations and/or other opportunistic investments.

GMS Finance was initially funded on March 30, 2012, with the purchase of 100 shares at a net asset value ("NAV") of $20.00 per share by Carlyle GMS Investment Management L.L.C. (the "Investment Adviser"). 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 lien senior secured loans and second lien loans. The 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.

GMS Finance is externally managed by its 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”), 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 The Carlyle Group L.P.

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 intends to be treated, and intends 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 consolidated financial statements include the accounts of GMS Finance and its wholly-owned subsidiary, the Borrower Sub. All significant intercompany balances and transactions have been eliminated. Management has determined that GMS Finance and the Borrower Sub are both investment companies 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* and GMS Finance will consolidate the Borrower Sub. 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.

Certain prior year amounts within the Consolidated Statements of Cash Flows have been reclassified to conform to the current year presentation. The amounts related to the reclassifications are not material to the Company’s consolidated financial statements.

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, 2013. The results of operations for the three month and six month periods ended June 30, 2014 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 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 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 4 for further information about fair value measurements.

***Cash***

Cash consists of demand deposits. The Company's cash is held with a large financial institution 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 investments represents the original cost, including loan 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 June 30, 2014 and December 31, 2013 and for the three month and six month periods ended June 30, 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 referred to as "structured finance obligations", is recorded based upon an estimation of the expected cash inflows from its CLO equity investments, including the expected residual 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 may impact the Company's estimates and interest income. As a result, actual results may differ significantly from these estimates. Interest income from investments in the notes of CLO funds, which are also refered to as "structured finance obligations", is recorded based upon the stated interest rate.

*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. For the three month and six month periods ended June 30, 2014 and June 30, 2013, there was no other income.

*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 June 30, 2014 and December 31, 2013, no loans in the portfolio were on non-accrual status.

***Revolving Credit Facility and Facility Related Costs, Expenses and Deferred Financing Costs (See Note 6, Borrowings)***

Interest expense and commitment fees on the Revolving Credit Facility and Facility (as defined in Note 6) 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 consist of capitalized expenses related to the origination 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 amendments of the credit facility described in Note 6. The amortization of such costs is included in credit facility fees in the accompanying Consolidated Statements of Operations.

***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 June 30, 2014 and December 31, 2013, $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 intends 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 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, or due date, of the capital call, which is the date shares are issued. 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, is 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 net asset value per share determined as of the valuation date fixed by the Board of Directors for such dividend or distribution. 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 on the relevant valuation date. If the market value per share is less than the net asset value per share on the relevant valuation 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.

***Recent Accounting Standards Updates***

On June 7, 2013, the FASB issued ASU 2013-08. The final standard updates the criteria used in defining an investment company under US GAAP and also sets forth certain measurement and disclosure requirements. This ASU is effective for fiscal periods (including interim periods) beginning after December 15, 2013. The impact of this update did not have a material effect on the consolidated financial statements as of and for the three month and six month periods ended June 30, 2014.

## 3. INVESTMENTS

As of June 30, 2014 and December 31, 2013, investments—non-controlled/non-affiliated at fair value consisted of the following:

| | June 30, 2014 | | |
|---|---|---|---|
| Type | Amortized Cost | Fair Value | % of Fair Value |
| First Lien Debt | $272,416 | $273,899 | 65.43% |
| Second Lien Debt | 70,575 | 71,138 | 16.99 |
| Structured Finance Obligations | 75,099 | 73,574 | 17.58 |
| **Total** | $418,090 | $418,611 | 100.00% |

| | December 31, 2013 | | |
|---|---|---|---|
| Type | Amortized Cost | Fair Value | % of Fair Value |
| First Lien Debt | $141,510 | $141,676 | 66.57% |
| Second Lien Debt | 40,636 | 39,767 | 18.69 |
| Structured Finance Obligations | 30,982 | 31,364 | 14.74 |
| **Total** | $213,128 | $212,807 | 100.00% |

The geographical composition of investments—non-controlled/non-affiliated at fair value as of June 30, 2014 and December 31, 2013 was as follows:

| | June 30, 2014 | | |
|---|---|---|---|
| Geography | Amortized Cost | Fair Value | % of Fair Value |
| Cayman Islands | $ 71,902 | $ 70,561 | 16.84% |
| Ireland | 3,197 | 3,013 | 0.72 |
| United Kingdom | 24,453 | 24,873 | 5.94 |
| United States | 318,538 | 320,164 | 76.50 |
| **Total** | $418,090 | $418,611 | 100.00% |

| | December 31, 2013 | | |
|---|---|---|---|
| Geography | Amortized Cost | Fair Value | % of Fair Value |
| Cayman Islands | $ 30,982 | $ 31,364 | 14.74% |
| United Kingdom | 24,644 | 24,880 | 11.69 |
| United States | 157,502 | 156,563 | 73.57 |
| **Total** | $213,128 | $212,807 | 100.00% |

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The industrial composition of investments—non-controlled/non-affiliated at fair value as of June 30, 2014 and December 31, 2013 was as follows:

| | June 30, 2014 | | |
|---|---|---|---|
| Industry | Amortized Cost | Fair Value | % of Fair Value |
| Aerospace and Defense | $ 21,160 | $ 21,401 | 5.10% |
| Automotive | 18,764 | 18,797 | 4.49 |
| Banking, Finance, Insurance & Real Estate | 27,528 | 27,700 | 6.61 |
| Beverage, Food & Tobacco | 7,928 | 7,953 | 1.90 |
| Business Services | 33,598 | 33,762 | 8.07 |
| Chemicals, Plastics & Rubber | 17,426 | 17,472 | 4.17 |
| Consumer Services | 8,344 | 8,371 | 2.00 |
| Containers, Packaging & Glass | 27,024 | 26,957 | 6.44 |
| Durable Consumer Goods | 12,184 | 12,519 | 2.99 |
| Energy: Oil & Gas | 12,125 | 12,467 | 2.98 |
| Environmental Industries | 9,816 | 9,665 | 2.31 |
| Healthcare & Pharmaceuticals | 37,803 | 38,366 | 9.17 |
| High Tech Industries | 17,128 | 17,210 | 4.11 |
| Media: Advertising, Printing & Publishing | 6,911 | 6,850 | 1.64 |
| Non-durable Consumer Goods | 26,325 | 26,375 | 6.30 |
| Software | 28,335 | 28,337 | 6.77 |
| Structured Finance | 75,099 | 73,574 | 17.58 |
| Telecommunications | 17,364 | 17,320 | 4.14 |
| Wholesale | 13,228 | 13,515 | 3.23 |
| **Total** | $418,090 | $418,611 | 100.00% |

| | December 31, 2013 | | |
|---|---|---|---|
| Industry | Amortized Cost | Fair Value | % of Fair Value |
| Automotive | $ 9,844 | $ 9,665 | 4.54% |
| Banking, Finance, Insurance & Real Estate | 19,249 | 19,216 | 9.03 |
| Beverage, Food & Tobacco | 7,939 | 7,933 | 3.73 |
| Business Services | 24,763 | 24,933 | 11.72 |
| Chemicals, Plastics & Rubber | 12,473 | 11,741 | 5.52 |
| Consumer Services | 8,380 | 8,331 | 3.91 |
| Containers, Packaging & Glass | 4,479 | 4,516 | 2.12 |
| Durable Consumer Goods | 12,231 | 12,299 | 5.78 |
| Energy: Oil & Gas | 12,262 | 12,531 | 5.89 |
| Environmental Industries | 9,859 | 9,786 | 4.60 |
| Healthcare & Pharmaceuticals | 21,132 | 21,395 | 10.05 |
| High Tech Industries | 15,037 | 14,953 | 7.03 |
| Media: Advertising, Printing & Publishing | 6,907 | 6,705 | 3.15 |
| Non-durable Consumer Goods | 11,518 | 11,471 | 5.39 |
| Structured Finance | 30,982 | 31,364 | 14.74 |
| Telecommunications | 6,073 | 5,968 | 2.80 |
| **Total** | $213,128 | $212,807 | 100.00% |

**4. 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 and Disclosures* ("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.

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; (ii) preliminary valuation conclusions are documented and reviewed by a valuation committee comprised of members of senior management; (iii) the Board of Directors engages one or more third-party valuation firms to provide positive assurance on portions of the portfolio each quarter (such that each non-traded investment is reviewed by a third-party valuation firm at least once annually) 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, where appropriate, the respective third-party valuation firms 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 respective third-party valuation firms.

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 certificate 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 than the net change in unrealized appreciation or depreciation currently reflected in the consolidated financial statements as of June 30, 2014.

