

# Great Elm Capital Corp. (NASDAQ: GECC)

## Investor Presentation – Quarter Ended December 31, 2016

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March 29, 2017

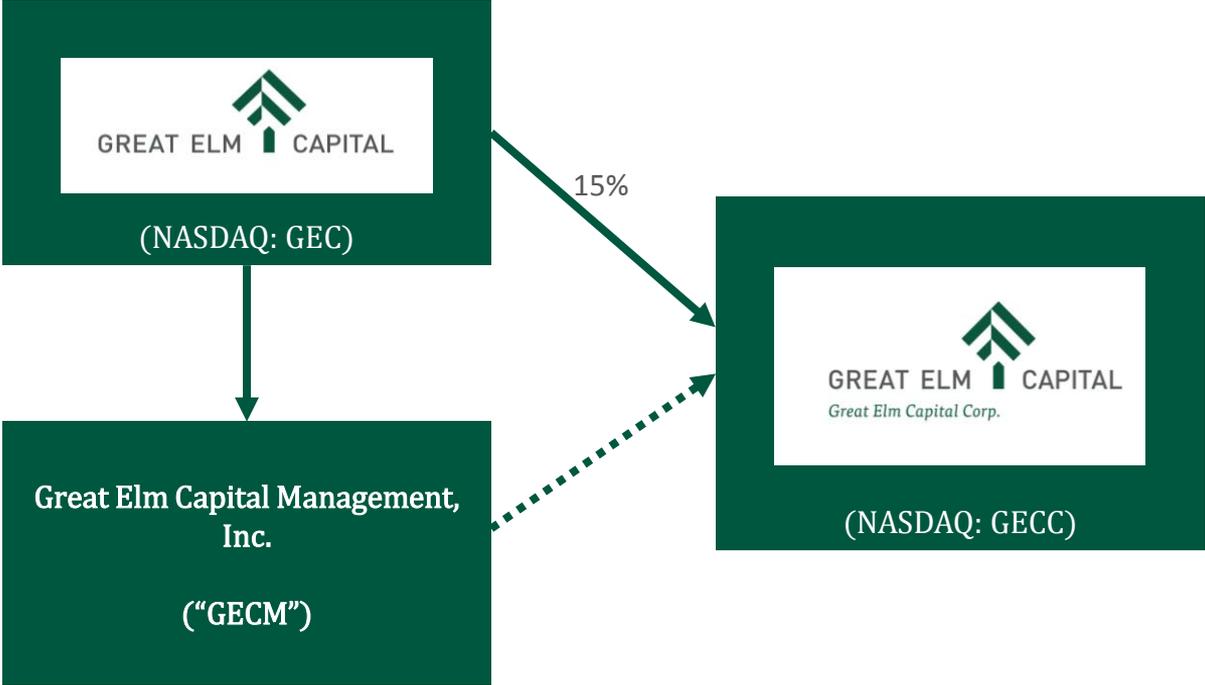
# Disclaimer

Statements in this communication that are not historical facts are “forward-looking” statements within the meaning of the federal securities laws. These statements are often, but not always, made through the use of words or phrases such as “believe,” “expect,” “anticipate,” “should,” “planned,” “will,” “may,” “intend,” “estimated,” “aim,” “target,” “opportunity,” “sustained,” “positioning,” “designed,” “create,” “seek,” “would,” “could”, “potential,” “continue,” “ongoing,” “upside,” “increases,” and “potential,” and similar expressions. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are the following: conditions in the credit markets, the price of GECC common stock, performance of GECC’s portfolio and investment manager. Additional information concerning these and other factors can be found in GECC’s Form 10-K and other reports filed with the SEC. GECC assumes no obligation to, and expressly disclaims any duty to, update any forward-looking statements contained in this communication or to conform prior statements to actual results or revised expectations except as required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

The discussion of the tender offer described herein is for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares. The offer to purchase and the solicitation of GECC's shares are made only pursuant to the Offer to Purchase, the related Letter of Transmittal, and other related materials mailed or otherwise delivered to stockholders. Stockholders should read those materials and the documents incorporated therein by reference carefully when they become available because they will contain important information, including the terms and conditions of the tender offer. GECC will file a Tender Offer Statement on Schedule TO (the “Tender Offer Statement”) with the SEC. The Tender Offer Statement, including the Offer to Purchase, the related Letter of Transmittal and other related materials, will also be available to stockholders at no charge on the SEC’s website at [www.sec.gov](http://www.sec.gov) or from the information agent for the tender offer, MacKenzie Partners. Stockholders are urged to read those materials carefully prior to making any decisions with respect to the tender offer.

