

GARRISON  
CAPITAL

Earnings Presentation  
*Second Quarter ended June 30, 2015*

CONFIDENTIAL



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# Market and Portfolio Trends

## Current Market Trends in the Lower Middle-Market

- Regulatory pressure and bank consolidation dynamics continue to limit capital availability in the lower middle market
- Lower middle-market opportunities continue to command better pricing and structures than in the broadly syndicated and upper-middle markets
- Opportunities will continue to remain competitive as private funds enter the lower middle market and existing funds become more aggressive

## Trends in Our Portfolio

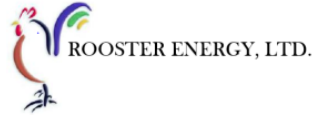
- New originations, club deals, purchases and add-ons during the second quarter totaled \$51.5 million of par value across five new portfolio companies
- Core loan portfolio additions included three sponsor deals and two non-sponsor deals
- There were \$70.2 million of repayments of which \$13.1 million were from the transitory portfolio
- Weighted average yield of deals closed during the quarter was 10.4%
- Leverage and weighted average risk rating of the portfolio remained in line with the prior quarter at 3.7x and 2.51, respectively
- Targeting of energy, ABL partnership and club partnership deals yielded results during the quarter
- Subsequent to quarter-end, closed additional investments totaling \$29.0 million of par value across three new portfolio companies

# Q2 2015 Core Loan Portfolio Additions



<b>Business Overview</b>	Wholesale grower and distributor of non-annual container grown plants	Media technology and content management company	Manufacturer and distributor of polymer-based products
<b>Date Closed/ Tenor</b>	5/22/2015 5 Year Deal	6/22/2015 4 Year Deal	6/19/2015 5 Year Deal
<b>Interest Rate</b>	L+1000 with a 1.00% Floor and 2.00% upfront fee	10.00% Fixed Rate with a 0.50% commitment fee	L+900 with a 0.50% Floor and 2.00% upfront fee
<b>Asset Type</b>	First Lien	Financing Lease - Revenue & Equipment	Term Loan - First Lien
<b>Invested / Global facility size</b>	TL: \$10.5mm / \$75.0mm*	Funded TL: \$1.1mm / \$5.1mm* Unfunded TL: \$8.2mm / \$22.9mm*	TL: \$10.3mm / \$21.0mm*
<b>Origination Source</b>	Originated	Club	Originated
<b>Call protection</b>	103/102/101	Contractual Revenue & Hardware	102/101
<b>Leverage (Debt/EBITDA)**</b>	4.1x	N/A	4.0x