US GAAP establishes a hierarchal 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 included in Level I 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 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 included in this category 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. For the three month and six month periods ended June 30, 2014 and June 30, 2013, 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 June 30, 2014 and December 31, 2013:

| | June 30, 2014 | | | |
|---|---|---|---|---|
| | Level I | Level II | Level III | Total |
| **Assets** | | | | |
| First Lien Debt | — | — | $273,899 | $273,899 |
| Second Lien Debt | — | — | 71,138 | 71,138 |
| Structured Finance Obligations | — | — | 73,574 | 73,574 |
| Total | — | — | $418,611 | $418,611 |

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Level I | Level II | Level III | Total |
| **Assets** | | | | |
| First Lien Debt | — | — | $141,676 | $141,676 |
| Second Lien Debt | — | — | 39,767 | 39,767 |
| Structured Finance Obligations | — | — | 31,364 | 31,364 |
| Total | — | — | $212,807 | $212,807 |

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 June 30, 2014 | | | |
|---|---|---|---|---|
| | First Lien Debt | Second Lien Debt | Structured Finance Obligations | Total |
| Balance, beginning of period | $223,959 | $ 46,575 | $ 47,811 | $318,345 |
| Purchases | 80,968 | 30,939 | 29,437 | 141,344 |
| Sales | — | (4,050) | — | (4,050) |
| Paydowns | (32,234) | (3,570) | (1,664) | (37,468) |
| Accretion of discount | 308 | 76 | — | 384 |
| Realized gain (loss) | — | 120 | 25 | 145 |
| Net change in unrealized appreciation (depreciation) | 898 | 1,048 | (2,035) | (89) |
| Balance, end of period | $273,899 | $ 71,138 | $ 73,574 | $418,611 |
| Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of June 30, 2014 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations | $ 860 | $ 1,022 | $ (2,035) | $ (153) |

| | Financial Assets For the six month period ended June 30, 2014 | | | |
|---|---|---|---|---|
| | First Lien Debt | Second Lien Debt | Structured Finance Obligations | Total |
| Balance, beginning of period | $141,676 | $39,767 | $ 31,364 | $212,807 |
| Purchases | 170,216 | 37,353 | 51,951 | 259,520 |
| Sales | — | (4,050) | (3,125) | (7,175) |
| Paydowns | (39,742) | (3,570) | (4,780) | (48,092) |
| Accretion of discount | 432 | 86 | — | 518 |
| Realized gain (loss) | — | 120 | 71 | 191 |
| Net change in unrealized appreciation (depreciation) | 1,317 | 1,432 | (1,907) | 842 |
| Balance, end of period | $273,899 | $71,138 | $ 73,574 | $418,611 |
| Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of June 30, 2014 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations | $ 1,378 | $ 1,406 | $ (1,903) | $ 881 |

| | Financial Assets For the three month and six month periods ended June 30, 2013 | |
|---|---|---|
| | First Lien Debt | Total |
| Balance, beginning of period | $ — | $ — |
| Purchases | 19,136 | 19,136 |
| Net change in unrealized appreciation (depreciation) | 64 | 64 |
| Balance, end of period | $ 19,200 | $ 19,200 |
| Net change in unrealized appreciation (depreciation) included in earnings related to investments still held as of June 30, 2013 included in net change in unrealized appreciation (depreciation) on investments non-controlled/non-affiliated on the Consolidated Statements of Operations | $ 64 | $ 64 |

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.

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 investment'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.

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 June 30, 2014 and December 31, 2013:

| | Fair Value as of June 30, 2014 | Valuation Techniques | Significant Unobservable Inputs | Range Low | Range High | Weighted Average |
|---|---|---|---|---|---|---|
| Investments in First and Second Lien Debt Securities | $ 329,204 | Discounted Cash Flow | Discount Rate | 4.79% | 10.12% | 6.30% |
| | 15,833 | Consensus Pricing | Indicative Quotes | 99.00 | 101.04 | 99.35 |
| Total Debt | 345,037 | | | | | |
| Investments in Structured Products | 61,482 | Discounted Cash Flow | Discount Rate | 9.50% | 12.00% | 11.08% |
| | | | Default Rate | 0.50 | 1.42 | 1.01 |
| | | | Prepayment Rate | 20.78 | 48.57 | 33.61 |
| | | | Recovery Rate | 66.92 | 75.00 | 73.67 |
| | 12,092 | Consensus Pricing | Indicative Quotes | 0.18 | 86.00 | 83.25 |
| Total Structured Products | 73,574 | | | | | |
| Total Level III Investments | $ 418,611 | | | | | |

| | Fair Value as of December 31, 2013 | Valuation Techniques | Significant Unobservable Inputs | Range Low | Range High | Weighted Average |
|---|---|---|---|---|---|---|
| Investments in First and Second Lien Debt Securities | $ 181,443 | Discounted Cash Flow | Discount Rate | 5.17% | 10.14% | 7.04% |
| Total Debt | 181,443 | | | | | |
| Investments in Structured Products | 16,031 | Discounted Cash Flow | Discount Rate | 12.00% | 14.00% | 12.39% |
| | | | Default Rate | 0.50 | 1.12 | 0.74 |
| | | | Prepayment Rate | 28.63 | 34.71 | 30.61 |
| | | | Recovery Rate | 70.24 | 75.00 | 73.52 |
| | 15,333 | Consensus Pricing | Indicative Quotes | 53.00 | 88.00 | 80.84 |
| Total Structured Products | 31,364 | | | | | |
| Total Level III Investments | $ 212,807 | | | | | |

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. 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 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.

*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.

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Secured borrowings | $ 153,740 | $153,740 | $ 66,822 | $ 66,822 |
| **Total** | $ 153,740 | $153,740 | $ 66,822 | $ 66,822 |

The fair value of the secured borrowings approximates its carrying value and is categorized as Level III within the hierarchy. Secured borrowings are valued generally using discounted cash flows 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 fair value of other financial assets and liabilities approximates their carrying value based on the short term nature of these items.

**5. 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 the Investment Company Act, 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. 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 a fee 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 (see Note 6, Borrowings). 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 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 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 and subject to the receipt of any necessary regulatory approvals, 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 equal to approximately 25% of each installment of the net after tax incentive fee that the Investment Adviser receives from the Company. For the three month and six month periods ended June 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 six month periods ended June 30, 2014, base management fees were $970 and $1,631, respectively (net of waiver of $485 and $815 respectively), incentive fees related to pre-incentive fee net investment income were $1,137 and $1,933, respectively, and there were no incentive fees related to realized capital gains. For the three month and six month periods ended June 30, 2013, base management fees were $10 (net of waiver of $5), there were no incentive fees related to pre-incentive fee net investment income, and there were no incentive fees related to realized capital gains. Incentive fees of $1,137 and $1,933, respectively, were deferred for the three month and six month periods ended June 30, 2014 and will be carried over for payment in subsequent calculation periods to the extent that the 6.0% hurdle is achieved for the most recent four calendar quarters prior to payment. For the three month and six month periods ended June 30, 2014, the Company recorded an accrued capital gains incentive fee of $12 and $156, respectively, based upon the cumulative net realized and unrealized appreciation/(depreciation) as of June 30, 2014. For the three month and six month periods ended June 30, 2013, the Company recorded an accrued capital gains incentive fee of $13 based upon the cumulative net realized and unrealized appreciation/(depreciation) as of June 30, 2013. 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 June 30, 2014 and December 31, 2013, $3,058 and $625, 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. As of June 30, 2014 and December 31, 2013, the Investment Adviser, members of senior management, and certain employees, partners, and affiliates of the Investment Adviser committed $42,967 to the Company.

***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 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 Sarbanes-Oxley internal control assessment. Reimbursement under the Administration Agreement occurs quarterly in arrears.

For the three month and six month periods ended June 30, 2014, GMS Finance incurred $218 and $475, respectively, and for the three month and six month periods ended June 30, 2013, GMS Finance incurred $189 in fees under the Administrative Agreement, which are included in administrative service fees in the accompanying Consolidated Statements of Operations. As of June 30, 2014 and December 31, 2013, $160 and $131, 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 access to personnel.

On April 3, 2013, the Administrator entered into a sub-administration agreement with State Street Bank and Trust Company. For the three month and six month periods ended June 30, 2014, fees incurred in connection with the sub-administration agreement, which amounted to $50 and $80, respectively, is included in other general and administrative in the accompanying Consolidated Statements of Operations. For the three month and six month periods ended June 30, 2013, no fees were incurred in connection with the sub-administration agreement. As of June 30, 2014 and December 31, 2013, $130 and $50, respectively, was unpaid and included in other accrued expenses and liabilities in the accompanying Consolidated Statements of Assets and Liabilities.

***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 in addition to their capital commitments for TCG’s services.

For the three month and the six month periods ended June 30, 2014 and June 30, 2013, TCG did not earn or receive any placement fees 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 not “interested persons” of GMS Finance as defined in Section 2(a)(19) of the Investment Company Act (“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 six month periods ended June 30, 2014, GMS Finance incurred $103 and $185, respectively, and for the three month and six month periods ended June 30, 2013, GMS Finance incurred $108 in fees and expenses associated with its Independent Directors and Audit Committee. As of June 30, 2014 and December 31, 2013, $8 and $28, respectively, was unpaid and included in other accrued expenses and liabilities in the accompanying Consolidated Statements of Assets and Liabilities. As of June 30, 2014 and December 31, 2013, certain directors had committed $1,750 in capital commitments to the Company.