# About The Company, Team & Approach

# Organizational Chart



*Great Elm Capital Management, Inc. (“GECM”) is the external manager of Great Elm Capital Corp., a publicly traded BDC with approximately \$173.0 million in net assets as of 12/31/2016*

—→ Ownership  
- - - - -→ Management Agreement

# About GECC

## GECC

- Externally managed special situations-focused BDC
- Common stock trades as “GECC” and baby bonds as “FULLL”
- \$0.083 per share monthly distribution

## Investment Objective

Seek to generate attractive risk-adjusted returns with both capital appreciation and income generation with a keen focus on downside protection and preservation of capital

## Investment Strategy

Focus predominantly on secondary market opportunities by investing in leveraged loans and high yield bonds of middle market issuers with a catalyst-driven, total-return orientation

## Portfolio

- \$154.7 million at fair value
- Weighted average yield of 12.76%
- 24 companies in more than 15 industries

# Experienced Management Team

100+

Years of cumulative investment experience

Nine

Seasoned investment professionals

\$17  
billion

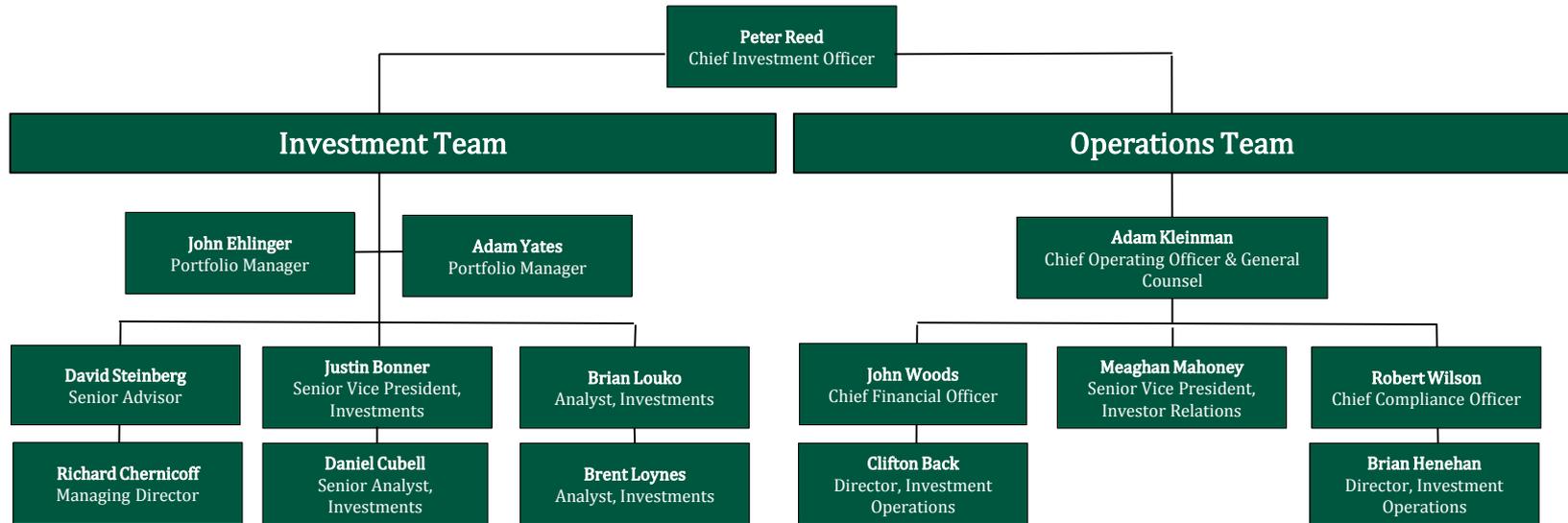
Aggregate credit investments across 550+ issuers  
over 14+ years under MAST

