Great Elm®
CAPITAL CORP

Investor Presentation

Quarter Ended December 31, 2023

February 29, 2024

NASDAQ: GECC

Forward Looking Statement

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 "expect," "anticipate," "should," "will," "estimate," "designed," "seek," "continue," "upside," "potential," "preliminary" 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: conditions in the credit markets, rising interest rates, inflationary pressure, the price of GECC common stock, and the performance of GECC's portfolio and investment manager. Information concerning these and other factors can be found in GECC's Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission ("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.

You should consider the investment objective, risks, charges and expenses of GECC carefully before investing. GECC's filings with the SEC contain this and other information about GECC and are available by contacting GECC at the phone number and address at the end of this presentation. The SEC also maintains a website that contains the aforementioned documents. The address of the SEC's website is http://www.sec.gov. These documents should be read and considered carefully before investing.

The performance, distributions and financial data contained herein represent past performance, distributions and results and neither guarantees nor is indicative of future performance, distributions or results. Investment return and principal value of an investment will fluctuate so that an investor's shares may be worth more or less than the original cost. GECC's market price and net asset value will fluctuate with market conditions. Current performance may be lower or higher than the performance data quoted. All information and data, including portfolio holdings and performance characteristics, is as of December 31, 2023, unless otherwise noted, and is subject to change.

This presentation does not constitute an offer of any securities for sale.

Fourth Quarter 2023 Overview

Net Investment Income (“NII”)

NII of $3.3 million, or $0.43 per share in 4Q 23, vs. $3.1 million, or $0.40 per share in 3Q 23

- Fourth consecutive quarter of NII more than covering the base dividend
- NII of $12.5 million, or $1.65 per share covers the $1.50 of total dividends for 2023

Assets

Net assets rose to $98.7 million, or $12.99 per share, vs. $97.9 million, or $12.88 per share (3Q 23)

- Asset coverage ratio improved to 169.0% vs. 168.4% (3Q 23)
- Debt-to-equity ratio improved to 1.45x vs. 1.46x (3Q 23)

Distribution

Our Board approved a distribution for the quarter ending March 31, 2024 at a rate of $0.35 per share. The distribution equates to $1.50 per share of trailing twelve month (TTM) distributions for a:

- 14.1% TTM yield on the Company’s closing market price on February 28, 2024 of $10.66
- 11.6% TTM yield on the Company’s December 31, 2023 NAV of $12.99 per share

Quarterly Cash Distributions
Quarter Ending March 31, 2024

$0.35

Per Share

On February 8, 2024, the Company announced that its Board of Directors approved a quarterly cash distribution of $0.35 per share for the quarter ending March 31, 2024

March 29

Payable Date

The first quarter 2024 cash distribution will be payable on March 29, 2024, to stockholders of record as of March 15, 2024

13%

Annualized Dividend Yield on Stock Price

The cash distribution equates to a 13% annualized dividend yield on our closing market price of $10.66 on February 28, 2024

11%

Annualized Dividend Yield on NAV

The cash distribution equates to an 11% annualized dividend yield on our December 31, 2023 NAV of $12.99 per share

$24 Million Equity Raise at NAV

Great Elm CAPITAL CORP

Overview

On February 8, 2024, GECC issued 1.85 million shares at $12.97 (then current NAV) for $24 million

- Great Elm Group, Inc. (“GEG”) participated in $6 million of the $24 million
- A strategic institutional investor participated in the other $18 million of the transaction
- Issuance completed at a 25% premium to the prior day’s closing price

Growing Our Equity Base & Deleveraging

Pro Forma net assets of $122.6 million (vs. $98.7 million at 4Q 23)

- Pro Forma asset coverage ratio of 185.8% (vs. to 169.0% at 4Q 23)
- Pro Forma debt-to-equity ratio of 1.17x (vs. 1.45x at 4Q 23)

Provides increased flexibility to raise additional debt capital while maintaining prudent leverage

Benefits

Non-dilutive equity raise increases the scale of GECC

- Increased scale will provide operating efficiency as fixed costs are leveraged
- Over time, we believe increased scale will lead to improved cost of capital
- Issuance at NAV is non-dilutive to shareholders

About GECC

Great Elm Capital Corp.