**6. 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 June 30, 2014 and December 31, 2013, asset coverage was 265.31% and 378.35%, respectively. During the six month period ended June 30, 2014, there were net repayments of $7,082 under the Revolving Credit Facility and secured borrowings of $94,000 under the Facility. For the six month period ended June 30, 2013, there were no borrowings. As of June 30, 2014 and December 31, 2013, there was $153,740 and $66,822, respectively, in secured borrowings outstanding.

***Revolving Credit Facility***

The Borrower Sub closed on May 24, 2013 on the Revolving Credit Facility with various lenders, which Revolving Credit Facility was subsequently amended on June 30, 2014 (the "First Amendment"). The First Amendment, among other things (a) reduced the maximum commitments from $500,000 to $400,000, (b) extended the revolving period from May 24, 2016 to May 24, 2017, (c) extended the maturity date from May 24, 2019 to May 22, 2020, (d) increased the per annum revolving period rate from the applicable base rate (based on LIBOR, the commercial paper rate, prime rate or the federal funds rate) plus 1.75% to the applicable base rate plus 1.85%, (e) added covenant-lite loans (subject to certain limitations) to the types of assets eligible to be purchased by the Borrower Sub, and (f) modified certain other restrictions and requirements set forth in the Revolving Credit Facility. Advances under the Revolving Credit Facility first became available once the Borrower Sub held at least $30,000 of minimum equity in its assets held. The Revolving Credit Facility provides for secured borrowings up to the lesser of $400,000 or the amount of 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 adequate collateral to support such borrowings. The Revolving Credit Facility has a revolving period through May 24, 2017 (with two one-year extension options, subject to the Borrower Sub's and the lenders' consent) and a maturity date of May 22, 2020 (extendable in connection with an extension of the revolving period). Borrowings under the Revolving Credit Facility bear interest initially at the applicable commercial paper rate (if the lender is a conduit lender) or LIBOR (or, if applicable, a rate based on the prime rate or federal funds rate) plus 1.85% per year during the revolving period, with pre-determined future interest rate increases of 1.00%-2.00% over the three years following the end of the revolving period. The Borrower Sub is also required to pay a commitment fee of between 0.25% and 1.00% 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 including, but not limited to, restrictions on sector and geographic concentrations, loan size, payment frequency, tenor and 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 and portfolio performance, including limitations on delinquencies and charge offs, violation of which could result in the immediate 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, GMS Finance could be obliged to repurchase loans from the Borrower Sub.

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

As of June 30, 2014 and December 31, 2013, 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 with various lenders. The maximum principal amount of the Facility is $150,000, subject to availability under the Facility, which is based on the value of the Company's portfolio investments net of certain other indebtedness that the Company may incur in the future 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 (the "Commitment Termination Date") and the Facility will mature on March 21, 2019 (the "Maturity Date"). During the period from the Commitment Termination Date to the Maturity Date, 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.

Subject to certain exceptions, including, without limitation, the Company's ownership interests in its special purpose non-guarantor subsidiaries, such as the Borrower Sub, the Facility is secured by a perfected first-priority security interest in substantially all of the portfolio investments held by the Company and certain future domestic subsidiaries of the Company (collectively, the "Guarantors") and $100,000 of unfunded investor equity capital commitments. The Company is required to cause the Guarantors to guaranty the Facility. The $100,000 pledge of unfunded investor equity capital commitments shall be released once $100,000 of incremental capital has been called and received by the Company subsequent to the March 21, 2014 closing date. Such capital call commitment has not been satisfied as of June 30, 2014. 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 June 30, 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 June 30, 2014 and December 31, 2013:

| | June 30, 2014 | | | |
|---|---|---|---|---|
| | Total Facility | Borrowings Outstanding | Unused Portion (1) | Amount Available (2) |
| Revolving Credit Facility | $ 400,000 | $ 59,740 | $ 340,260 | $ 24,379 |
| Facility | 150,000 | 94,000 | 56,000 | 36,677 |
| Total | $ 550,000 | $ 153,740 | $ 396,260 | $ 61,056 |

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Total Facility | Borrowings Outstanding | Unused Portion (1) | Amount Available (2) |
| Revolving Credit Facility | $ 500,000 | $ 66,822 | $ 433,178 | $ 18,616 |
| Total | $ 500,000 | $ 66,822 | $ 433,178 | $ 18,616 |

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

As of June 30, 2014 and December 31, 2013, $448 and $259, respectively, of interest expense and $253 and $266, respectively, of unused commitment fees were included in interest and credit facility fees payable. For the three month and six month periods ended June 30, 2014, the average stated interest rate was 2.13% and 2.12%, respectively, and average principal debt outstanding was $117,699 and $92,401, respectively. For the three month and six month periods ended June 30, 2013, there were no borrowings. As of June 30, 2014 and December 31, 2013, the interest rate was 2.33% and 1.97%, respectively, based on floating LIBOR rates.

For the three month and six month periods ended June 30, 2014 and June 30, 2013, the components of interest expense and credit facility fees were as follows:

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2013 |
|---|---|---|---|
| Interest expense | $ 634 | $ 983 | $ — |
| Unused commitment fee | 372 | 658 | 62 |
| Amortization of deferred financing costs | 1,128 | 1,347 | 86 |
| Other fees | 26 | 51 | 16 |
| **Total interest expense and credit facility fees** | $ 2,160 | $ 3,039 | $ 164 |
| Cash paid for interest expense | $ 510 | $ 795 | $ — |

For the three month and six month periods ended June 30, 2014, $827 of the amortization of deferred financing costs represents the prorated financing costs that were immediately expensed in lieu of continuing to amortize over the term of the Revolving Credit Facility related to the First Amendment which reduced the maximum commitments to the Revolving Credit Facility.

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## 7. COMMITMENTS AND CONTINGENCIES

A summary of significant contractual payment obligations was as follows as of June 30, 2014 and December 31, 2013:

| June 30, 2014 | | Payment Due by Period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Secured Borrowings | $153,740 | — | — | $ 94,000 | $ 59,740 |

| December 31, 2013 | | Payment Due by Period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Secured Borrowings | $ 66,822 | — | — | — | $ 66,822 |

In the ordinary course of its business, the Company enters into contracts or agreements that contain indemnifications 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 June 30, 2014 and December 31, 2013 for any such exposure.

As of June 30, 2014 and December 31, 2013, the Company had $1,109,162 and $877,408, respectively, in total capital commitments from stockholders, of which $855,687 and $689,405, respectively, was unfunded. Included in the commitments as of June 30, 2014 and December 31, 2013 were $42,967 of capital commitments of the Investment Adviser, members of senior management, and certain employees, partners, and affiliates of the Investment Adviser. As of June 30, 2014 and December 31, 2013, certain directors had committed $1,750 in capital commitments to the Company.

As of June 30, 2014, there was a $100,000 pledge of unfunded investor equity capital commitments to the lenders of the Facility, which shall be released once $100,000 of incremental capital has been called and received by the Company subsequent to the March 21, 2014 closing date of the Facility. Such capital call commitment has not been satisfied as of June 30, 2014.

The Company had the following commitments to fund delayed draw senior secured loans, none of which were funded:

| | Par Value as of | |
|---|---|---|
| | June 30, 2014 | December 31, 2013 |
| Total unfunded delayed draw commitments | $ 1,780 | $ 3,000 |

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**8. NET ASSETS**

In connection with its formation, the Company has the authority to issue 200,000,000 shares of common stock, $0.01 per share par value.

During the six month period ended June 30, 2014, the Company issued 3,315,579 shares for $65,475. The following table summarizes capital activity during the six month period ended June 30, 2014:

| | Common Stock | | Capital In Excess Of Par Value | Offering Expenses | Accumulated Net Investment Income (Loss) | Net Realized Gain (Loss) On Investments | Net Change in 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 | 3,315,431 | 33 | 65,439 | — | — | — | — | 65,472 |
| Reinvestment of dividends | 148 | — | 3 | — | — | — | — | 3 |
| Net investment income (loss) | — | — | — | — | 7,575 | — | — | 7,575 |
| Net realized gain (loss) on investments-non-controlled/non-affiliated | — | — | — | — | — | 191 | — | 191 |
| Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated | — | — | — | — | — | — | 842 | 842 |
| Dividends declared | — | — | — | — | (5,930) | — | — | (5,930) |
| Balance, end of period | 12,891,569 | $ 129 | $252,407 | $ (74) | $ 981 | $ 191 | $ 521 | $254,155 |

During the six month period ended June 30, 2013, the Company issued 2,027,270 shares for $40,545. The following table summarizes capital activity during the six month period ended June 30, 2013:

| | Common Stock | | Capital In Excess Of Par Value | Offering Expenses | Accumulated Net Investment Income (Loss) | Net Realized Gain (Loss) On Investments | Net Change in Unrealized Appreciation (Depreciation) on Investments | Total Net Assets |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | | |
| Balance, beginning of period | 100 | $ 0 | $ 2 | $ — | $ — | $ — | $ — | $ 2 |
| Common stock issued | 2,027,270 | 20 | 40,525 | — | — | — | — | 40,525 |
| Subscriptions receivable* | — | — | — | — | — | — | — | — |
| Offering expenses | — | — | — | (74) | — | — | — | (74) |
| Net investment income (loss) | — | — | — | — | (2,575) | — | — | (2,575) |
| Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated | — | — | — | — | — | — | 64 | 64 |
| Balance, end of period | 2,027,370 | $ 20 | $ 40,527 | $ (74) | $ (2,575) | $ — | $ 64 | $37,962 |

* Amount was less than one.

