



Earnings Presentation

Third Quarter September 30, 2013

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Our Current View of the Market

Current Market Trends in the Overall Loan Market

- Despite softness in the third quarter, leveraged loan volume remains very strong this year.
- Volume was driven by refinancing/recapitalization activity in the first half the year and increased M&A activity in the third quarter.
- Spreads continue to tighten and leverage continues to increase.
- Slow economic growth has suppressed the need for expansion financing.

Current Market Trends in the Lower Middle Market

- While debt capital markets for larger corporate borrowers are robust, liquidity in the lower middle market remains restrained.
- A limited number of BDCs and smaller lending funds are the primary source of capital in this segment.
- Sponsor business currently constitutes the majority of direct lending opportunities – this could change if and when the economic picture improves.
- The direct lending climate remains favorable as banks continue to avoid underwriting term loans.
- Middle market opportunities continue to command better pricing and structuring than in the syndicated market.

Our Current View of the Market (continued)

Macro Trends in Our Core Portfolio

- Core originations increased as a percentage of our overall portfolio.
- Syndications to first out lenders and club partners allow us to optimize our return characteristics and hold sizes.
- While core volume did not outpace the prior quarter, originated deal flow has increased.
- Weighted average yield of core deals closed during the quarter was 12.6%.
- Targeted marketing to middle market companies, banks, private equity sponsors and boutique investment banks has yielded significant deal flow.
- Portfolio credit quality and leverage multiples remain stable and in line with prior quarters.
- Our pipeline remains strong through the fourth quarter: one origination, two club deals and an upsize to an existing borrower have closed to date.

Transactions of Note

- Our directly originated core investments during the 3rd quarter totaled \$30.2 million of par value compared with \$20.4 million in Q2:
 - Nu Link: Led the refinance of the company's credit facility, sourced through our existing lending relationship with the company and its financial advisor.
 - Penda: Provided mezzanine financing, sourced through a close sponsor relationship.
 - EZE Trucking: Originated and led an acquisition financing, sourced through our previous lending relationship with the Company.
 - Walnut Hill: Partnered with a major financial services company to provide equipment financing to a hospital.
 - Joe's Jeans: Originated and led an acquisition financing for a public company, sourced through our relationship with an ABL provider to the Company.

Select Q3 2013 Core Loan Portfolio Additions



Business Overview

Cable TV, high speed internet and phone provider

Leading heavy gauge thermo former

Specialty trucking and logistics platform in the Western and Central U.S.

Equipment financing lease to a hospital in the Dallas Area

Casual chic lifestyle brand offering premium denim, accessories and footwear

Date Closed/ Tenor

7/17/2013
5 Year Deal

7/26/2013
5.5 Year Deal

7/31/2013
5 Year Deal

9/27/2013
5 Year Deal

9/30/2013
5 Year Deal

Interest Rate

L+850 with a 1.00% Floor and 1.75% upfront fee

12.0% cash + 2.0% PIK with a 2.0% upfront fee

Base Rate+875 with a 2.5% upfront fee

12.5%

L+1075 with a 1.25% Floor and 2.0% upfront fee

Asset Type

Term Loan & Revolver – First Lien

Mezzanine Loan – Subordinated

Term Loan & Delayed Draw Term Loan – First Lien
Equity - Common

Financing Lease – First Lien

Term Loan – First Lien

Invested / Global facility size

Term Loan: \$11.0mm / \$35.0mm*
Revolver: \$0.5mm / \$1.0mm*

Term Loan: \$7.2mm / \$10.0mm *

Term Loan: \$10.5mm TL / \$35.0 mm*
Equity: \$260k Equity

Financing Lease: \$9.8mm / \$15.0 mm*
(Delayed draw 20% funded as of 9/30/2013 remainder funded 10/10/2013)