Externally managed, total-return-focused BDC

Significant insider ownership of GECC by GEG and its officers and directors

Investment Objective

To generate current income and capital appreciation by investing in debt and income generating equity securities, including actively pursuing investments in specialty finance businesses

Portfolio Overview

- $230.6 million of portfolio fair value
- $98.7 million of net asset value (“NAV”)
- Debt investments carry a weighted average current yield of 13.8%[1]
- 48 investments (37 debt, 11 equity) in 36 companies across 22 industries

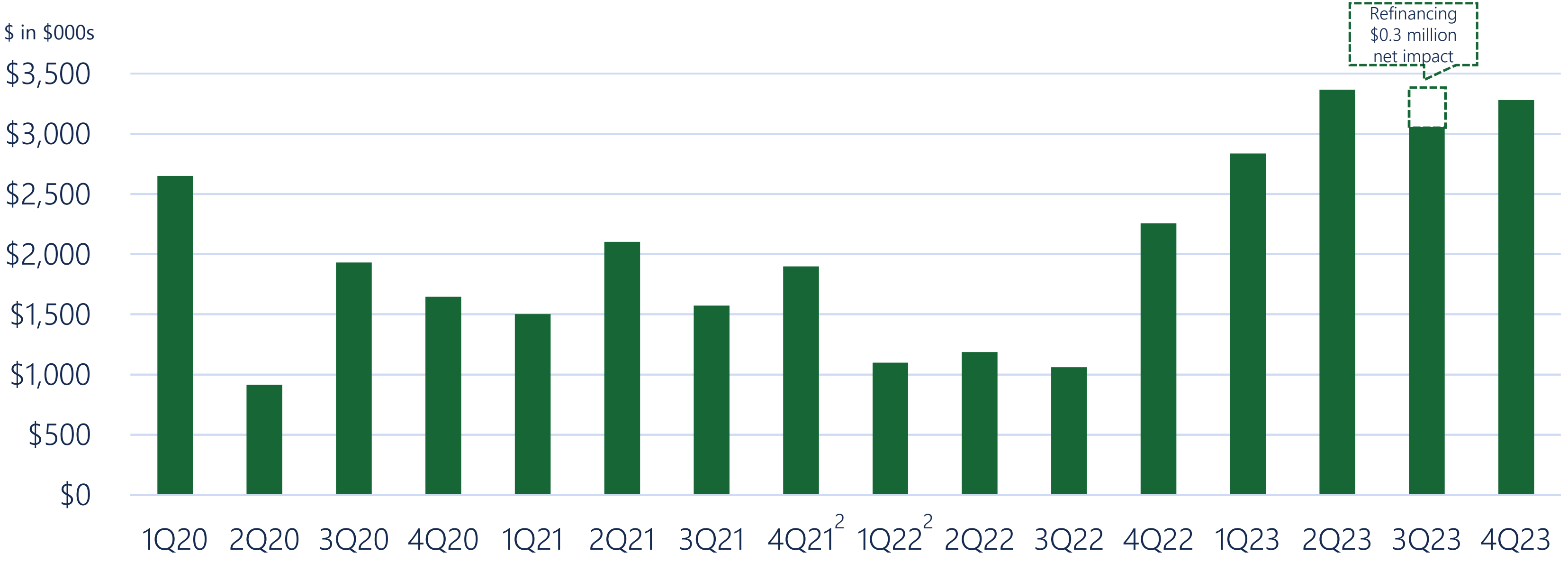
[1] Weighted average current yield is based upon the stated coupon rate and fair value of outstanding debt securities at the measurement date.