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 six month period ended June 30, 2014:

| | Shares Issued | Proceeds Received |
|---|---|---|
| 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 |
| Total | 3,315,579 | $ 65,475 |

** 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 subscription for the Company's common stock during the six month period ended June 30, 2013:

| | Shares Issued | Proceeds Received |
|---|---|---|
| June 5, 2013 | 555,352 | $ 11,107 |
| June 10, 2013 | 371,918 | 7,438 |
| June 25, 2013 | 1,100,000 | 22,000 |
| Total | 2,027,270 | $ 40,545 |

Subscribed but unissued shares are presented in equity with a deduction of subscriptions receivable until cash is received for a subscription. There were no subscribed but unissued shares as of June 30, 2014 and December 31, 2013.

Subscription transactions during the six month period ended June 30, 2014 were executed at an offering price at a premium to NAV in order to effect a reallocation of organizational costs to subsequent investors. Such subscription transactions increased NAV by $0.04 per share for the six month period ended June 30, 2014. There were no subscription transactions executed at an offering price at a premium to NAV during the six month period ended June 30, 2013.

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.

Basic and diluted earnings per common share were as follows:

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month period ended June 30, 2013 | For the six month period ended June 30, 2013 |
|---|---|---|---|---|
| Net increase in net assets resulting from operations | $ 4,592 | $ $ 8,608 | $ (2,511) | $ (2,511) |
| Weighted-average common shares outstanding | 12,891,548 | 11,819,417 | 317,127 | 159,489 |
| Basic and diluted earnings per common share | $ 0.36 | $ 0.73 | $ (7.92) | $ (15.74) |

On June 26, 2014 and March 13, 2014, the Company declared dividends of $0.27 and $0.19 per share, respectively, for the quarter ended June 30, 2014 and March 31, 2014, respectively, which were paid on July 14, 2014 and April 14, 2014, respectively, to holders of record of common stock at the close of business on June 30, 2014 and March 31, 2014, respectively. As of December 31, 2013, no dividends or distributions had been declared or paid by the Company.

**9. CONSOLIDATED FINANCIAL HIGHLIGHTS**

The following is a schedule of consolidated financial highlights for the six month periods ended June 30, 2014 and June 30, 2013:

**Per Share Data:**

| | For the six month period ended June 30, 2014 | For the six month period ended June 30, 2013 |
|---|---|---|
| Net asset value per share, beginning of period | $ 19.42 | $ 20.00 |
| Net investment income (1) | 0.64 | (1.27) |
| Net realized gain and net change in unrealized appreciation (depreciation) on investments | 0.07 | 0.03 |
| Net increase in net assets resulting from operations | 0.71 | (1.24) |
| Dividends declared (2) | (0.46) | — |
| Effect of subscription offering price (3) | 0.04 | — |
| Offering costs | — | (0.04) |
| Net asset value per share, end of period | $ 19.71 | $ 18.72 |
| Number of shares outstanding, end of period | 12,891,569 | 2,027,370 |
| Total return (4) | 3.86% | (6.40)% |
| Net assets, end of period | $ 254,155 | $ 37,962 |
| **Ratio to average net assets (5) (6):** | | |
| Expenses net of waiver, before incentive fees | 2.88% | 41.03% |
| Expenses net of waiver, after incentive fees | 3.75% | 41.23% |
| Expenses gross of waiver, after incentive fees | 4.09% | 41.31% |
| Net investment income (7) | 3.16% | (40.91)% |
| Interest expense and credit facility expenses | 1.27% | 2.61% |
| **Ratios/Supplemental Data:** | | |
| Asset coverage | 265.31% | N/A |
| Portfolio turnover | 16.98% | 0% |
| Total committed capital, end of period | $ 1,109,162 | $ 250,117 |
| Ratio of total contributed capital to total committed capital, end of period | 22.85% | 16.21% |
| Weighted-average shares outstanding | 11,819,417 | 159,489 |

(1) For the six month period ended June 30, 2014, net investment income per share is calculated as net investment income for the period divided by the weighted average number of shares outstanding for the period. For the six month period ended June 30, 2013, net investment income (loss) per share is calculated as net investment income (loss) for the period divided by the number of shares at the end of the period.

(2) For the six month period ended June 30, 2014, dividends declared per share is calculated as the sum of dividends declared on each quarter-end date 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 based on net asset value equals the change in net asset value during the period plus the declared dividends for the six month periods ended June 30, 2014 and June 30, 2013, divided by the beginning net asset value for the period. This calculation is adjusted for additional shares issued related to dividends paid, thereby assuming reinvestment of dividends distributed in connection with the dividend reinvestment plan. Total return based on net asset value is not annualized. Total return does not reflect taxes paid on distributions or placement fees paid or withheld on capital drawdowns, if any. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results. Total return for the six month period ended June 30, 2014 is inclusive of $0.04 per share increase in NAV for the period related to the offering price of subscriptions. Excluding the effects of the higher offering price of subscriptions, total return would have been 3.66% (Refer to Note 8).

(5) Periods less than one year have not been annualized.
(6) The Company commenced operations on May 2, 2013, therefore the ratios to average net assets for the six month period ended June 30, 2013 may have been different had there been a full year of operations.
(7) The net investment income ratio is net of the waiver of base management fees.

**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 June 30, 2014 and December 31, 2013, 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 June 30, 2014 and December 31, 2013.

In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax regulators. As of June 30, 2014 and December 31, 2013, the Company has yet to file any tax returns and therefore is not yet 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 six month period ended June 30, 2014 was as follows:

| | |
|---|---|
| Ordinary Income | $ 5,930 |
| 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 June 30, 2014, the Company borrowed $77,500 from the Revolving Credit Facility to fund investment acquisitions and repay the Facility and voluntarily repaid $19,282 to the Revolving Credit Facility. The Company borrowed $19,000 from the Facility and voluntarily repaid $51,000 to the Facility.

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

**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, 2013 and Part II, Item 1A of and elsewhere in this Form 10-Q.

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 registration statement on Form 10, 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, 2013 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.*

GMS Finance 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 intends to be treated, and intends 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”), commencing with its taxable year ended December 31, 2013.

GMS Finance’s investment objective is to generate current income and capital appreciation primarily through debt investments in U.S. middle market 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 and unitranche loans to private U.S. middle market companies that are, in many cases, controlled by private equity investment firms (“Middle Market Senior Loans”). Depending on market conditions, GMS Finance expects that between 70% and 80% of the value of its assets, including the amount of any borrowings for investment purposes, 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 senior secured loans and second lien loans, high-yield bonds, structured finance obligations and/or other opportunistic investments.

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**PORTFOLIO AND INVESTMENT ACTIVITY**

The fair value of our investments was approximately $418,611 and $212,807, respectively, in 53 and 27 portfolio companies/structured finance obligations as of June 30, 2014 and December 31, 2013, respectively.

The Company's investment activity for the three month periods ended June 30, 2014 and June 30, 2013 is presented below (information presented herein is at amortized cost unless otherwise indicated).

| | For the three month period ended June 30, 2014 | For the three month period ended June 30, 2013 |
|---|---|---|
| **Investments—non-controlled/non-affiliated:** | | |
| Total Investments—non-controlled/non-affiliated as of March 31 | $ 317,735 | $ — |
| New investments | 141,344 | 19,136 |
| Net accretion of discount on securities | 384 | — |
| Realized gains | 145 | — |
| Investments sold or repaid | (41,518) | — |
| **Total Investments—non-controlled/non-affiliated as of June 30** | $ 418,090 | $ 19,136 |
| **Principal amount of investments purchased:** | | |
| First Lien Debt | 81,675 | $ 19,250 |
| Second Lien Debt | 31,000 | — |
| Structured Finance Obligations | 42,100 | — |
| **Total** | $ 154,775 | $ 19,250 |
| **Principal amount of investments sold or repaid:** | | |
| First Lien Debt | $ (32,234) | $ — |
| Second Lien Debt | (7,500) | — |
| Structured Finance Obligations | — | — |
| **Total** | $ (39,734) | $ — |
| Number of new funded investments | 20 | 3 |
| Average new funded investment amount | $ 7,067 | $ 6,379 |
| Percentage of new funded investments at floating rates | 100% | 100% |

The increased investment activity for the three month period ended June 30, 2014 over the three month period ended June 30, 2013 was driven by our deployment of capital and increasing invested balance.