*Hiring of MAST Capital  
Management, LLC  
("MAST") team  
enabled Great Elm to  
be ready to invest  
capital on Day One*

# GECM's Team

Investment professionals are sector-focused and search for attractive risk-adjusted opportunities throughout the capital structure, with an emphasis on leveraged issuers

Operations, finance, compliance and investor relations professionals share knowledge and experience and are cross-trained to provide back office redundancy

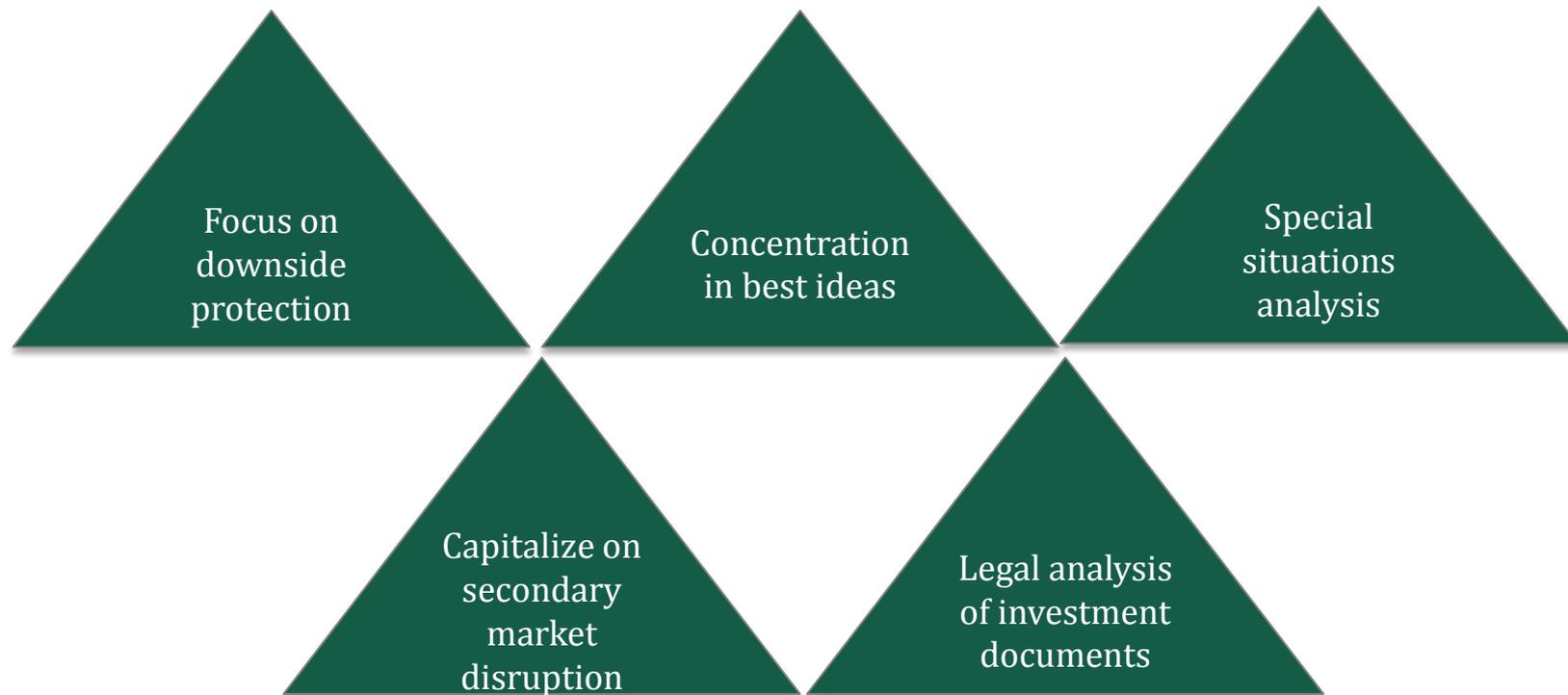


# GECM's Investment Focus

- With GECM's depth of experience in middle-market investing, GECC is pursuing a BDC strategy with a **greater focus on investing in secondary market and special situations opportunities**, which the team believes will result in the potential for **capital appreciation** beyond **interest income** on the debt instruments
- GECM's **special situations focus** is intended to turn work-outs, restructurings and other catalyst-driven opportunities into attractive risk-adjusted total returns for GECC's stockholders
- The GECM team is focused on investing the portfolio in a **concentrated fashion**, while maintaining adequate diversification for tax purposes, and applying a prudent amount of leverage to the portfolio