Net Investment Income (NII)

Great Elm CAPITAL CORP

NII for the quarter ended December 31, 2023 was $3.3 million, or $0.43 per share[1], compared to NII of $3.1 million, or $0.40 per share[1], for the quarter ended September 30, 2023

- Refinancing items impacted NII by $0.3 million in the September 30, 2023 quarter

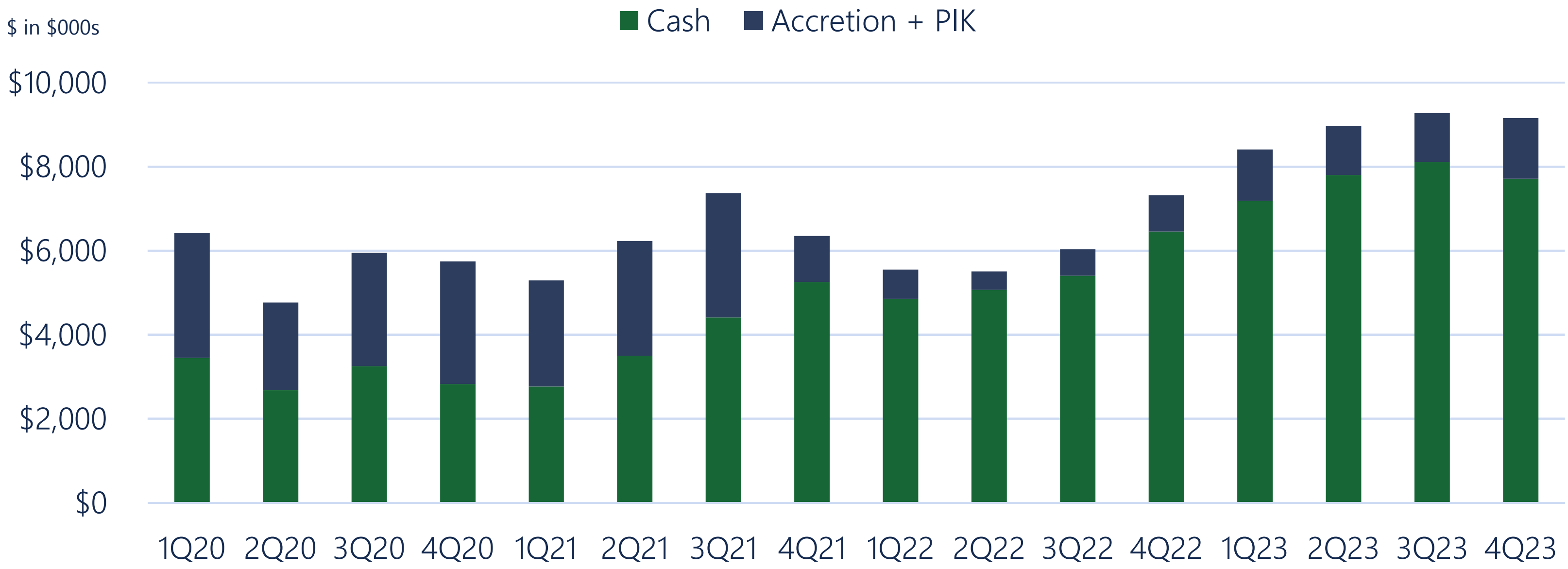


[1] Based on weighted average shares outstanding 7.6 million for the quarters ended December 31, 2023 and September 30, 2023.

[2] 4Q 21 removes the expense reversal of approximately $5.2 million and 1Q 22 removes the fee waiver of approximately $4.9 million.

