

GARRISON
CAPITAL

Earnings Presentation
Third Quarter ended September 30, 2014

CONFIDENTIAL



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Market and Portfolio Trends

Current Market Trends in the Lower Middle-Market

- Capital remains scarce in the lower middle market as traditional lenders in the space have curtailed activity due to regulatory restrictions
- Banks, funds and other finance companies have again started to participate in select one-off financings as their available capital increases
- As fund sizes increase, many competitors have moved up-market to focus their attention on larger borrowers
- Lower middle-market opportunities continue to command better pricing and structures than in the broadly syndicated market and upper middle-market

Trends in Our Portfolio

- Volume in the quarter continued to be strong, with \$114.6 million of additions
- New originations, club deals and purchases during the third quarter totaled \$105.8 million of par value
- Of the \$95.9mm of repayments, \$40.3mm were transitory
- Weighted average yield of deals closed during the quarter was 10.1%
- Core loan portfolio additions included three non-sponsor deals and four sponsor deals
- Targeting of leasing, energy, and ABL partnership deals yielded results during the quarter
- Portfolio credit quality and leverage multiples overall remained stable and in line with prior quarters
- Successful resolution of troubled asset from the second quarter resulting in full repayment at par along with default interest and fees

Select Q3 2014 Core Loan Portfolio Additions



Business Overview	Provider of rugged electronic systems	Liquids rich gas focused upstream producer	Provider of e-Commerce service solutions	Shelter manufacturer
Date Closed/ Tenor	7/17/2014 5 Year Deal	8/19/2014 3 Year Deal	7/9/2014 5 Year Deal	7/30/2014 5 Year Deal
Interest Rate	L+850 with a 1.00% Floor and 2.00% upfront fee	L+850 with a 1.00% Floor and 2.50% upfront fee	L+815 with a 1.00% Floor and 1.88% upfront fee	L+850 with a 1.00% Floor and 2.00% upfront fee
Asset Type	Term Loan - First Lien/Revolver	Term Loan - First Lien	Term Loan - First Lien/Delayed Draw Term Loan	Term Loan - First Lien
Invested / Global facility size	TL: \$13.4mm / \$41.6 mm* RC: \$2.9mm / \$10.0mm*	TL: \$10.0mm / \$15.0mm*	TL: \$20.5mm / \$35.0 mm* DDTL: \$7.8mm / \$15.0mm*	TL: \$9.5mm / \$26.0 mm*
Origination Source	Club	Originated	Originated	Originated
Call protection	102/101	102/101	102/101	103/102/101
Leverage (Debt/EBITDA)**	4.0x	NA	2.8x	3.8x

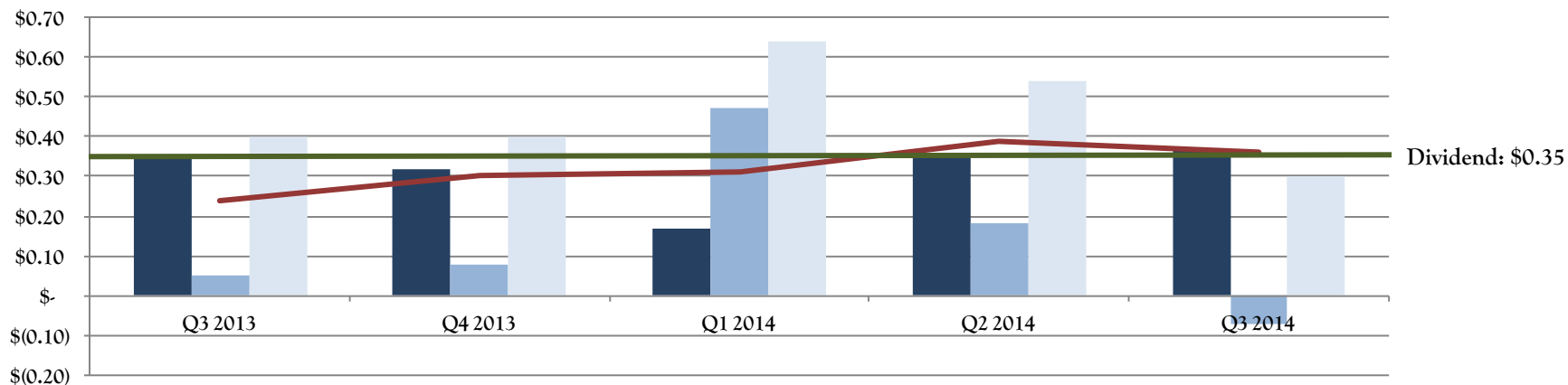
Select Q3 2014 Core Loan Portfolio Additions