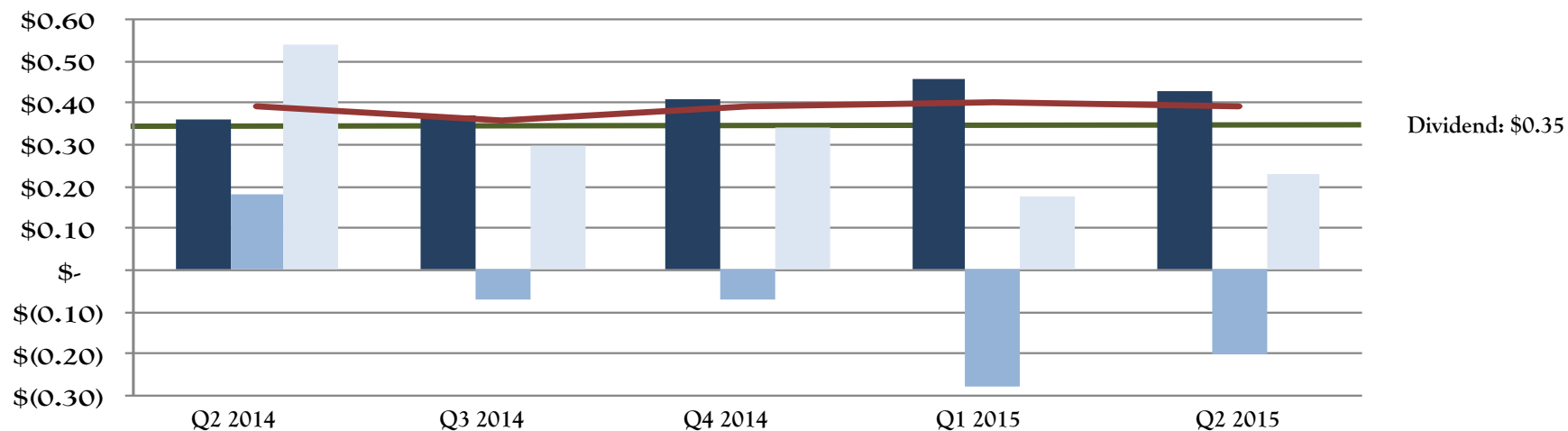
# Q2 2015 Core Loan Portfolio Additions



<b>Business Overview</b>	Offshore Gulf of Mexico oil and gas company with both upstream and services segments	Provider of design center services to large national and regional homebuilders
<b>Date Closed/ Tenor</b>	6/25/2015 3 Year Deal	6/30/2015 5 Year Deal
<b>Interest Rate</b>	L+1150 with a 1.00% Floor and 1.50% upfront fee and royalty interest	L+800 with a 1.00% Floor and 2.00% upfront fee
<b>Asset Type</b>	Term Loan - First Lien	Term Loan - First Lien
<b>Invested / Global facility size</b>	TL: \$5.9mm / \$60.0mm*	TL: \$10.3mm / \$74.3mm*
<b>Origination Source</b>	Club	Originated
<b>Call protection</b>	Make Whole Prepayment	102/101
<b>Leverage (Debt/ EBITDA)**</b>	2.6x	3.9x

# Q2 2015 Earnings Highlights

<i>(per share)</i>	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Net investment income	\$ 0.36	\$ 0.37	\$ 0.41	\$ 0.46	\$ 0.43
Net realized/unrealized gain (loss) on investments	0.18	(0.07)	(0.07)	(0.28)	(0.20)
Net increase in net assets from operations	\$ 0.54	\$ 0.30	\$ 0.34	\$ 0.18	\$ 0.23
Adjusted net investment income <sup>(1)</sup>	\$ 0.39	\$ 0.36	\$ 0.39	\$ 0.40	\$ 0.39



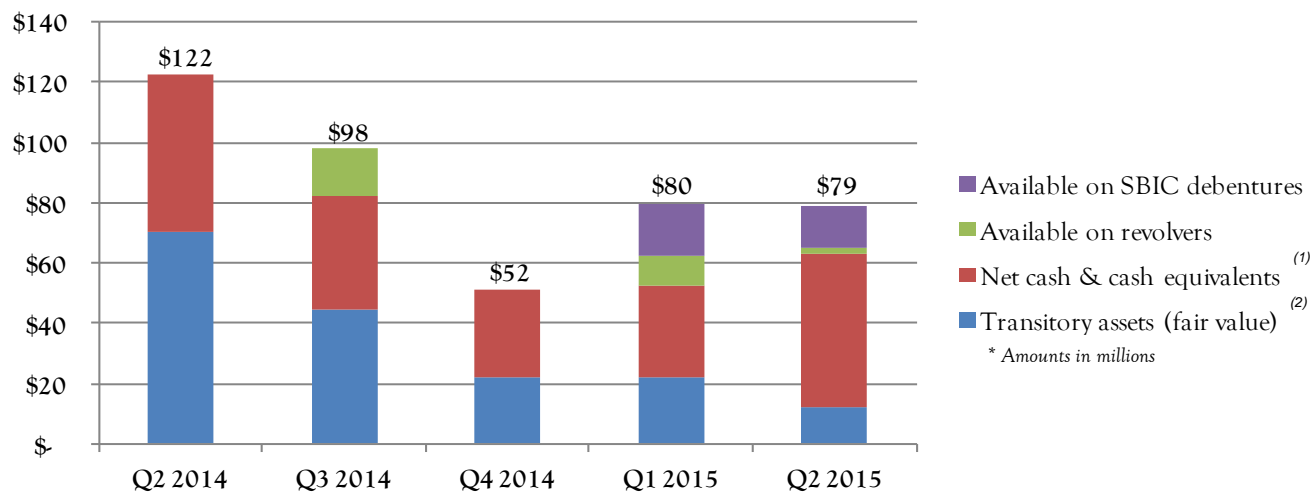
- Paid a Q2 2015 dividend of \$0.35 per share and declared a Q3 2015 dividend of \$0.35 per share payable on September 25, 2015
- Earned adjusted net investment income of \$6.6 million or \$0.39 per share for the three months ended June 30, 2015