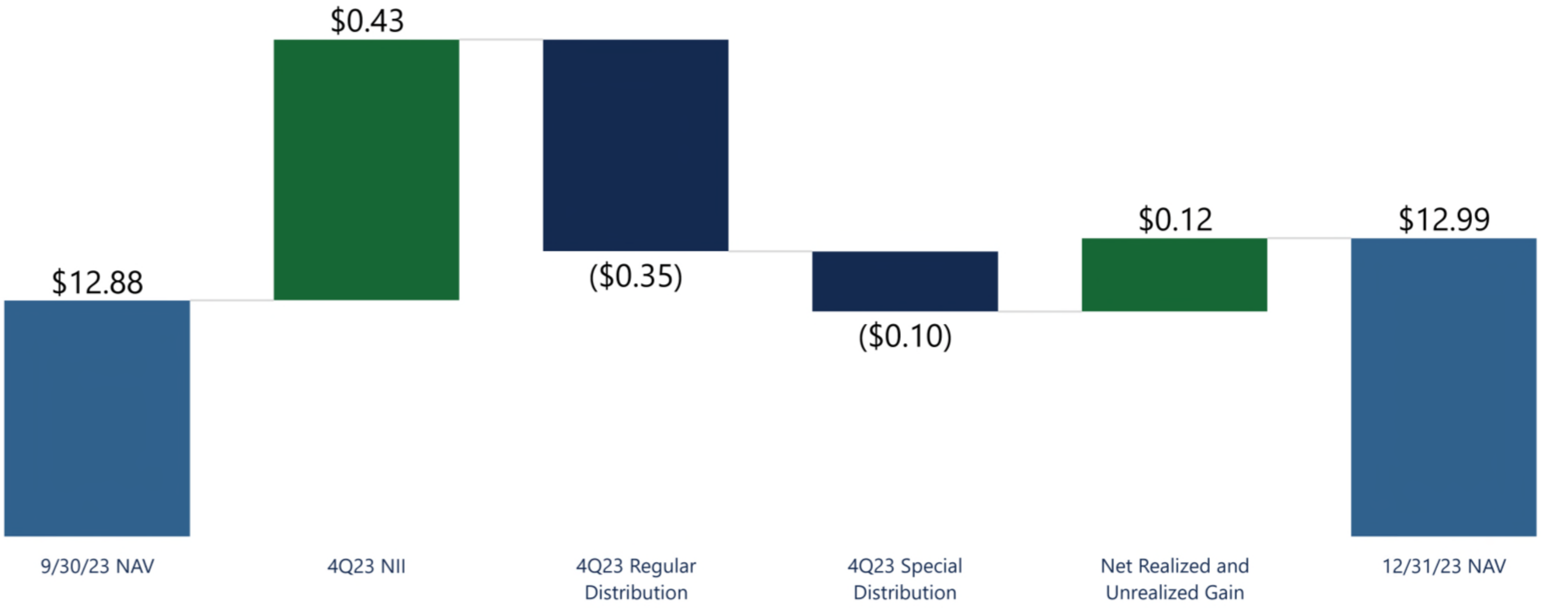
Total Investment Income (TII)

TII for the quarter ended December 31, 2023 was $9.2 million, closing out 2023 with the highest cash income year in the Company's history



4Q 2023 Net Asset Value Bridge[1]

Net assets were approximately $98.7 million ($12.99 per share[1]) on December 31, 2023, as compared to $97.9 million ($12.88 per share[1]) on September 30, 2023.



[1] Based on shares outstanding of 7.6 million as of December 31, 2023 and September 30, 2023.

FY 2023 Net Asset Value Bridge[1]

Net assets were approximately $98.7 million ($12.99 per share[1]) on December 31, 2023, as compared to $84.8 million ($11.16 per share[1]) on December 31, 2022

[1] Based on shares outstanding of 7.6 million as of December 31, 2022 and throughout all of 2023.

Q4 2023
Portfolio Review

Total Quarter End Portfolio Detail[1]

Debt Investments

37 Debt Investments	**93.5%**[2] Weighted Average Price as % of Par	**$199.3 million** Fair Value of Debt Investments	**86.4%** Of Portfolio in Debt Investments	**13.8%**[2] Weighted Average Current Yield of Debt Investments

Equity Investments

10 Equity Investments

	Fair Value	% of Portfolio in
1 in Great Elm Specialty Finance	**$17.5 million**	**7.6%**
2 Dividend Paying Equity Investments	**$6.8 million**	**2.9%**
7 Other Equity Investments	**$7.1 million**	**3.1%**

[1] Excludes one equity investment with a fair value of zero.
[2] Weighted average dollar price and current yield are based upon fair value of outstanding investments and the anticipated distribution rate excluding fee income, as applicable, at the measurement date. Amounts in the above tables do not include investments in short-term securities.