Term Loan: \$10.5mm / \$60.0 mm*

Origination Source

Direct – Originated

Direct – Originated

Direct – Originated

Direct – Originated

Direct – Originated

Call protection

103/102/100.5

102

102/101

Residual Equipment

103/102/101

Leverage (Debt/ EBITDA)**

4.8x

3.7x

4.2x

N/A

3.6x

Earnings

- Net increase in net assets from operations of \$6.7 million or \$0.40 per share compared with \$6.8 million or \$0.41 per share in Q2 2013
 - Net investment income of \$5.9 million or \$0.35 per share compared with \$5.0 million or \$0.30 per share in Q2 2013
 - Net realized losses of (\$5.7) million or (\$0.34) per share
 - Realized losses in the amount of (\$6.0) million were as a result of the repayment of two investments that were written down prior to the IPO offset by \$0.3 million of realized gains on the remaining portfolio
 - Net change in unrealized appreciation of investments of \$6.5 million or \$0.39 per share compared with \$1.2 million or \$0.07 per share in Q2 2013
 - Driven by reversal of unrealized depreciation in the amount of \$6.0 million as a result of the repayment of two investments
 - \$0.5 million as a result of appreciation on the remaining portfolio
- Paid a Q3 dividend of \$0.35 per share and declared a Q4 dividend of \$0.35 per share, payable on December 27, 2013
- The Investment Adviser intends to waive a portion of its incentive fee in Q4 2013 if total net investment income and net realized gains do not result in earnings of \$0.35 per share. ⁽¹⁾
- The Investment Adviser intends to waive a portion of its incentive fee in Q2 2014 if total net investment income and net realized gains do not result in combined earnings of \$0.70 per share. ⁽¹⁾

Q3 2013 Highlights

Funding

- Recently priced a ten year \$350.0 million term debt securitization which was used to refinance our Credit Facility

	Prior Credit Facility (unaudited)	Interest Rate	Current Credit Facility (unaudited)	Interest Rate
<i>(In thousands, except per share data)</i>				
Class A-1R Notes	\$ 50,000,000	COF ⁽¹⁾ + 3.25%	\$ 50,000,000	CP ⁽¹⁾ + 1.90%
Class A-1T Notes	125,000,000	COF + 3.25%	111,175,000	LIBOR + 1.80%
Class A-2 Notes	-		24,150,000	LIBOR + 3.40%
Class B Notes	-		25,025,000	LIBOR + 4.65%
Total Liabilities	175,000,000		210,350,000	
Total Net Assets (rounded)	250,000,000		250,000,000	
Total Assets	425,000,000		460,350,000	
Leverage Ratio	0.70x		0.84x	

- Increased our leverage from \$175.0 million to \$210.4 million; current leverage of 0.84x based on sale of additional \$22.0 million of Class A-1T Notes sold subsequent to September 30, 2013 ⁽²⁾
- Weighted average effective interest rate, including the effects of amortization and discount, of 3.0% compared to 3.8% in Q2 2013

Q3 2013 Highlights

Liquidity

- Executed originations and purchases of investments and draws on previously unfunded revolvers in the amount of \$50.8 million (net of \$11.0 (HC Cable refinance) during the quarter, \$38.0 million of which was in our Core portfolio.⁽¹⁾
- Realized sales or repayments of investments in the amount of \$58.6 million during the quarter, \$46.9 million of which was in our Transitory portfolio.⁽²⁾
- As of September 30, 2013, we had cash and cash equivalents of \$33.9 million (\$44.7 million when including unsettled trades and the sale of Class A-1T Notes).
- Transitory portfolio with a market value as of September 30, 2013 totaling \$176.0 million compared to \$209.1 million as of June 30, 2013.
- Submission of our management assessment questionnaire with the U.S. Small Business Administration in Q4 2013.
- No additional follow on equity offerings anticipated until after we meet shelf eligibility requirements at the end of Q1 2014.