# Q2 2015 Funding & Liquidity

## Funding

- Our actual debt to equity ratio was 0.92x while our regulatory debt to equity ratio was 0.90x as of June 30, 2015.<sup>(3)</sup>
- SBIC – Received commitment to receive up to \$35.0 million of leverage and drew \$3.5 million of leverage through June 30, 2015.
  - In addition, we deployed \$10.5 million of SBIC leverage subsequent to quarter end bringing total leverage drawn to \$14.0 million.
- Weighted average cost of funds as of June 30, 2015 was 3.0%

## Liquidity



Leverage Ratio	0.87x	0.87x	0.86x	0.88x	0.92x <sup>(3)</sup>
WA Cost of Funds	3.0%	3.0%	2.9%	3.0%	3.0%

# Q2 2015 Portfolio Highlights

## Portfolio Activity

Par (in millions)	Q2 2014 <sup>(1)</sup>	Q3 2014 <sup>(2)</sup>	Q4 2014 <sup>(2)</sup>	Q1 2015 <sup>(2)</sup>	Q2 2015 <sup>(2)</sup>	Average
Originated	\$ 6.7	\$ 71.7	\$ 30.5	\$ 17.2	\$ 31.1	\$ 31.4
Club	9.9	13.7	19.0	-	7.0	9.9
Purchased	46.1	20.4	16.4	-	-	16.6
Consumer loans	25.2	-	-	-	-	5.0
Equity	-	-	-	-	0.1	-
Total add-on investments	16.2	8.8	11.5	0.9	13.3	10.1
<b>Total Additions</b>	<b>104.1</b>	<b>114.6</b>	<b>77.4</b>	<b>18.1</b>	<b>51.5</b>	<b>73.0</b>
<b>Less: Total Repayments/Sales</b>	<b>(61.5)</b>	<b>(95.9)</b>	<b>(56.4)</b>	<b>(29.9)</b>	<b>(70.2)</b>	<b>(62.8)</b>
<b>Net Additions</b>	<b>\$ 42.6</b>	<b>\$ 18.7</b>	<b>\$ 21.0</b>	<b>\$ (11.8)</b>	<b>\$ (18.7)</b>	<b>\$ 10.2</b>

Summary	Q2 2014 <sup>(1)</sup>	Q3 2014 <sup>(2)</sup>	Q4 2014 <sup>(2)</sup>	Q1 2015 <sup>(2)(3)</sup>	Q2 2015 <sup>(2)(3)</sup>	Average
Number of new investments	9	8	7	2	5	6
Average WA yield of additions	12.8%	10.1%	10.0%	12.2%	10.4%	11.1%
Number of repayments/sales	6	13	7	3	8	7
Average WA yield of repayments/sales	12.3%	9.4%	8.6%	11.6%	10.4%	10.5%



