



January 23, 2008

GSC Capital Corp. (the "Company") is reporting today certain developments with respect to the rights of holders of its \$97.9 million aggregate face value 7.25% Convertible Senior Notes due 2010 (the "Notes"). The Company has experienced a substantial deterioration in its financial condition in the last 12 months due to well-publicized developments in the sub-prime mortgage and credit markets.

Due to the surge in mortgage delinquencies and foreclosures, and resulting downgrade and discounting of securities backed by mortgages, the Company did not consummate a Qualifying IPO (as defined in the Indenture governing the Notes) by January 15, 2008. As a result, under the Indenture, the holders of the Notes have the right to require the Company to repurchase the Notes on February 19, 2008. On January 18, 2008 (two days late), the Company provided the holders notice of their right to require the Company to repurchase their Notes. Because no Qualifying IPO was consummated, the Company is also liable for a cash payment to the holders equal to 4% of the principal amount of the Notes (the "IPO Failure Payment"), which was due on January 17, 2008 but was not paid by the Company. In addition, on January 15, 2008, the Company did not make the semi-annual interest payment totaling \$3,548,875 due on that date. Given its current financial condition, the Company does not believe it will be able to make such payments if demanded by the holders and as consequence, the Company has been engaged in ongoing negotiations with the holders to renegotiate the terms of the Notes.

Although the above events are or could result in events of default under the terms of the Indenture, no notice of default has yet been submitted to the Company. In connection with negotiations with the holders, the Company entered into a forbearance agreement with the holders regarding these and related defaults under the Indenture, which agreement will expire on January 24, 2008. The Company is currently in negotiations to extend the expiration of the forbearance agreement.

The Company is continuing to negotiate with the holders of the Notes for a distribution of certain assets to the holders in exchange for their Notes. The Company's ability to continue as a going concern is dependent on a favorable conclusion to the negotiation with the holders, but the outcome of the negotiations cannot be determined at this time. There can be no assurance that the holders will forbear from tendering their Notes for repurchase or declaring a default or exercising other remedies, which events would have material adverse affect on the Company. The Company is carefully analyzing all available options including a potential Chapter 11 proceeding under the Bankruptcy Code.

The financial recovery to the Company's creditors and shareholders in any bankruptcy proceeding is uncertain. Shareholders claims are subordinate to the claims of creditors and therefore shareholders may not be entitled to any recovery in a bankruptcy proceeding.