*GECM is managing  
GECC with a  
differentiated  
approach*

# GECM's Investment Philosophy & Approach



# GECM's Underwriting Philosophy

- In implementing the investment strategy, GECM seeks to:
  - Preserve capital
  - Identify the margin of safety
  - Concentrate in the team's best ideas
  - Invest with an edge by seeking investments where GECM's view is differentiated from the market's and mispricing provides risk-adjusted opportunities
- GECM executes on this investment philosophy by applying the key principles of value investing to leveraged capital structures, utilizing its research team to underwrite new investments. This process is steeped in in-depth, fundamental research coupled with significant in-house legal expertise.

# Financial & Portfolio Review

# Financial & Portfolio Highlights

## Financial Highlights

	Q4 / 2016 <sup>1</sup>	11/3/2016
EPS	(\$1.39)	N/A
Net Investment Income ("NII") Per Share	\$0.00	N/A
NII Per Share Excluding One-Time Merger / Formation Costs	\$0.28	N/A
Net Realized Gains Per Share	\$0.02	N/A
Net Unrealized Losses Per Share	(\$1.05)	N/A
Net Asset Value Per Share at period end	\$13.52	\$14.41

## Portfolio Highlights

	Q4 / 2016	11/3/2016
Capital Deployed	\$42.5 million	N/A
Investments Monetized	\$41.7 million	N/A
Total Fair Value of Investments at Period End	\$154.7 million	\$164.7 million
Net Asset Value at Period End	\$173.0 million	\$185.7 million
Total Assets at Period End	\$236.5 million	\$228.4 million
Cash and Cash Equivalents at Period End	\$66.8 million	\$59.1 million

(1) References to Q4 refer to the partial period commencing on November 3, 2016 upon the closing of the merger and ending December 31, 2016.

# Financial Review

- **Total investment income** for the period ended December 31, 2016 was approximately \$5.8 million, or \$0.45 per share
- **Total net expenses** for the period ended December 31, 2016 was approximately \$5.8 million, or \$0.45 per share
  - Included in this quarter's operating expenses was \$3.5 million, or approximately \$0.27 per share, in professional fees associated with the Full Circle / Great Elm merger and formation transactions that are one-time in nature
- **Net investment income** for the period ended December 31, 2016 was \$5,000, which equated to approximately \$0.00 per share
- **Net realized gains** for the period ended December 31, 2016 were \$0.3 million, or approximately \$0.02 per share
- **Net unrealized depreciation** of investments for the period ended December 31, 2016 was \$13.5 million, or approximately (\$1.05) per share

# Financial Review

	In thousands	Per Share <sup>2</sup>
<b>Total Investment Income</b>	<b>\$ 5,831</b>	<b>\$ 0.45</b>
Interest Income <sup>3</sup>	5,313	0.41
<b>Other Income</b>	<b>518</b>	<b>0.04</b>
<b>Net Operating Expenses</b>	<b>5,826</b>	<b>0.45</b>
Management Fee	392	0.03
Incentive Fee	863	0.07
Total Advisory Fees	1,255	0.10
Total Costs Incurred Under Administration Agreement	224	0.02
Director's Fees	38	0.00
Interest Expenses	420	0.03
Professional Services Expense	186	0.01
Professional Services Expense related to the Merger and Formation transactions	3,471	0.27
Bank Fees	10	0.00
Other	214	0.02
Income tax expense, including excise tax	88	0.01
Fees Waivers and Expense Reimbursement	(80)	(0.01)
<b>Net Investment Income</b>	<b>5</b>	<b>0.00</b>

(2) The per share figures noted above are based on a weighted average of 12.9 million shares for the period ended December 31, 2016, except where such amounts need to be adjusted to be consistent with the financial highlights of our consolidated financial statements.