Business Overview	Baked products provider	Equipment financing to medical facility	Global provider of training, security and support services	Provider of print, digital directory and digital marketing services
Date Closed/ Tenor	8/8/2014 5 Year Deal	7/23/2014 5 Year Deal	8/4/2014 6 Year Deal	9/23/2014 5 Year Deal
Interest Rate	L+825 with a 1.00% Floor and 2.13% upfront fee	12.00% fixed	L+1000 with a 1.00% Floor and 2.00% upfront fee	L+700 with a 1.00% Floor and 1% upfront fee
Asset Type	Term Loan - First Lien	Financing Lease - Equipment	Term Loan - Second Lien	Term Loan - First Lien
Invested / Global facility size	TL: \$7.8mm / \$18.3 mm*	TL: \$21.0mm / \$62.5mm*	TL: \$10mm / \$50mm*	TL: \$10.4mm / \$400.0mm*
Origination Source	Originated	Originated	Club	Club
Call protection	103/102/101	Year 3, 4, and 5 FMV Residual	103 / 102 / 101	101
Leverage (Debt/EBITDA)**	3.6x	NA	2.7x	1.2x

Q3 2014 Earnings Highlights

<i>(per share)</i>	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Net investment income	\$ 0.35	\$ 0.32	\$ 0.17	\$ 0.36	\$ 0.37
Net realized/unrealized gain (loss) on investments	0.05	0.08	0.47	0.18	(0.07)
Net increase in net assets from operations	\$ 0.40	\$ 0.40	\$ 0.64	\$ 0.54	\$ 0.30
Adjusted net investment income ⁽¹⁾	\$ 0.24	\$ 0.30	\$ 0.31	\$ 0.39	\$ 0.36



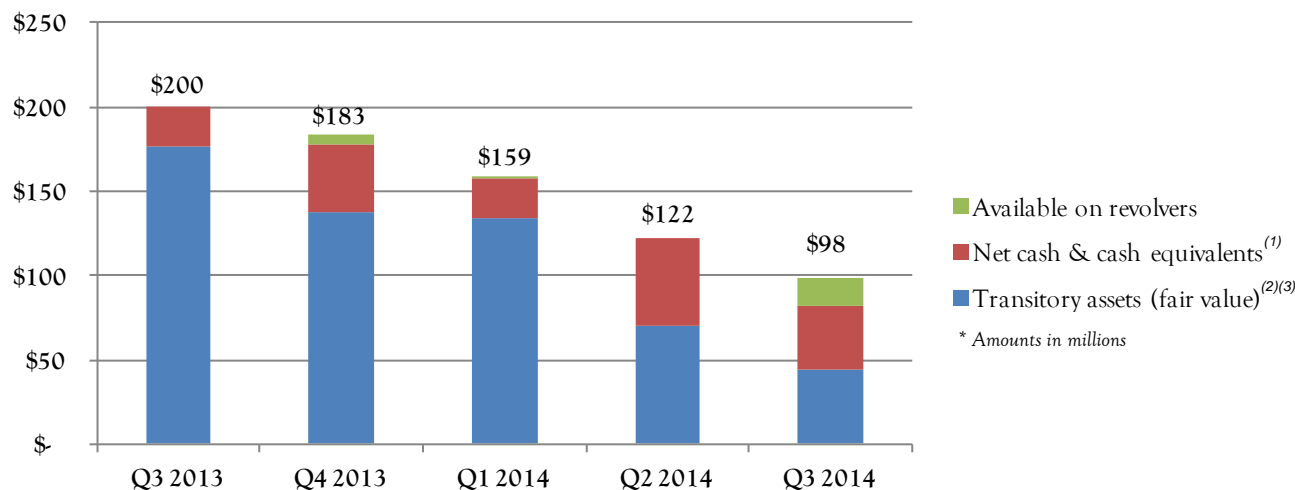
- Paid a Q3 2014 dividend of \$0.35 per share and declared a Q4 2014 dividend of \$0.35 per share payable on December 29, 2014
- Estimated \$4.0 million or \$0.24 per share of undistributed taxable net income as of September 30, 2014 (we will retain and spillover to 2015 which therefore delays the distribution of current year taxable income)
- 4.0% growth in book value since our IPO

Q3 2014 Funding & Liquidity

Funding

- Debt to equity ratio as of September 30, 2014 was 0.88x.
- Weighted average cost of funds as of September 30, 2014 was 3.0%.
- SBIC – We received comments in mid-September, responded shortly thereafter, and we are working our way towards the end of the process.