# Current and Historical Investment Portfolio Composition

Portfolio characteristics (\$ in millions)	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Total Market Value	\$433.6	\$448.6	\$467.8	\$452.0	\$435.1
Number of portfolio companies	62	56	57	57	54
Average investment size <sup>(1)</sup>	\$5.8	\$6.6	\$6.8	\$6.7	\$7.3
Weighted average yield <sup>(2)</sup>	10.4%	10.0%	10.5%	10.8%	11.0%
Weighted average price <sup>(1)</sup>	98.3	98.0	97.1	95.9	97.1
First lien	77.1%	78.8%	85.3%	85.8%	88.8%
Second lien & Mezzanine	7.1%	8.7%	5.4%	5.5%	2.6%
Consumer loans	10.5%	9.0%	7.8%	6.9%	6.1%
Equity & Other	5.3%	3.5%	1.5%	1.8%	2.5%
Originated <sup>(3)</sup>	39.6%	46.9%	48.1%	50.4%	55.3%
Club <sup>(4)</sup>	24.7%	24.2%	27.4%	27.0%	28.7%
Purchased	35.7%	28.9%	24.5%	22.6%	16.0%
Fixed <sup>(1)</sup>	12.3%	13.8%	9.2%	9.1%	9.0%
Floating <sup>(1)</sup>	87.7%	86.2%	90.8%	90.9%	91.0%
Performing <sup>(1)</sup>	98.8%	99.1%	99.1%	99.1%	99.0%
Non-Accrual <sup>(1)</sup>	1.2%	0.9%	0.9%	0.9%	1.0%
Weighted average debt / EBITDA <sup>(1)(2)(5)</sup>	3.5x	3.4x	3.6x	3.6x	3.7x
Weighted average risk rating <sup>(1)</sup>	2.33	2.40	2.52	2.48	2.51

<sup>(1)</sup> Excludes consumer loans and equity investments

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

<sup>(3)</sup> Originated positions include investments where we have sourced and led the execution of the deal

<sup>(4)</sup> Club positions include investments where we provide direct lending to a borrower with one or two other lenders but did not lead the deal

<sup>(5)</sup> Excludes non-operating portfolio companies, which we define as those with loans collateralized by real estate, proved developed producing value ("PDP") or other hard assets. PDPs are proven revenues that can be produced with existing wells.

# Top 10 Loan Portfolio Investments as of June 30, 2015

Issuer (\$ in millions)	Fair Value	% of Loan Portfolio	Yield
GLC Trust 2013-2 Consumer Loan Portfolio <sup>(1)(2)</sup>	\$26.5	6.1%	8.2%
MXD Group, Inc. (fka Exel Direct Inc.)	\$13.0	3.0%	16.2%
HC Cable OpCo, LLC	\$10.8	2.5%	9.5%
Speed Commerce, Inc.	\$10.7	2.5%	12.7%
Worley Claims Services, LLC	\$10.4	2.4%	9.2%
Joe's Jeans Inc.	\$10.4	2.4%	14.5%
Nursery Supplies, Inc.	\$10.3	2.4%	9.2%
CR Brands, Inc.	\$10.3	2.4%	12.5%
Badlands Production Company (fka Gasco) Term Loan	\$10.3	2.4%	14.3%
NPI Holding Corp. (Nudo Products, Inc.)	\$10.3	2.4%	11.3%
<b>Total</b>	<b>\$123.0</b>	<b>28.5%</b>	<b>11.4%</b>

<sup>(1)</sup> The GLC Trust 2013-2 Consumer Loan Portfolio holds a portfolio of small balance consumer loans. As of June 30, 2015 the portfolio included 3,163 loans with an average par balance of \$8,562, a weighted average interest rate of 15.6% and a weighted average maturity of 3/17/2018

<sup>(2)</sup> Yield on consumer loan portfolio is net of expected credit losses

# Comparative Statement of Financial Condition

(In thousands, except per share data)