(3) Total investment income includes PIK income of \$510,000 for the period from inception through December 31, 2016.

# Portfolio Highlights

12.76%

Weighted average current yield on portfolio; 91.8% of the portfolio invested in 1<sup>st</sup> lien and/or senior secured instruments

\$0.786

Weighted average dollar price of debt investments in the portfolio, representative of our special situations investment approach

51%

Of NAV invested in our largest five positions, consistent with our view that portfolio concentration leads to investment out-performance over time

*As of December 31, 2016, approximately 68% of the portfolio was invested in ideas that are representative of the manner in which GECM intends to manage the portfolio going forward, having successfully monetized \$19.6 million of legacy Full Circle positions in Q4*

# Portfolio Overview as of December 31, 2016

## *Debt Investments:*

21

**\$154.2 million**

**99.7%**

**12.76%**

**38%**

Debt Investments

Fair Value Invested in  
Debt Instruments

Of Invested Capital in  
Debt Instruments  
(91.8% in first lien /  
senior secured and  
7.9% in unsecured)

Weighted Average  
Current Yield

in Floating Rate  
Instruments

## *Equity Investments:*

**Five**

**\$0.5 million**

**0.3%**

Equity Investments

Fair Value Invested in  
Equity Instruments

Of Invested Capital in  
Equity Investments

## Q4 Portfolio Activity

**\$42.5  
million**

**Capital deployed** into eight companies (three new, five existing) with a weighted **average price of \$0.9255** and a weighted **average current yield of 12.18%** <sup>4</sup>

**\$41.7  
million**

**Monetized** (in part or full) 16 investments, including the complete exit of six legacy Full Circle holdings, at a weighted **average price of \$0.9852** and a weighted **average current yield of 10.54%** <sup>5</sup> for a net gain

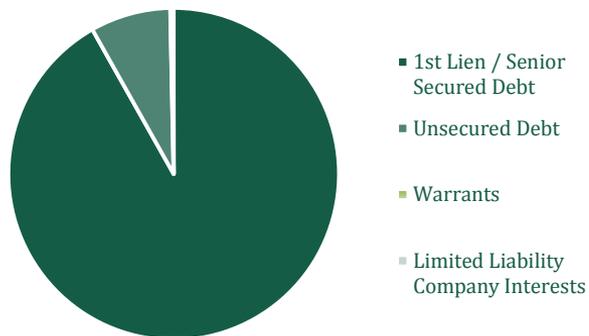
*During the period ended December 31, 2016, here is a snapshot of portfolio activity*

*(4) This includes new deals, additional fundings, refinancings and payment in kind "PIK" interest.*

*(5) This includes scheduled principal payments, prepayments, sales and repayments (inclusive of those on revolving credit facilities).*

# Portfolio Breakdown by Asset Type and Interest Rate Type

## Portfolio by Asset Type



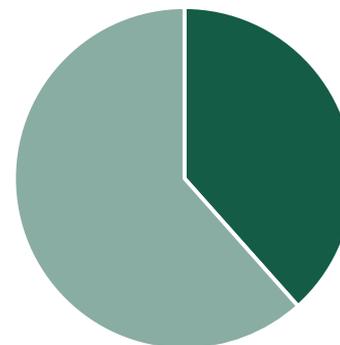
Investments at Fair Value (dollars in millions)	Percentage of Total Portfolio
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*Investments:*

1st Lien / Senior Secured Debt	\$ 142.0	91.8%
Unsecured Debt	\$ 12.2	7.9%
Warrants	0.4	0.3%
Limited Liability Company Interests	0.1	0.0% <sup>(6)</sup>
<b>Total Investments at Fair Value</b>	<b>\$ 154.7</b>	<b>100.0%</b>

(6) Rounds to less than 0.05%.