As of June 30, 2014 and December 31, 2013, investments—non-controlled/non-affiliated consisted of the following:

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| First Lien Debt | $272,416 | $273,899 | $141,510 | $141,676 |
| Second Lien Debt | 70,575 | 71,138 | 40,636 | 39,767 |
| Structured Finance Obligations | 75,099 | 73,574 | 30,982 | 31,364 |
| **Total** | $418,090 | $418,611 | $213,128 | $212,807 |

The weighted average yields (1) of our portfolio, based on the amortized cost and fair value as of June 30, 2014 and December 31, 2013, were as follows:

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| First Lien Debt | 3.82% | 3.83% | 4.14% | 4.15% |
| Second Lien Debt | 1.49 | 1.49 | 1.71 | 1.71 |
| Structured Finance Obligations | 4.12 | 4.12 | 2.73 | 2.73 |
| **Total** | 9.43% | 9.44% | 8.58% | 8.59% |

The weighted average yields (1) for each investment type, based on the amortized cost and fair value as of June 30, 2014 and December 31, 2013, were as follows:

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| First Lien Debt | 5.85% | 5.84% | 6.24% | 6.23% |
| Second Lien Debt | 8.91 | 8.85 | 8.97 | 9.16 |
| Structured Finance Obligations | 22.95 | 23.43 | 18.75 | 18.53 |

(1) Yields do not include the effect of accretion of discounts and amortization of premiums and are based on interest rates as of June 30, 2014.

## RESULTS OF OPERATIONS

***For the three month and six month periods ended June 30, 2014 and June 30, 2013***

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.

Net investment income for the three month and six month periods ended June 30, 2014 and June 30, 2013 was as follows:

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2013 |
|---|---|---|---|
| Total investment income from non-controlled/non-affiliated investments | $ 9,944 | $ 16,577 | $ 20 |
| Net expenses | (5,408) | (9,002) | (2,595) |
| **Net investment income** | $ 4,536 | $ 7,575 | $ (2,575) |

### Investment Income

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2013 |
|---|---|---|---|
| Interest income from non-controlled/non-affiliated investments | $ 9,944 | $ 16,577 | $ 20 |
| **Total investment income** | $ 9,944 | $ 16,577 | $ 20 |

The increase in interest income and net investment income for the three month and six month periods ended June 30, 2014 and June 30, 2013 was driven by our deployment of capital and increasing invested balance. As of June 30, 2014 and December 31, 2013, the size of our portfolio was $418,090 and $213,128, respectively, at amortized cost, with total par outstanding of $468,209 and $231,793, respectively. As of June 30, 2014 and December 31, 2013, our portfolio had a weighted average yield of 9.43% and 8.58%, respectively, on amortized cost.

**Expenses**

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2014 |
|---|---|---|---|
| Base management fees | $ 1,455 | $ 2,446 | $ 15 |
| Incentive fees | 1,149 | 2,089 | 13 |
| Organizational expenses | — | — | 1,426 |
| Professional fees | 596 | 1,193 | 540 |
| Administrative service fees | 218 | 475 | 189 |
| Interest expense | 634 | 983 | — |
| Credit facility fees | 1,526 | 2,056 | 164 |
| Directors’ fees and expenses | 103 | 185 | 108 |
| Transfer agency fees | 34 | 60 | 57 |
| Other general and administrative | 178 | 330 | 88 |
| Waiver of base management fees | (485) | (815) | (5) |
| **Total net expenses** | $ 5,408 | $ 9,002 | $ 2,595 |

Interest and credit facility fees for the three month and six month periods ended June 30, 2014 and June 30, 2013 were comprised of the following:

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2013 |
|---|---|---|---|
| Interest expense | $ 634 | $ 983 | $ — |
| Unused commitment fee | 372 | 658 | 62 |
| Amortization of deferred financing costs | 1,128 | 1,347 | 86 |
| Other fees | 26 | 51 | 16 |
| **Total interest expense and credit facility fees** | $ 2,160 | $ 3,039 | $ 164 |
| Cash paid for interest expense | $ 510 | $ 795 | $ — |

The increase in interest expense for the three month and six month periods ended June 30, 2014 was driven by increased usage of the facilities and increased deployment of capital to investments. For the three month and six month periods ended June 30, 2014, unused commitment fees and amortization of deferred financing costs increased related to fees associated with a second credit facility, the Facility, that closed on March 21, 2014. Additionally, for the three month and six month periods ended June 30, 2014, $827 of the amortization of deferred financing costs represents the prorated financing costs that were immediately expensed in lieu of continuing to amortize over the term of the Revolving Credit Facility related to the amendment that reduced commitments in the Revolving Credit Facility. For the three month and six month periods ended June 30, 2014, the average stated interest rate was 2.13% and 2.12%, respectively, and average principal debt outstanding was $117,699 and $92,401, respectively.

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 six month periods ended June 30, 2014 were driven by our deployment of capital and increasing invested balance. For the three month and six month periods ended June 30, 2014, base management fees were $970 and $1,631, respectively (net of waiver of $485 and $815, respectively), incentive fees related to pre-incentive fee net investment income were $1,137 and $1,933, respectively, and there were no incentive fees related to realized capital gains. For the three month and six month periods ended June 30, 2013, base management fees were $10 (net of waiver of $5), there were no incentive fees related to pre-incentive fee net investment income, and there were no incentive fees related to realized capital gains. Incentive fees of $1,137 and $1,933, respectively, were deferred for the three month and six month periods ended June 30, 2014 and will be carried over for payment in subsequent calculation periods to the extent that the 6.0% hurdle is achieved for the most recent four calendar quarters prior to payment. For the three month and six month periods ended June 30, 2014, the Company recorded an accrued capital gains incentive fee of $12 and $156, respectively, based upon the cumulative net realized and unrealized appreciation/(depreciation) as of June 30, 2014. For the three month and six month periods ended June 30, 2013, the Company recorded an accrued capital gains incentive fee of $13 based upon the cumulative net realized and unrealized appreciation/(depreciation) as of June 30, 2013. 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 5 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.

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 an administration agreement between the Company and the Administrator, 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. Administrative service fees and other general and administrative expenses increased for the three month and six month periods ended June 30, 2014 driven by the increased deployment of capital.

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

During the three month and six month periods ended June 30, 2014, the Company had a change in unrealized appreciation on 30 and 40 investments, respectively, totaling approximately $3,371 and $4,126, respectively, which was offset by a change in unrealized depreciation on 32 and 24 investments, respectively, totaling approximately $3,460 and $3,284, respectively. During the three month and six month periods ended June 30, 2013, the Company had a change in unrealized appreciation on 2 investments totaling approximately $146, which was offset by a change in unrealized depreciation on 1 investment totaling approximately $82.

| | For the three month period ended June 30, 2014 | For the six month period ended June 30, 2014 | For the three month and six month periods ended June 30, 2013 |
|---|---|---|---|
| Net realized gain (loss) on investments—non-controlled/non-affiliated | $ 145 | $ 191 | $ — |
| Net change in unrealized appreciation (depreciation) on investments—non-controlled/non-affiliated | (89) | 842 | 64 |
| **Net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments** | $ 56 | $ 1,033 | $ 64 |

Net realized gain (loss) and net change in unrealized appreciation (depreciation) for the three month and six month periods ended June 30, 2014 and June 30, 2013 was as follows:

| | For the three month period ended June 30, 2014 | | For the six month period ended June 30, 2014 | |
|---|---|---|---|---|
| Type | Net realized gain (loss) | Net change in unrealized appreciation (depreciation) | Net realized gain (loss) | Net change in unrealized appreciation (depreciation) |
| First Lien Debt | $ — | $ 898 | $ — | $ 1,317 |
| Second Lien Debt | 120 | 1,048 | 120 | 1,432 |
| Structured Finance Obligations | 25 | (2,035) | 71 | (1,907) |
| **Total** | $ 145 | $ (89) | $ 191 | $ 842 |

| | For the three month and six month periods ended June 30, 2013 | |
|---|---|---|
| Type | Net realized gain (loss) | Net change in unrealized appreciation (depreciation) |
| First Lien Debt | $ — | $ 64 |
| **Total** | $ — | $ 64 |

## 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 Revolving Credit Facility (as defined below) and/or the Company's Facility (as defined below). The Borrower Sub closed on May 24, 2013 on a senior secured revolving credit facility with various lenders (the "Revolving Credit Facility"), which Revolving Credit Facility was subsequently amended on June 30, 2014 (the "First Amendment"). The Revolving Credit Facility provides for secured borrowings up to the lesser of $400,000 or the amount of 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 adequate collateral to support such borrowings. The Company closed on March 21, 2014 on a senior secured revolving credit facility with various lenders (the "Facility"). The maximum principal amount of the Facility is $150,000, subject to availability under the Facility, which is based on the value of the Company's portfolio investments net of certain other indebtedness that the Company may incur in the future 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. For more information on the Revolving Credit Facility and Facility, see Note 6 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.