Liquidity



Leverage Ratio	0.74x	0.87x	0.87x	0.86x	0.88x
WA Cost of Funds	3.0%	3.0%	3.0%	2.9%	3.0%

Q3 2014 Portfolio Highlights

Portfolio Activity

Par (in millions)	Q2 2013	Q3 2013 ⁽¹⁾	Q4 2013 ⁽¹⁾	Q1 2014 ⁽¹⁾	Q2 2014 ⁽¹⁾	Q3 2014 ⁽²⁾	Average
Originated	\$ 22.0	\$ 30.2	\$ 24.1	\$ 31.0	\$ 6.7	\$ 71.7	\$ 31.0
Club	26.2	-	26.1	9.0	9.9	13.7	14.2
Purchased	52.2	-	9.2	-	46.1	20.4	21.3
Consumer loans	5.0	4.7	8.9	9.2	25.2	-	8.8
Equity	4.9	1.0	0.7	-	-	-	1.1
Total add-on investments	-	2.9	13.4	15.3	16.2	8.8	9.4
Total Additions	110.3	38.8	82.4	64.5	104.1	114.6	85.8
Less: Total Repayments/Sales	(4.8)	(11.5)	(25.6)	(34.6)	(61.5)	(95.9)	(39.0)
Net Additions	\$ 105.5	\$ 27.3	\$ 56.8	\$ 29.9	\$ 42.6	\$ 18.7	\$ 46.8

Summary	Q2 2013	Q3 2013 ⁽¹⁾	Q4 2013 ⁽¹⁾	Q1 2014 ⁽¹⁾	Q2 2014 ⁽¹⁾	Q3 2014 ⁽²⁾	Average
Number of new investments	11	6	8	4	9	7	8
Average WA yield of additions	10.9%	12.6%	11.1%	11.3%	12.8%	10.1%	11.4%
Number of repayments/sales	1	1	2	3	6	13	4
Average WA yield of repayments/sales	13.8%	9.5%	11.5%	11.5%	12.3%	9.4%	11.0%

Current and Historical Investment Portfolio Composition

Portfolio characteristics (\$ in millions)	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Total Market Value	\$418.1	\$411.5	\$429.1	\$455.2	\$433.6	\$448.6
Number of portfolio companies	83	71	70	71	62	56
Average investment size ⁽¹⁾	\$4.7	\$5.1	\$5.0	\$5.3	\$5.8	\$6.6
Weighted average yield ⁽²⁾⁽³⁾	8.8%	9.5%	9.8%	10.0%	10.4%	10.0%
Weighted average price ⁽¹⁾	97.1	98.6	99.2	99.1	98.3	98.0
First lien	93.8%	90.9%	88.1%	85.3%	77.1%	78.8%
Second lien	3.3%	3.3%	4.3%	5.2%	4.1%	6.2%
Mezzanine/Subordinated	0.0%	1.7%	1.7%	1.6%	3.0%	2.5%
Unsecured	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%
Consumer loans	1.2%	2.2%	3.9%	5.3%	10.5%	9.0%
Real estate loans	0.0%	0.0%	0.0%	2.2%	2.3%	2.3%
Equity	1.7%	1.9%	2.0%	0.4%	1.5%	1.2%
Core ⁽⁶⁾	48.3%	57.2%	68.0%	70.6%	83.7%	90.0%
Transitory ⁽⁶⁾	51.7%	42.8%	32.0%	29.4%	16.3%	10.0%
Originated ⁽⁴⁾	16.0%	26.3%	32.3%	36.1%	39.6%	46.9%
Club ⁽⁵⁾	12.8%	15.0%	15.8%	19.9%	24.7%	24.2%
Purchased	71.2%	58.7%	51.9%	44.0%	35.7%	28.9%
Fixed ⁽¹⁾ (Avg. Yield as of Q3 - 11.9%)	1.7%	4.1%	5.0%	8.1%	12.3%	13.8%
Floating ⁽¹⁾	98.3%	95.9%	95.0%	91.9%	87.7%	86.2%
Performing ⁽¹⁾	98.8%	98.9%	100.0%	100.0%	98.8%	99.1%
Non-performing ⁽¹⁾	1.2%	1.1%	0.0%	0.0%	1.2%	0.9%
Weighted average debt / EBITDA ^{(1) (2)}	3.8x	3.7x	3.6x	3.5x	3.5x	3.4x
Weighted average risk rating ⁽¹⁾	2.17	2.19	2.17	2.24	2.33	2.40

⁽¹⁾ Excludes consumer loans and equity investments

⁽²⁾ Excludes investments with a risk rating of 4, unfunded revolvers and equity investments, as well as non-operating portfolio companies, which we define as those with loans collateralized by real estate, proved developed producing value or other hard assets

⁽³⁾ Excludes the impact of HC Cable Opco, LLC at June 30, 2013

⁽⁴⁾ Originated positions include investments where we have sourced and led the execution of the deal

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

⁽⁶⁾ Q2 2014 includes the transfer of three portfolio companies, total par of \$13.2 million, from Transitory to Core, based on the current yield