Q3 2013 Portfolio Highlights

Portfolio Activity – Core ⁽¹⁾

- Total additions to our core portfolio totaling \$38.8 million of par (cost of \$38.0 million)
 - Closed six new investments in our core portfolio totaling \$31.2 million of par (cost of \$30.5 million)
 - Five totaling \$30.2 million of par (cost of \$29.5 million) were direct originations
 - \$1.0 million equity investment in a consumer lending platform
 - \$2.5 million of additional par (cost of \$2.5 million) represents an upsize to one of our existing direct originations
 - \$4.7 million of additional par (cost of \$4.7 million) represents additional investments in consumer loans with projected unlevered returns (net of estimated credit losses) of approximately 9.8%
 - \$0.4 million of additional fundings on outstanding revolvers representing an additional \$0.3 of cost
- Average new loan size of approximately \$6.5 million with a weighted average yield of 12.6%
- Refinance of 1 loan totaling a net par repayment of \$7.1 million (HC Cable Opco) and other partial repayments totaling par of \$4.4 million

Portfolio Activity – Transitory ⁽²⁾

- Purchased one new investment in our transitory portfolio totaling \$2.9 million of par (cost of \$2.8 million) and added \$10.0 million of par (cost of \$10.0 million) to existing investments or draws on previously unfunded revolvers
- Early full repayments on five loans totaling par of \$11.7 million, sales of thirteen loans totaling par of \$34.7 million and other partial repayments totaling par of \$7.0 million, resulted in \$5.7 million of realized losses for the period

Current and Historical Investment Portfolio Composition

Portfolio characteristics (\$ in millions)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Total Market Value	\$411.5	\$418.1	\$278.9	\$220.1	\$242.0
Number of portfolio companies	71	83	63	49	53
Average investment size ⁽¹⁾	\$5.1	\$4.7	\$4.4	\$4.3	\$4.3
Weighted average yield ⁽²⁾⁽³⁾	9.5%	8.8%	8.9%	9.6%	9.4%
Weighted average price ⁽¹⁾	98.6	97.1	96.4	93.0	95.6
First lien	90.8%	93.8%	95.2%	98.7%	98.7%
Second lien	3.3%	3.3%	4.7%	1.2%	1.1%
Mezzanine	1.7%	0.0%	0.0%	0.0%	0.0%
Consumer loans	2.2%	1.2%	0.0%	0.0%	0.0%
Equity	1.9%	1.7%	0.1%	0.1%	0.2%
Core	57.2%	48.3%	36.7%	N/A	N/A
Transitory	42.8%	51.7%	63.3%	N/A	N/A
Originated ⁽⁴⁾	26.3%	16.0%	17.1%	19.5%	20.6%
Club ⁽⁵⁾	15.0%	12.8%	6.2%	7.8%	8.0%
Purchased	58.7%	71.2%	76.7%	72.6%	71.4%
Fixed ⁽¹⁾	4.1%	1.7%	2.6%	3.3%	3.2%
Floating ⁽¹⁾	95.9%	98.3%	97.4%	96.7%	96.8%
Performing ⁽¹⁾	98.9%	98.8%	99.7%	99.0%	99.3%
Non-performing ⁽¹⁾	1.1%	1.2%	0.3%	1.0%	0.7%
Weighted average debt / EBITDA ⁽¹⁾⁽²⁾	3.7x	3.8x	3.6x	3.5x	3.5x
Weighted average risk rating	2.21	2.17	2.18	2.26	2.36

⁽¹⁾ Excludes consumer loans and equity investments.

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

⁽³⁾ Excludes the impact of HC Cable Opco, LLC at Q2 2013.

⁽⁴⁾ Originated positions include investments where we have sourced and led the execution of the deal and typically funded the entire loan.

⁽⁵⁾ Club positions include investments where we provide direct lending to a borrower with one or two other lenders but did not source or lead the deal.

Portfolio Activity for the Quarter Ended September 30, 2013

Core Portfolio	As of June 30, 2013	Originated / Purchased in Q3 2013	Repayments / Sales in Q3 2013 ⁽¹⁾	As of September 30, 2013
Total Par value ⁽²⁾	\$208.2	\$38.8	(\$11.5)	\$235.5
Number of Portfolio Companies ⁽³⁾	26	6	(1)	31
Average Investment Size	\$8.0	\$6.5	(\$11.5)	\$7.6
Weighted Average Yield ⁽⁴⁾⁽⁵⁾⁽⁶⁾	11.0%	12.6%	9.5%	11.0%