## Portfolio by Interest Rate Type

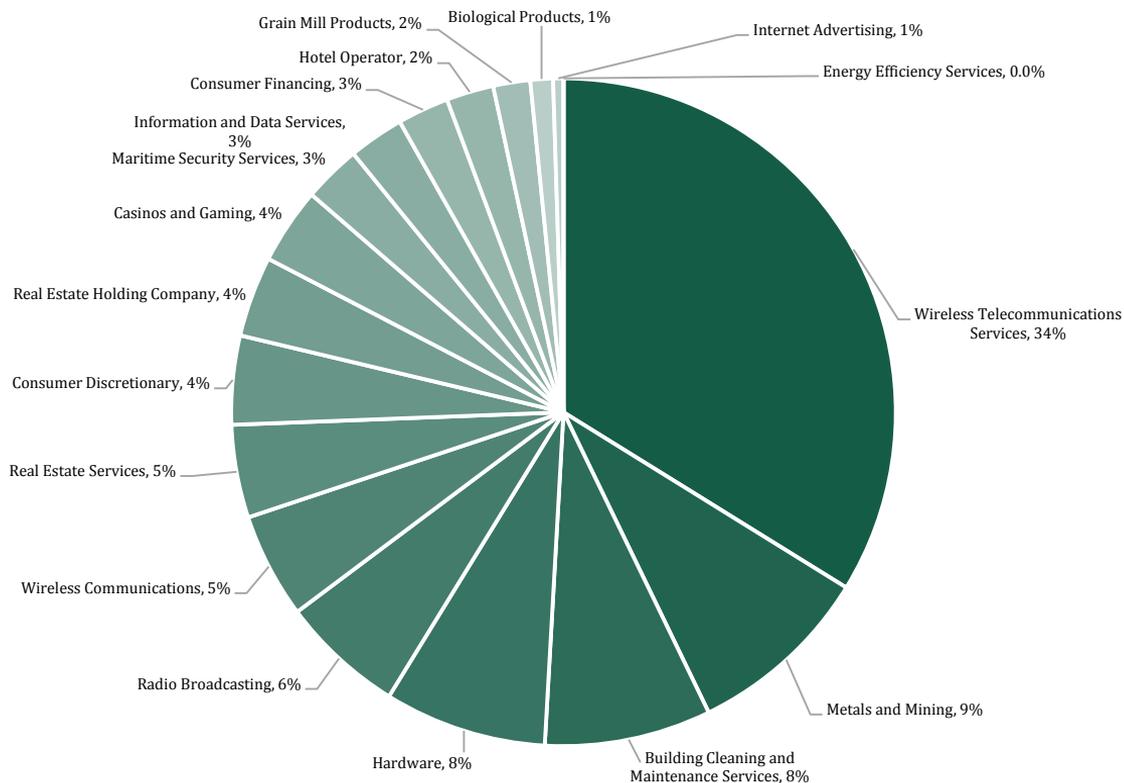


*Weighted average fixed rate coupon of 10.85%*

■ Floating Rate ■ Fixed Rate

	Count	Investments at Fair Value (dollars in millions)	% of Debt Holdings
Floating Rate	16	\$ 59.2	38.4%
Fixed Rate	8	95	61.6%
	24	\$ 154	100.0%

# Portfolio Breakdown by Industry



Investments at Fair Value (dollars in millions)	
Wireless Telecommunications Services	\$ 52.3
Metals and Mining	13.9
Building Cleaning and Maintenance Services	12.5
Hardware	12.1
Radio Broadcasting	9.3
Wireless Communications	8.0
Real Estate Services	6.9
Consumer Discretionary	6.7
Real Estate Holding Company	6.0
Casinos and Gaming	5.8
Maritime Security Services	4.3
Information and Data Services	4.2
Consumer Financing	3.8
Hotel Operator	3.6
Grain Mill Products	2.8
Biological Products	1.7
Internet Advertising	0.8
Energy Efficiency Services	-
<b>Total</b>	<b>\$ 154.7</b>