	June 30, 2015		March 31, 2015		Variance	
	(unaudited)		(unaudited)		\$	%
<b>Assets</b>						
Investments, fair value	\$	435,072	\$	452,011	\$	(16,939) -3.7%
Cash and cash equivalents		28,127		20,355		7,772 38.2%
Cash and cash equivalents, restricted		20,616		8,483		12,133 143.0%
Due from counterparties		1,782		1,906		(124) -6.5%
Accrued interest receivable		4,406		3,722		684 18.4%
Deferred debt issuance costs		4,455		4,223		232 5.5%
Deferred offering costs		440		335		105 31.3%
Other assets		543		162		381 235.2%
<b>Total Assets</b>	<b>\$</b>	<b>495,441</b>	<b>\$</b>	<b>491,197</b>	<b>\$</b>	<b>4,244 0.9%</b>
<b>Liabilities</b>						
Debt	\$	233,669	\$	227,077	\$	6,592 2.9%
Due to counterparties		110		-		110 NA
Payables to affiliates		4,224		4,623		(399) -8.6%
Interest payable		655		636		19 3.0%
Accrued expenses and other payables		564		653		(89) -13.6%
<b>Total Liabilities</b>		<b>239,222</b>		<b>232,989</b>		<b>6,233 2.7%</b>
<b>Total Net Assets</b>		<b>256,219</b>		<b>258,208</b>		<b>-1,989 -0.8%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>495,441</b>	<b>\$</b>	<b>491,197</b>	<b>\$</b>	<b>4,244 0.9%</b>
<b>Net Asset Value per Share</b>	<b>\$</b>	<b>15.29</b>	<b>\$</b>	<b>15.41</b>	<b>\$</b>	<b>(0.12) -0.8%</b>

# Comparative Statement of Quarterly Operating Results

(In thousands, except per share data)	For the Three Months Ended		Variance	
	June 30, 2015 (unaudited)	March 31, 2015 (unaudited)	\$	%
<b>Investment income</b>				
Interest income	\$ 12,277	\$ 12,958	\$ (681)	-5.3%
Other income	875	521	354	67.9%
<b>Total investment income</b>	<b>13,152</b>	<b>13,479</b>	<b>-327</b>	<b>-2.4%</b>
<b>Expenses</b>				
Interest expense	1,816	1,850	(34)	-1.8%
Management fees	1,983	1,990	(7)	-0.4%
Incentive fees	1,017	695	322	46.3%
Professional fees	299	316	(17)	-5.4%
Directors fees	101	106	(5)	-4.7%
Administrator expenses	272	242	30	12.4%
Other expenses	487	598	(111)	-18.6%
<b>Total expenses</b>	<b>5,975</b>	<b>5,797</b>	<b>178</b>	<b>3.1%</b>
<b>Net investment income</b>	<b>\$ 7,177</b>	<b>\$ 7,682</b>	<b>\$ (505)</b>	<b>-6.6%</b>
<b>Realized and unrealized loss from investments</b>				
Net realized loss from investments	(8,521)	(490)	(8,031)	1639.0%
Net change in unrealized loss from investments	5,221	(4,220)	9,441	-223.7%
<b>Net realized and unrealized loss from investments</b>	<b>\$ (3,300)</b>	<b>\$ (4,710)</b>	<b>\$ 1,410</b>	<b>-29.9%</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 3,877</b>	<b>\$ 2,972</b>	<b>\$ 905</b>	<b>30.5%</b>
<b>Net investment income per common share</b>	<b>\$ 0.43</b>	<b>\$ 0.46</b>	<b>\$ (0.03)</b>	<b>-6.5%</b>
<b>Basic earnings per common share</b>	<b>\$ 0.23</b>	<b>\$ 0.18</b>	<b>\$ 0.05</b>	<b>27.8%</b>
<b>Basic weighted average common shares outstanding</b>	<b>16,759</b>	<b>16,759</b>	<b>-</b>	<b>0.0%</b>
<b>Dividends and distributions declared per common share</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ -</b>	<b>0.0%</b>

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