Transitory Portfolio	As of June 30, 2013	Positions Added in Q3 2013	Repayments / Sales in Q3 2013 ⁽¹⁾	As of September 30, 2013
Total Par value ⁽²⁾	\$220.5	\$12.9	(\$53.4)	\$180.0
Number of Portfolio Companies ⁽³⁾	57	1	(18)	40
Average Investment Size	\$3.9	\$12.9	(\$3.0)	\$4.5
Weighted Average Yield ⁽⁴⁾⁽⁵⁾	6.9%	6.9%	5.1%	7.5%

Total Portfolio	As of June 30, 2013	Originated / Purchased in Q3 2013	Repayments / Sales in Q3 2013 ⁽¹⁾	As of September 30, 2013
Total Par value	\$428.7	\$51.7	(\$64.9)	\$415.5
Number of Portfolio Companies ⁽³⁾	83	7	(19)	71
Average Investment Size	\$5.2	\$7.4	(\$3.4)	\$5.9
Weighted Average Yield ⁽⁴⁾⁽⁵⁾⁽⁶⁾	8.8%	11.2%	5.4%	9.5%

⁽¹⁾ Change in total par value includes partial principal repayments.

⁽²⁾ Includes only funded portion of par for unfunded revolvers.

⁽³⁾ Excludes add-on investments with existing portfolio companies.

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

⁽⁵⁾ Activity between June 30, 2013 and September 30, 2013 does not reflect changes in market yields on existing positions or partial principal repayments.

⁽⁶⁾ Excludes the impact of HC Cable Opco at June 30, 2013, LLC.

Summary of Investment Activity Since Quarter End

Core Portfolio	As of September 30, 2013	Originated / Purchased in Q4 2013	Repayments / Sales in Q4 2013 ⁽¹⁾	Pro Forma September 30, 2013
Total Par value ⁽²⁾	\$235.5	\$43.8	(\$10.2)	\$269.1
Number of Portfolio Companies ⁽³⁾	31	3	(1)	33
Average Investment Size	\$7.6	\$14.6	(\$10.2)	\$8.2
Weighted Average Yield ⁽⁴⁾⁽⁵⁾⁽⁶⁾	11.0%	12.5%	9.6%	11.4%

Transitory Portfolio	As of September 30, 2013	Positions Added in Q4 2013	Repayments / Sales in Q4 2013 ⁽¹⁾	Pro Forma September 30, 2013
Total Par value ⁽²⁾	\$180.0	\$0.0	(\$16.8)	\$163.2
Number of Portfolio Companies ⁽³⁾	40	0	(2)	38
Average Investment Size	\$4.5	\$0.0	(\$8.4)	\$4.3
Weighted Average Yield ⁽⁴⁾⁽⁵⁾	7.5%	0.0%	8.2%	7.4%

Total Portfolio	As of September 30, 2013	Originated / Purchased in Q4 2013	Repayments / Sales in Q4 2013 ⁽¹⁾	Pro Forma September 30, 2013
Total Par value	\$415.5	\$43.8	(\$27.0)	\$432.3
Number of Portfolio Companies ⁽³⁾	71	3	(3)	71
Average Investment Size	\$5.9	\$14.6	(\$9.0)	\$6.1
Weighted Average Yield ⁽⁴⁾⁽⁵⁾⁽⁶⁾	9.5%	12.5%	8.3%	9.9%

⁽¹⁾ Change in total par value includes partial principal repayments.

⁽²⁾ Includes only funded portion of par for unfunded revolvers.

⁽³⁾ Excludes add-on investments with existing portfolio companies.

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

⁽⁵⁾ Activity between September 30, 2013 and October 5, 2013 does not reflect changes in market yields on existing positions or partial principal repayments.

⁽⁶⁾ Excludes the impact of HC Cable Opco at June 30, 2013, LLC.