As of June 30, 2014 and December 31, 2013, the Company had $27,327 and $42,010, respectively, in cash. The facilities of the Company and the Borrower Sub consisted of the following as of June 30, 2014 and December 31, 2013:

| | June 30, 2014 | | | |
|---|---|---|---|---|
| | Total Facility | Borrowings Outstanding | Unused Portion (1) | Amount Available (2) |
| Revolving Credit Facility | $400,000 | $ 59,740 | $340,260 | $ 24,379 |
| Facility | 150,000 | 94,000 | 56,000 | 36,677 |
| Total | $550,000 | $ 153,740 | $396,260 | $ 61,056 |

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Total Facility | Borrowings Outstanding | Unused Portion (1) | Amount Available (2) |
| Revolving Credit Facility | $500,000 | $ 66,822 | $433,178 | $ 18,616 |
| Total | $500,000 | $ 66,822 | $433,178 | $ 18,616 |

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

***Equity Activity***

There were $40,125 and $231,754 of investor equity capital commitments made to the Company during the three month and six month periods ended June 30, 2014, respectively. There were $250,115 of commitments made to the Company during the three month and six month periods ended June 30, 2013. Total investor equity capital commitments to the Company were $1,109,162 and $877,408 as of June 30, 2014 and December 31, 2013, respectively.

As of June 30, 2014 and December 31, 2013, $855,687 and $689,405, respectively, of total investor equity capital commitments were unfunded. As of June 30, 2014 and December 31, 2013, $42,967 of total investor equity capital commitments were made by the Investment Adviser, members of senior management, and certain employees, partners, and affiliates of the Investment Adviser. As of June 30, 2014 and December 31, 2013, certain directors had committed $1,750 in capital commitments to the Company.

Shares issued as of June 30, 2014 and December 31, 2013 were 12,891,569 and 9,575,990, respectively.

The following table summarizes activity in the number of shares of our common stock outstanding during the six month periods ended June 30, 2014 and June 30, 2013:

| | For the six month period ended June 30, 2014 | For the six month period ended June 30, 2013 |
|---|---|---|
| Shares outstanding, beginning of period | 9,575,990 | 100 |
| Common stock issued | 3,315,431 | 2,027,270 |
| Reinvestment of dividends | 148 | — |
| Shares outstanding, end of period | 12,891,569 | 2,027,370 |

***Contractual Obligations***

A summary of significant contractual payment obligations was as follows as of June 30, 2014 and December 31, 2013:

| June 30, 2014 | | Payment Due by Period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Secured Borrowings | $153,740 | — | — | $ 94,000 | $ 59,740 |

| December 31, 2013 | | Payment Due by Period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Secured Borrowings | $66,822 | — | — | — | $ 66,822 |

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

During the six month period ended June 30, 2014, there were net repayments of $7,082 under the Revolving Credit Facility and secured borrowings of $94,000 under the Facility. For the six month period ended June 30, 2013, there were no borrowings. As of June 30, 2014 and December 31, 2013, $153,740 and $66,822, respectively, of secured borrowings were outstanding. For the three month and six month periods ended June 30, 2014, we incurred $634 and $983 of interest expense, respectively, and $372 and $658 of unused commitment fees, respectively. For the three month and six month periods ended June 30, 2013, we incurred no interest expense and $62 of unused commitment fees.

**OFF BALANCE SHEET ARRANGEMENTS**

In the ordinary course of its business, the Company enters into contracts or agreements that contain indemnifications 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 June 30, 2014 and December 31, 2013 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.

As of June 30, 2014, there was a $100,000 pledge of unfunded investor equity capital commitments to the lenders of the Facility, which shall be released once $100,000 of incremental capital has been called and received by the Company subsequent to the March 21, 2014 closing date of the Facility. Such capital call commitment has not been satisfied as of June 30, 2014.

The Company had the following commitments to fund delayed draw senior secured loans, none of which were funded:

| | Par Value as of | |
|---|---|---|
| | June 30, 2014 | December 31, 2013 |
| Total unfunded delayed draw commitments | $ 1,780 | $ 3,000 |

**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 net asset value per share determined as of the valuation date fixed by the Board of Directors for such dividend or distribution. 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 on the relevant valuation date. If the market value per share is less than the net asset value per share on the relevant valuation 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.

On June 26, 2014 and March 13, 2014, the Company declared dividends of $0.27 and $0.19 per share, respectively, for the quarter ended June 30, 2014 and March 31, 2014, respectively, which were paid on July 14, 2014 and April 14, 2014, respectively, to holders of record of common stock at the close of business on June 30, 2014 and March 31, 2014, respectively. As of December 31, 2013, no dividends or distributions had been declared or paid by the Company.

**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, 2013.

***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 and Disclosures* ("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 and documents 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; (ii) preliminary valuation conclusions are documented and reviewed by a valuation committee comprised of members of senior management; (iii) the Board of Directors engages one or more third-party valuation firms to provide positive assurance on portions of the portfolio each quarter (such that each non-traded investment is reviewed by a third-party valuation firm at least once annually) 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, where appropriate, the respective third-party valuation firms 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 respective third-party valuation firms.

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 certificate 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 than the net change in unrealized appreciation or depreciation currently reflected in the consolidated financial statements as of June 30, 2014.

US GAAP establishes a hierarchal 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 included in Level I 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 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 included in this category 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) 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 investment'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.

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

See Note 4 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 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 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 investments represents the original cost, including loan 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 we refer to as "structured finance obligations", is recorded based upon an estimation of the expected cash inflows from our CLO equity investments, including the expected residual 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 may impact our estimates and interest income. As a result, actual results may differ significantly from these estimates. Interest income from investments in the notes of CLO funds, which are also refered to as "structured finance obligations", is recorded based upon the stated interest rate.

*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 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 intends 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 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, or due date, of the capital call, which is the date shares are issued. 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, is 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 net asset value per share determined as of the valuation date fixed by the Board of Directors for such dividend or distribution. 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 on the relevant valuation date. If the market value per share is less than the net asset value per share on the relevant valuation 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 reported 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 six month periods ended June 30, 2014, substantially all 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 interest generated from the Company's settled portfolio of investments held as of June 30, 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 June 30, 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 June 30, 2014 and based on the respective terms of each of the Company's credit facilities. Interest expense on the Company's credit facilities is calculated using the interest rate as of June 30, 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 Statement of Assets and Liabilities as of June 30, 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 | Interest Income | Interest Expense | Net Interest |
|---|---|---|---|
| Up 300 basis points | $6,870 | $(4,612) | $2,258 |
| Up 200 basis points | $3,776 | $(3,075) | $ 701 |
| Up 100 basis points | $ 692 | $(1,537) | $ (845) |
| Down 100 basis points | $ (125) | $ 284 | $ 159 |
| Down 200 basis points | $ (250) | $ 284 | $ 34 |
| Down 300 basis points | $ (375) | $ 284 | $ (91) |

**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 June 30, 2014 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, 2013. 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, 2013 filed with the SEC on March 14, 2014, which is accessible on the SEC's website at sec.gov.

***Valuation Risk***

Management of the Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Company's investments conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the investee's operations and profitability. In addition, the Company is subject to changing regulatory and tax environments. Such events are beyond the Company's control, and the likelihood that they may occur and the effect on the Company cannot be predicted. Furthermore, most of the Company's investments are made in private companies whose shares do not trade on established exchanges. While it is expected that these companies may pursue initial public offerings, trade sales, or other liquidation events, there are generally no public markets for these securities at the current time. The Company's ability to liquidate its private company investments and realize value is subject to significant limitations and uncertainties, including currency fluctuations.

The Company's ability to liquidate its publicly traded investments may be subject to limitations, including discounts that may be required to be taken on quoted prices due to the number of shares being sold.

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

Except as previously reported by the Company on Form 8-K, 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.

**Item 6. Exhibits.**

| | |
|---|---|
| 10.1 | First Amendment, dated as of June 30, 2014, to the Loan and Servicing Agreement, dated as of May 24, 2013.* |
| 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: August 13, 2014

By /s/ Karen Vejseli
Karen Vejseli
Chief Financial Officer

**Exhibit 10.1**

FIRST AMENDMENT, dated as of June 30, 2014 ("First Amendment"), to the LOAN AND SERVICING AGREEMENT, dated as of May 24, 2013 (prior to the effectiveness of the First Amendment, the "Existing Agreement" and following the effectiveness of the First Amendment, the "Agreement"), among CARLYLE GMS FINANCE SPV LLC, a Delaware limited liability company (the "Borrower"), CARLYLE GMS FINANCE, INC., a Maryland corporation ("Carlyle"), as the Transferor and the Servicer, each of the Conduit Lenders, Liquidity Banks, Lender Agents and Institutional Lenders party to the Existing Agreement (as defined below), CITIBANK, N.A., as the Collateral Agent, WELLS FARGO BANK, NATIONAL ASSOCIATION, as the Account Bank, the Backup Servicer and the Collateral Agent, CITIBANK, N.A. and SUNTRUST ROBINSON HUMPHREY, INC., as the Joint Lead Arrangers and CITIBANK, N.A., as the Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Existing Agreement.

The parties to the Existing Agreement desire to extend and amend the Existing Agreement in the manner set forth herein.

Accordingly, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to the Existing Agreement.