# Avanti Communications Group plc

- On January 27, 2017, Avanti Communications Group plc (“Avanti”) announced the completion of its previously announced refinancing, with the settlement of its:
  - (1) consent solicitation to permit, among other things, the incurrence of up to \$132.5 million in super senior PIK Toggle Notes and the payment of PIK interest on the Existing Notes in lieu of cash for certain future interest payments due on the Existing Notes,
  - (2) the New Money Offer, and
  - (3) offer to holders participating in the New Money Offer to exchange a portion of their Existing Notes for additional PIK Toggle Notes
- Holders who elected to backstop the New Money Offer also received their pro rata share of additional common equity issued by Avanti in an aggregate amount equal to 9.09% of Avanti’s total outstanding shares
- Through completion of the consent solicitation and the New Money Offer, Avanti received \$80.0 million of new cash funding, with an additional \$50.0 million of funding available on a delayed draw basis, and will have the ability to defer up to \$112.0 million of future interest payments through April 2018
- We took part in the refinancing, exchanging \$22.9 million of Existing Notes for new PIK Toggle Notes and purchasing an additional \$9.2 million of PIK Toggle Notes for \$8.9 million of funded cash
- We continue to hold \$47.2 million of Existing Notes and have committed to provide \$5.6 million in additional financing. As of December 31, 2016, our investment in Avanti represented 24.28% of NAV

- Our portfolio is more concentrated in Avanti than our go-forward portfolio strategy. While we intend to manage the portfolio in a more concentrated fashion compared to other BDCs, we do not expect to have position sizes approaching 25% in a single issuer going forward
- However, Avanti is illustrative of the NII potential that special situations investing can produce:
  - The two Avanti debt instruments in the portfolio today have yields of 12.0% cash/17.5% PIK (Existing Notes) and 10.0% cash / 15.0% PIK (PIK Toggle Notes)
  - Furthermore, if these instruments are refinanced prior to maturity, there is also a make-whole provision that could result in additional upside
- Our CEO and two other significant creditors have joined Avanti's board of directors, providing them with visibility to both strategic opportunities and operational challenges
- GECM's team has deep technology, media and telecommunications (TMT) expertise that benefits our investment strategy

# Capital Activity

# Distribution Policy & Declared Distributions

- On December 27, 2016, we announced our distribution policy, setting our base distribution rate at \$0.083 per share per month, which is currently well-covered by NII. Excluding one-time merger and formation transaction-related professional fees, NII for the quarter ended December 31, 2016 was \$3.5 million, or \$0.28 per share vs. \$0.166 that was distributed for Q4

Month	Rate	Record Date	Payable Date
December	\$0.166	December 30, 2016	January 16, 2017
January	\$0.083	January 31, 2017	February 16, 2017
February	\$0.083	February 28, 2017	March 15, 2017
March	\$0.083	March 31, 2017	April 17, 2017

- On March 29, 2017, we announced our Q2 distribution amount and schedule:

Month	Rate	Record Date	Payable Date
April	\$0.083	April 28, 2017	May 15, 2017
May	\$0.083	May 31, 2017	June 15, 2017
June	\$0.083	June 30, 2017	July 14, 2017

- We intend to supplement this base distribution level with special distributions as catalyst-driven investments result in cash flow

# Stock Buyback Program

- Post the closing of the merger in November 2016, we commenced our stock buyback program, executed through a 10b5-1 plan, to repurchase shares whenever they trade below 90% of the last published NAV
  - Our Board of Directors approved \$15 million for the 10b5-1 plan over 18 months, which commenced in November 2016
  - For the period ended December 31, 2016, an aggregate of 98,172 shares were repurchased at an average price of \$10.73, a significant discount to NAV (79% of December 31, 2016 NAV)
  - From the commencement of the buyback program through March 24, 2017, we purchased an aggregate of 338,306 shares at a weighted average price of \$11.18 per share, resulting in \$3.8 million of cumulative cash paid to repurchase shares (83% of December 31, 2016 NAV)

<b>Month</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Program</b>
November 2016	16,030	\$ 10.79	16,030
December 2016	82,142	\$ 10.72	82,142
Total	98,172	\$ 10.73	98,172

- In addition to the 10b5-1 plan, our Board of Directors has authorized an additional \$35 million in share repurchasing capacity
- We had \$49.3 million of cash and cash equivalents as of March 15, 2017