Top 10 Loan Portfolio Investments as of September 30, 2013

Issuer (\$ in millions)	Fair Value	% of Loan Portfolio	Yield	Portfolio
MXD Group, Inc. (fka Exel Direct Inc.)	\$14.0	3.4%	12.5%	Core
Anchor Drilling Fluids USA, Inc.	12.4	3.0%	11.2%	Core
ConvergeOne Holdings Corp	11.9	2.9%	9.5%	Core
Nursery Supplies, Inc.	11.5	2.8%	8.6%	Core
HC Cable OpCo, LLC	11.0	2.7%	9.9%	Core
RRHC Acquisition, Inc. (Randall Reilly) ⁽¹⁾	10.6	2.6%	9.7%	Transitory
Joe's Jeans Inc.	10.5	2.6%	12.5%	Core
EZE Trucking, LLC	10.5	2.5%	12.7%	Core
Kranos Acquisition Corp.	10.0	2.4%	11.4%	Core
Roberts-Gordon LLC	10.0	2.4%	11.7%	Core
Total	\$112.4	27.3%	11.0%	

⁽¹⁾ Investment repaid subsequent to September 30, 2013.

Comparative Statement of Financial Condition

<i>(In thousands, except per share data)</i>	September 30, 2013		
	Pro Forma ⁽¹⁾ (unaudited)	September 30, 2013 (unaudited)	June 30, 2013
Assets			
Investments, fair value	\$ 411,525	\$ 411,525	\$ 418,069
Cash and cash equivalents	24,231	3,111	11,680
Cash and cash equivalents, restricted	20,490	30,780	12,669
Due from counterparties	5	5	5,140
Accrued interest receivable	1,917	1,917	1,892
Deferred debt issuance costs	4,582	4,582	2,821
Other assets	674	674	484
Total Assets	\$ 463,424	\$ 452,594	\$ 452,755
Liabilities			
Debt	\$ 208,868	\$ 187,748	\$ 175,000
Due to counterparties	-	10,290	23,378
Payables to affiliates	339	339	241
Interest payable	87	87	715
Accrued expenses and other payables	857	857	1,036
Total Liabilities	210,151	199,321	200,370
Total Net Assets	253,273	253,273	252,385
Total Liabilities and Net Assets	\$ 463,424	\$ 452,594	\$ 452,755
Net Asset Value per Share	\$ 15.11	\$ 15.11	\$ 15.06

Comparative Statement of Quarterly Operating Results

(In thousands, except per share data)	For the three months ended		Variance	
	September 30, 2013 (unaudited)	June 30, 2013 (unaudited)		
Investment income				
Interest	\$ 9,338	\$ 7,611	\$ 1,727	22.7%
Total Investment income	9,338	7,611	1,727	22.7%
Expenses				
Interest	1,898	1,619	279	17.2%
Loss on refinancing of senior secured notes	427	-	427	100.0%
Management fees	1,863	1,514	349	23.1%
Incentive fees	-	-	-	-100.0%
Professional fees	356	351	5	1.6%
Directors fees	100	96	4	4.7%
Administrator expenses	218	220	(2)	-1.1%
Other expenses	425	278	147	52.8%
Total expenses	5,287	4,078	1,209	29.6%
Base management fees waived	(1,863)	(1,514)	(349)	23.1%
Net expenses	\$ 3,424	\$ 2,564	\$ 860	33.5%
Net investment income	\$ 5,914	\$ 5,047	\$ 867	17.2%
Realized and unrealized gain/(loss) on investments				
Net realized gain/(loss) from investments	(5,690)	585	(6,275)	-1072.3%
Net change in unrealized appreciation on investments	6,529	1,165	5,364	460.3%
Net realized and unrealized gain/(loss) on investments	\$ 839	\$ 1,750	\$ (911)	-52.1%
Net increase in net assets resulting from operations	\$ 6,753	\$ 6,797	\$ (44)	-0.6%
Net investment income per common share	\$0.35	\$0.30	\$0.05	16.7%
Basic earnings per common share	\$0.40	\$0.41	(\$0.01)	-3.5%
Basic weighted average common shares outstanding	16,759	16,690	69	0.4%
Dividends and distributions declared per common share	\$ 0.35	\$ 0.35	\$ -	0.0%

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