(a) The defined term "Broadly Syndicated Loan Asset" appearing in Section 1.01(b) of the Existing Agreement is hereby amended by (i) deleting such defined term in its entirety and (ii) substituting therefor the following:

"'Broadly Syndicated Loan Asset' means a Loan Asset that (i) is a broadly syndicated commercial loan, (ii) has a Tranche Size of $200,000,000 or greater (without consideration of reductions thereon from scheduled amortization payments), and (iii) is either (x) an Initial Unrated Loan Asset, or (y) rated (or will be by both S&P and Moody's (or the Obligor is rated by S&P and Moody's) as of the Cut-Off Date relating thereto, and such ratings are not lower than B3 by Moody's and B- by S&P."

(b) Clause (d) of the defined term "Concentration Limits" appearing in Section 1.01 of the Existing Agreement is hereby amended by (i) deleting the figure "5%" appearing in the second line of such clause, and (ii) substituting therefor the figure "10%."

(c) Clauses (r), (s) and (t) of the defined term "Concentration Limits" appearing in Section 1.01 of the Existing Agreement are hereby amended by (i) deleting such clauses in their entirety, and (ii) substituting therefor the following new clauses (r), (s) and (t):

"(r) the sum of Outstanding Loan Balances of all Eligible Loan Assets for which the Senior Debt/EBITDA Ratio (determined as of its related Cut-Off Date) of the related Obligor (i) with respect to all Large-Market Loan Assets, is greater than 4.50:1.00, *plus* (ii) with respect to all Mid-Market Loan Assets, is greater than 3.75:1.00, shall not exceed 15% of the Concentration Test Amount;

(s) the sum of Outstanding Loan Balances of all Unitranche Loan Assets that are Eligible Loan Assets for which the Total Debt/EBITDA Ratio (determined as of its related Cut-Off Date) of the related Obligor (and for which the Obligor thereunder has no other senior Indebtedness outstanding) (i) with respect to Unitranche Loan Assets that are Large-Market Loan Assets, is greater than 5.25:1.00, *plus* (ii) with respect to Unitranche Loan Assets that are Mid-Market Loan Assets, is greater than 4.50:1.00, shall not exceed 10% of the Concentration Test Amount;

(t) the sum of Outstanding Loan Balances of all Eligible Loan Assets for which the Total Debt/EBITDA Ratio (determined as of its related Cut-Off Date) of the related Obligor (other than an Obligor subject to the test under clause (s) above) (i) with respect to all Loan Assets, is greater than 6.00:1.00 shall not exceed 10% of the Concentration Test Amount, *and* (ii) with respect to all Mid-Market Loan Assets, is greater than 5.00:1.00, shall not exceed 5% of the Concentration Test Amount;"

(d) The defined term "Concentration Limits" appearing in Section 1.01 of the Existing Agreement is hereby amended by (i) deleting the word "and" at the end of clause (v), (ii) deleting the period at the end of clause (w) and substituting therefor ";", and (iii) adding he following new clauses (x) and (y) at the end of such defined term:

"(x) the sum of Outstanding Loan Balances of all Cov-Lite Loan Assets that are Eligible Loan Assets (including all Special Cov-Lite Loan Assets) shall not exceed 30% of the Concentration Test Amount; and

(y) the sum of Outstanding Loan Balances of all Special Cov-Lite Loan Assets that are Eligible Loan Assets shall not exceed 5% of the Concentration Test Amount."

(e) The defined term "Concentration Test Amount" appearing in Section 1.01(b) of the Existing Agreement is hereby amended by (i) deleting such defined term in its entirety and (ii) substituting therefor the following:

"'Concentration Test Amount' means $350,000,000, until the earlier to occur of (x) the date on which the AOLB equals or exceeds $350,000,000, and (y) November 30, 2014, and (ii) at all times thereafter, the AOLB.

(f) The defined term "Cut-Off Date" appearing in Section 1.01(b) of the Existing Agreement is hereby amended by (i) deleting such defined term in its entirety and (ii) substituting therefor the following:

"'Cut-Off Date' means, with respect to each Loan Asset, either (i) the date (which may be the Closing Date) such Loan Asset is Pledged and an Advance based on a Borrowing Base including such Loan Asset is funded hereunder, or (ii) with respect to a Loan Asset that is part of the Collateral Portfolio and either (A) the term of this Agreement is extended, or (B) the term of the Loan Agreement thereunder has been extended during the Revolving Period, the effective date of the amendment extending this Agreement or the term of such Loan Agreement, as applicable (the evaluation as of such Cut-Off Date being in accordance with the Servicing Standard and the valuation practices of the Servicer and relying upon the most recent compliance certificates and financial information provided by each Obligor under Section 6.08(f) or otherwise).

(g) The defined term "Minimum Credit Enhancement" appearing in Section 1.01(b) of the Existing Agreement is hereby amended by (i) deleting the figure "40%" appearing in the seventh line of such defined term, and (ii) substituting therefor the figure "35%".

(h) The defined term “Scheduled Commitment Termination Date” appearing in Section 1.01(b) of the Existing Agreement is hereby amended by (i) deleting the date “May 24, 2016” appearing in the first line of such defined term, and (ii) substituting therefor the date “May 24, 2017”.

(i) The defined term “Scheduled Maturity Date” appearing in Section 1.01(b) of the Existing Agreement is hereby amended by (i) deleting the date “May 24, 2019” appearing in the first line of such defined term, and (ii) substituting therefor the date “May 22, 2020”.

(j) Section 1.01 of the Existing Agreement is hereby amended by adding the following new defined terms and placing them in their appropriate alphabetical order:

“’Bid Price’ means a bid price on a Loan Asset obtained from a bank or a broker-dealer registered under the Securities Exchange Act of 1934 of nationally recognized standing or an Affiliate thereof.

’Cov-Lite Loan Asset’ means a First Lien Loan Asset that is a Broadly Syndicated Loan Asset or a Special Cov-Lite Loan Asset and that does not (i) contain any financial covenants or (ii) require the Obligor thereunder to comply with any Maintenance Covenant (regardless of whether compliance with one or more Incurrence Covenants is otherwise required by the Loan Documents for such Loan Asset); *provided* that for all purposes other than the determination of the S&P and Moody’s Recovery Rates for such Loan Asset, a Loan Asset described in clause (i) or (ii) above which either contains a cross-default provision to another loan of the underlying Obligor forming part of the same loan facility that requires the underlying Obligor to comply with a Maintenance Covenant will be deemed not to be a Cov-Lite Loan Asset. For the purposes of this definition, “Maintenance Covenant” means a covenant by the Obligor to comply with one or more financial covenants during each reporting period, whether or not such Obligor has taken any specified action, and “Incurrence Covenant” means a covenant by the Obligor to comply with one or more financial covenants only upon the occurrence of certain actions of the Obligor, including a debt issuance, dividend payment, share purchase, merger, acquisition or divestiture.

‘Large-Market Loan Asset” A Loan Asset for which the EBITDA of the related Obligor thereof (as set forth in, or as calculated in connection with, the Underwriting Memoranda for such Loan Asset) is equal to or greater than $25,000,000.

‘Mid-Market Loan Asset” A Loan Asset for which the EBITDA of the related Obligor thereof (as set forth in, or as calculated in connection with, the Underwriting Memoranda for such Loan Asset) is less than $25,000,000.

’Side Quote’ means, with respect to any Loan Asset, bid side quotes for such Loan Asset obtained from one or more of Loan Pricing Corporation, MarkIt Partners or any other nationally recognized loan pricing service selected by the Servicer and approved in writing by the Administrative Agent.

’Special Cov-Lite Loan Asset’ means a Loan Asset that would qualify as a Cov-Lite Loan Asset, except that such Loan Asset (i) does not qualify as a Broadly Syndicated Loan Asset solely because such Loan Asset has a Tranche Size of $150,000,000 or greater but less than $200,000,000 (without consideration of reductions thereon from scheduled amortization payments), or (ii) has only one current Bid Price or a Side Quote that is based on only one current Bid Price.”

(k) Section 2.04(a) of the Existing Agreement is hereby amended by (i) deleting the word "and" at the end of clause (xii), (ii) deleting clause (xiii) in its entirety, and (iii) adding the following new clauses (xiii) and (xiv) at the end of such Section:

"(xiii) ***thirteenth***, to the Administrative Agent for distribution to each Lender Agent for the account of the applicable Lender, to pay the Advances Outstanding in connection with any voluntary prepayment of Advances hereunder in accordance with Section 2.18(b); and

(xiv) ***fourteenth***, during any Release Period, to the Borrower, any remaining amounts."

(l) Section 2.04(b) of the Existing Agreement is hereby amended by (i) deleting the word "and" at the end of clause (vi), (ii) deleting clause (vii) in its entirety, and (iii) adding the following new clauses (vii) and (viii) at the end of such Section:

"(vii) ***seventh***, to the Administrative Agent for distribution to each Lender Agent for the account of the applicable Lender, to pay the Advances Outstanding in connection with any voluntary prepayment of Advances hereunder in accordance with Section 2.18(b); and

(viii) ***eighth***, during any Release Period, to the Borrower, any remaining amounts."

(m) Section 5.02(h) of the Existing Agreement is hereby amended by (i) deleting such subsection in its entirety and (ii) substituting therefor the following replacement Section 5.02(h):

(h) Use of Proceeds. The Borrower shall not use the proceeds of any Advance other than (x) to finance the acquisition by the Borrower of Collateral Portfolio, or (y) to distribute such proceeds to CGMS (so long as such distribution is permitted pursuant to Section 5.02(m)).