# Common Stock Self Tender

- We intend to commence a tender offer for \$10 million (approximately 7% of our market capitalization) of our common stock
- Our stockholders may:
  - Agree to accept the price determined in the tender offer
  - Specify the price at which they are willing to sell shares back to us
    - Maximum = \$12.17 per share (90% of December 31, 2016 NAV per share)
    - Minimum = \$11.50 per share (85% of December 31, 2016 NAV per share)
    - This structure is referred to as a modified Dutch-auction
- Cash consideration from our balance sheet
- No minimum condition
- Initial expiration date (and last possible date to withdraw tenders) = May 5, 2017
- Stockholders may tender all, some or none of the shares of our common stock that they beneficially own
- Subject to customary conditions
- If more than \$10 million of shares are tendered, we will pro-rate (subject to a preference for holders of less than 100 shares) payments among shares tendered at or above the best price paid in the tender offer

# Resale Registration Statement

- We are filing a Form N-2 to register the shares that were issued to GEC and the MAST Funds in the private placement contemplated by the June 2016 Subscription Agreement
- We contractually agreed to register these shares no later than Q1 2017
- GEC's shares are subject to a contractual lock-up until November 2017

# Appendix

# The Merger

On June 23, 2016, Full Circle Capital Corp. (“Full Circle”) announced its intent to merge with and into Great Elm Capital Corp. (“GECC”), a newly formed entity, formed by funds (the “MAST Funds”) managed by MAST Capital Management, LLC (“MAST Capital”) and Great Elm Capital Group, Inc. (“Great Elm”)

GECC, which was the surviving entity, elected to be regulated as a business development company (“BDC”) and applied for listing on NASDAQ under the symbol “GECC”

On October 31, 2016, the majority of Full Circle stockholders voted in favor of the merger; the merger closed on November 3, 2016

# November 3, 2016 Balance Sheet (in thousands, except per share amount)

<b>Assets</b>	
Investments at Fair Value (Cost of \$165,152)	\$ 164,657
Cash	59,109
Interest receivable	2,997
Principal receivable	1,220
Due from portfolio investments	88
Other assets	<u>281</u>
<b>Total assets</b>	<u>\$ 228,352</u>
<b>Liabilities</b>	
Due to affiliates	\$ 2,480
Accrued liabilities	5,207
Interest payable	233
Other liabilities	111
Notes payable 8.25% due June 30, 2020 (plus unamortized premium of \$929)	<u>34,574</u>
<b>Total liabilities</b>	<u>42,605</u>
Commitments and contingencies	-
<b>Net assets</b>	<u>\$ 185,747</u>
<b>Components of net assets</b>	
Common stock, par value \$0.01 per share (100,000,000 authorized; 12,889,052 issued and outstanding)	\$ 129
Additional paid in capital	186,114
Accumulated net unrealized losses	<u>(495)</u>
<b>Net assets</b>	<u>\$ 185,747</u>
<b>Net asset value per share</b>	<u>\$ 14.41</u>

# Stockholder-Friendly Investment Management Fee Schedule

	Industry Standard	GECC
<b>Management Fee</b>	<ul style="list-style-type: none"> <li>1.50% - 2.00% of average gross assets</li> </ul>	<ul style="list-style-type: none"> <li>1.50% of average gross assets, excluding cash and cash equivalents</li> </ul>
<b>Income Incentive Fee Hurdle</b>	<ul style="list-style-type: none"> <li>1.75% - 2.00% quarterly return on NAV</li> </ul>	<ul style="list-style-type: none"> <li>1.75% quarterly return on NAV</li> </ul>
<b>Incentive Fee Compensation</b>	<ul style="list-style-type: none"> <li>Capital Gains: 20% of cumulative net realized gains less net unrealized depreciation</li> <li>Ordinary Income: 20% subject to the hurdle rate and calculated on a quarterly basis</li> </ul>	<ul style="list-style-type: none"> <li>Capital Gains: 20% of cumulative net realized gains less net unrealized depreciation</li> <li>Ordinary Income: 20% subject to the hurdle rate and calculated on a quarterly basis</li> </ul>
<b>Total Return Test</b>	<ul style="list-style-type: none"> <li>Varied</li> </ul>	<ul style="list-style-type: none"> <li>Ordinary Income Incentive Fee will be deferred unless GECC achieves a 7.0% total return on net assets on a rolling three year basis</li> </ul>

## Investor Relations

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