Top 10 Loan Portfolio Investments as of September 30, 2014

Issuer (\$ in millions)	Fair Value	% of Loan Portfolio	Yield
GLC Trust 2013-2 Consumer Loan Portfolio ⁽¹⁾⁽²⁾	\$40.7	9.4%	8.6%
MXD Group, Inc. (fka Exel Direct Inc.)	\$13.4	3.1%	12.0%
AbelConn, LLC (SIE Computing)	\$13.3	3.1%	10.0%
Forest Park Medical Center at San Antonio, LLC	\$11.4	2.6%	12.0%
HC Cable OpCo, LLC	\$11.1	2.6%	9.0%
Nursery Supplies, Inc.	\$11.0	2.5%	9.8%
PD Products, LLC	\$10.8	2.5%	12.0%
Attachmate Corporation	\$10.5	2.4%	10.6%
EZE Trucking, LLC	\$10.5	2.4%	12.0%
Kranos Acquisition Corp.	\$10.4	2.4%	12.4%
Total	\$143.1	33.0%	10.4%

⁽¹⁾ The GLC Trust 2013-2 Consumer Loan Portfolio holds a portfolio of small balance consumer loans. As of September 30, 2014 the portfolio included 3,922 loans with an average par balance of \$10,048, a weighted average interest rate of 15.6% and a weighted average maturity of 1/26/2018

⁽²⁾ Yield on consumer loan portfolio is net of expected credit losses

Comparative Statement of Financial Condition

<i>(In thousands, except per share data)</i>	September 30, 2014	June 30, 2014	Variance	
	(unaudited)	(unaudited)		
Assets				
Investments, fair value	\$ 448,649	\$ 433,588	\$ 15,061	3.5%
Cash and cash equivalents	25,572	16,100	9,472	58.8%
Cash and cash equivalents, restricted	15,460	27,709	(12,249)	-44.2%
Due from counterparties	1,707	15,835	(14,128)	-89.2%
Accrued interest receivable	4,082	2,927	1,155	39.5%
Deferred debt issuance costs	4,584	4,543	41	0.9%
Deferred offering costs	314	259.49	55	21.2%
Other assets	443	565	(122)	-21.6%
Total Assets	\$ 500,811	\$ 501,526	\$ (715)	-0.1%
Liabilities				
Debt	\$ 228,018	\$ 224,712	\$ 3,306	1.5%
Due to counterparties	5,096	7,803	(2,707)	-34.7%
Payables to affiliates	4,921	5,567	(646)	-11.6%
Interest payable	649	672	(23)	-3.4%
Accrued expenses and other payables	827	687	140	20.4%
Total Liabilities	239,511	239,441	70	0.0%
Total Net Assets	261,300	262,085	(785)	-0.3%
Total Liabilities and Net Assets	\$ 500,811	\$ 501,526	\$ (715)	-0.1%
Net Asset Value per Share	\$ 15.59	\$ 15.64	\$ (0.05)	-0.3%

Comparative Statement of Quarterly Operating Results

	For the three months ended		Variance	
	September 30, 2014 (unaudited)	June 30, 2014 (unaudited)		
<i>(In thousands, except per share data)</i>				
Investment income				
Interest income	\$ 12,944	\$ 12,848	\$ 96	0.7%
Dividend income	-	-	-	NA
Total Investment income	12,944	12,848	96	0.7%
Expenses				
Interest	1,871	1,608	263	16.4%
Loss on refinancing	243	-	243	NA
Management fees	2,024	2,016	8	0.4%
Incentive fees	1,270	2,190	(920)	-42.0%
Professional fees	255	261	(6)	-2.3%
Directors fees	96	94	2	2.1%
Administrator expenses	165	198	(33)	-16.7%
Other expenses	759	502	257	51.2%
Total expenses	6,683	6,869	-186	-2.7%
Base management fees/incentive fees waived	-	-	-	NA
Net expenses	\$ 6,683	\$ 6,869	\$ (186)	-2.7%
Net investment income	\$ 6,261	\$ 5,979	\$ 282	4.7%
Realized and unrealized gain/(loss) on investments				
Net realized gain/(loss) from investments	1,198	800	398	49.8%
Net change in unrealized appreciation on investments	(2,378)	2,280	(4,658)	-204.3%
Net realized and unrealized gain/(loss) on investments	\$ (1,180)	\$ 3,080	\$ (4,260)	-138.3%
Net increase in net assets resulting from operations	\$ 5,081	\$ 9,059	\$ (3,978)	-43.9%
Net investment income per common share	\$0.37	\$0.36	\$0.01	2.8%
Basic earnings per common share	\$0.30	\$0.54	(\$0.24)	-44.4%
Basic weighted average common shares outstanding	16,759	16,759	-	0.0%
Dividends and distributions declared per common share	\$ 0.35	\$ 0.35	\$ -	0.0%

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