(n) Annex A to the Existing Agreement is hereby amended by (i) deleting such annex in its entirety and (ii) substituting therefor a new Annex A attached to this First Amendment.

(o) Schedule III to the Existing Agreement is hereby amended by (i) deleting clauses II.(z) and (aa) in their entirety and (ii) substituting therefor the following:

"(z) If the Loan Asset is a Cov-Lite Loan Asset (i) it is a First Lien Loan Asset, (ii) it has an Assigned Value of at least 90%, and (ii) the EBITDA of the related Obligor thereof (as set forth in, or as calculated in connection with, the Underwriting Memoranda for such Loan Asset) is greater than or equal to $50,000,000.

(aa) [Intentionally Omitted]"

2. Effective Date. This First Amendment shall become effective (the "Effective Date") upon the satisfaction of the following conditions (in form and substance reasonably acceptable to the Administrative Agent):

(a) The Administrative Agent shall have received a copy of this First Amendment duly executed by each of the Borrower, Carlyle, the Lender Agents, the Conduit Lenders, the Liquidity Banks, the Institutional Lenders, the Collateral Agent, the Joint Lead Arrangers, the Administrative Agent and the Account Bank, Backup Servicer and Collateral Custodian.

(b) The Administrative Agent shall have received a copy of the assignment and assumption agreement with Royal Bank of Canada and the assignment of Commitments resulting therefrom shall have been duly effected.

(c) The Administrative Agent shall have received a copy of the amendment to the Transaction Fee Letter, duly executed by each of the Borrower, Carlyle and the Administrative Agent.

3. Miscellaneous.

(a) Amended Terms**.** On and after the date hereof, all references to the Agreement in each of the Transaction Documents shall hereafter mean the Agreement as amended by this First Amendment. Except as specifically amended hereby or otherwise agreed, the Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

(b) Representations and Warranties of the Borrower and Servicer. Each of the Borrower and the Servicer, severally, for itself only, represents and warrants as of the date of this First Amendment as follows:

(i) It has taken all necessary action to authorize the execution, delivery and performance of this First Amendment.

(ii) This First Amendment has been duly executed and delivered by such Person and each of this First Amendment and the Agreement, as amended by this First Amendment constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (A) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or first party is required in connection with the execution, delivery or performance by such Person of this First Amendment other than such as has been met or obtained and are in full force and effect.

(iv) The representations and warranties set forth in Sections 4.01, 4.02 and 4.03 of the Agreement are true and correct in all material respects as of the date hereof (except for those which expressly relate to an earlier date).

(v) No event has occurred and is continuing which constitutes a Event of Default or an Unmatured Event of Default.

(c) Transaction Document. This First Amendment shall constitute a Transaction Document under the terms of the Agreement.

(d) Counterparts; Electronic Signatures; Severability; Integration. This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this First Amendment by e-mail in portable document format (.pdf) or facsimile shall be effective as delivery of a manually executed counterpart of this First Amendment.

(e) GOVERNING LAW. THIS FIRST AMENDMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN

RESPECT OF ANY LITIGATION ARISING DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH THIS FIRST AMENDMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREUNDER.

(f) Successors and Assigns. This First Amendment shall be binding upon and inure to the benefit of the Borrower, the Servicer, the Administrative Agent, each Lender, the Lender Agents, the Collateral Agent, the Account Bank, the Collateral Custodian and their respective successors and permitted assigns.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first above written.

**<u>THE BORROWER</u>:**

**CARLYLE GMS FINANCE SPV LLC**

By: ______________________________

Name: Karen Vejseli

Title: Chief Financial Officer

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>THE SERVICER</u>:**

**CARLYLE GMS FINANCE, INC.**

By: ______________________________
Name: Karen Vejseli
Title: Chief Financial Officer

**<u>THE TRANSFEROR</u>**:

**CARLYLE GMS FINANCE, INC.**

By: ______________________________
Name: Karen Vejseli
Title: Chief Financial Officer

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>THE ADMINISTRATIVE AGENT</u>:**

**CITIBANK, N.A.**

By: ______________________________

Name: Linda Moses
Title: Vice President

**<u>THE COLLATERAL AGENT</u>:**

**CITIBANK, N.A.**

By: ______________________________

Name: Linda Moses
Title: Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>THE ACCOUNT BANK, COLLATERAL CUSTODIAN AND, COLLATERAL ADMINISTRATOR</u>:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: ______________________________

Name: Michael Roth

Title: Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>THE BACKUP SERVICER</u>:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: ______________________________
Name: Marie E. Carrell
Title: Assistant Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>CONDUIT LENDER</u>:**

**CRC FUNDING, LLC**

By: Citibank, N.A., as Attorney-in-Fact

By: ______________________________
Name: Linda Moses
Title: Vice President

CRC Funding, LLC
c/o Citibank, N.A.
750 Washington Boulevard
Stamford, CT 06901
Attention: Global Securitization
Tel No.: (203) 975-6417
Fax No.: (914) 274-9027

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>LIQUIDITY BANK AND CONDUIT LENDER</u>:**

**CIESCO, LLC**

By: Citibank, N.A., as Attorney-in-Fact

By: ______________________________

Name: Linda Moses
Title: Vice President

CIESCO, LLC
c/o Citibank, N.A.
750 Washington Boulevard
Stamford, CT 06901
Attention: Global Securitization
Tel No.: (203) 975-6417
Fax No.: (914) 274-9027

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>CONDUIT LENDER</u>:**

**CHARTA, LLC**

By: Citibank, N.A., as Attorney-in-Fact

By: ______________________________

Name: Linda Moses
Title: Vice President

CHARTA, LLC
c/o Citibank, N.A.
750 Washington Boulevard
Stamford, CT 06901
Attention: Global Securitization
Tel No.: (203) 975-6417
Fax No.: (914) 274-9027

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**CONDUIT LENDER:**

**CAFCO, LLC**

By: Citibank, N.A., as Attorney-in-Fact

By: ______________________________
Name: Linda Moses
Title: Vice President

CAFCO, LLC
c/o Citibank, N.A.
750 Washington Boulevard
Stamford, CT 06901
Attention: Global Securitization
Tel No.: (203) 975-6417
Fax No.: (914) 274-9027

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>LENDER AGENT</u>**:

**CITIBANK, N.A.**

By: ________________________________________
Name: Linda Moses
Title: Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**INSTITUTIONAL LENDER**:

**SUNTRUST BANK**

By: ______________________________

Name: Emily Shields
Title: First Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>LENDER AGENT</u>:**

**SUNTRUST BANK**

By: ____________________________________
Name: Emily Shields
Title: First Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>INSTITUTIONAL LENDER</u>**:

**PNC BANK, NATIONAL ASSOCIATION**

By: ______________________________

Name: Lawrence Beller
Title: Senior Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**LENDER AGENT:**

**PNC BANK, NATIONAL ASSOCIATION**

By: ______________________________

Name: Lawrence Beller
Title: Senior Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**INSTITUTIONAL LENDER**:

**KEY EQUIPMENT FINANCE,** a division of Keybank National Association

By: ______________________________________
Name: Richard Andersen
Title: Designated Signer

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**LENDER AGENT:**

**KEY EQUIPMENT FINANCE,** a division of Keybank National Association

By: ______________________________
Name: Richard Andersen
Title: Designated Signer

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**<u>INSTITUTIONAL LENDER</u>**:

**STATE STREET BANK AND TRUST COMPANY**

By: ______________________

Name: Emma Wallace
Title: Vice President

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

**LENDER AGENT:**

**STATE STREET BANK AND TRUST COMPANY**

By: ______________________________

Name: Emma Wallace

Title: Vice President

Annex A

Commitments

| Liquidity Bank or Institutional Lender | Name of Institution | Commitment |
|---|---|---|
| Liquidity Bank | Ciesco, LLC | $150,000,000 |
| Institutional Lender | SunTrust Bank | $100,000,000 |
| Institutional Lender | PNC Bank, National Association | $ 80,000,000 |
| Institutional Lender | State Street Bank and Trust Company | $ 45,000,000 |
| Institutional Lender | Key Equipment Finance, a division of Keybank National Association. | $ 25,000,000 |
| **AGGREGATE COMMITMENT** | | **$400,000,000** |

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

**CERTIFICATION**

I, Michael J. Petrick, 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. 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
   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2014

/s/ Michael J. Petrick

**Michael J. Petrick**
**President**
**(Principal Executive Officer)**

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

**CERTIFICATION**

I, Karen Vejseli, 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. 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

    c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 13, 2014

/s/ Karen Vejseli

**Karen Vejseli**
**Chief Financial Officer**
**(Principal Financial Officer)**

Exhibit 32.1

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 J. Petrick, 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 June 30, 2014 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: August 13, 2014

/s/ Michael J. Petrick

**Michael J. Petrick**
**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.

Exhibit 32.2

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, Karen Vejseli, 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 June 30, 2014 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: August 13, 2014

/s/ Karen Vejseli

**Karen Vejseli**
**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.