Quarterly Investment Activity

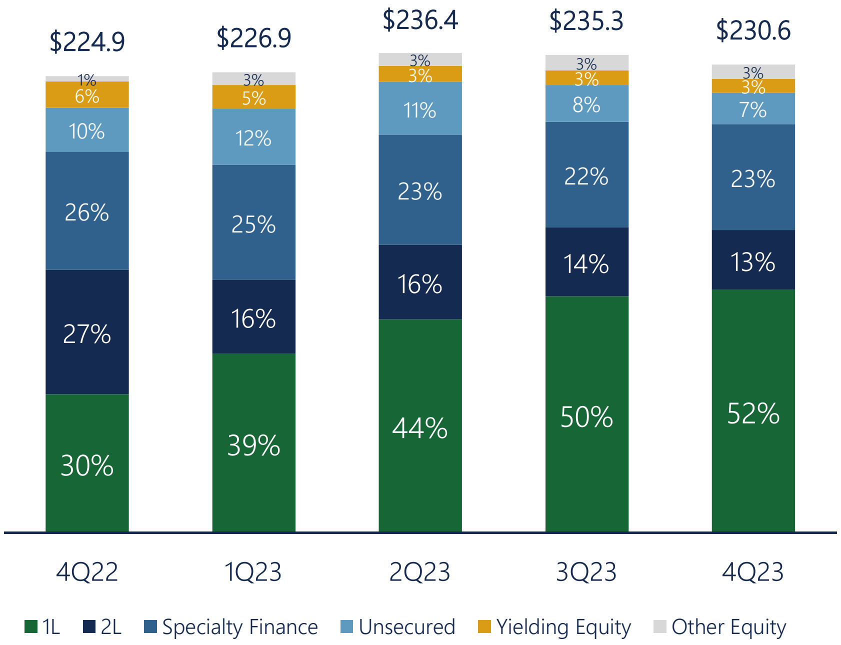
Great Elm CAPITAL CORP

Deployment of Capital	$29.9 million deployed into 15 investments at a weighted average current yield of 14.0% in 4Q 23
Monetization of Investments	During 4Q 23, monetized $36.2 million across 32 investments, in whole or in part, at a weighted average current yield of 11.0% • Includes $14.8 million of mandatory debt paydowns and redemptions at a weighted average current yield of 12.5% • Includes $21.4 million from sales of investments at a weighted average current yield of 9.6%
Attractive Funding Sources	• $45.6 million GECCM 6.75% Notes due January 2025 • $57.5 million GECCO 5.875% Notes due June 2026 • $40.0 million GECCZ 8.75% Notes due September 2028 • $25.0 million available on undrawn revolver

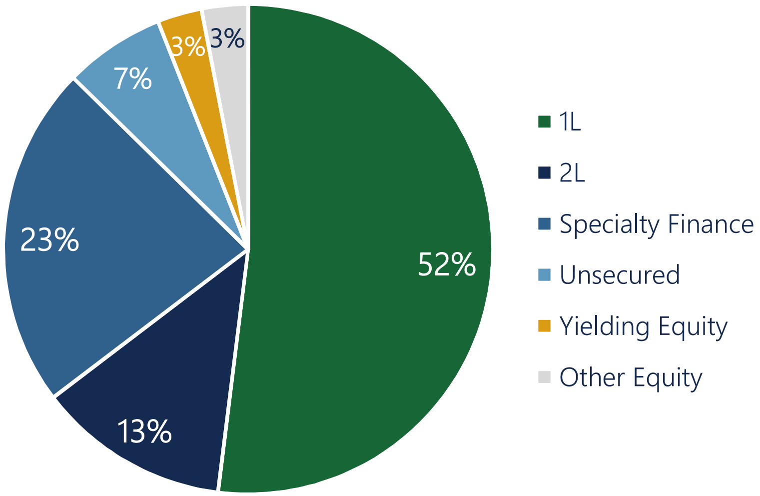
Portfolio Asset Mix[1]

Focus on Secured Investments

End of Period Investments ($mm)



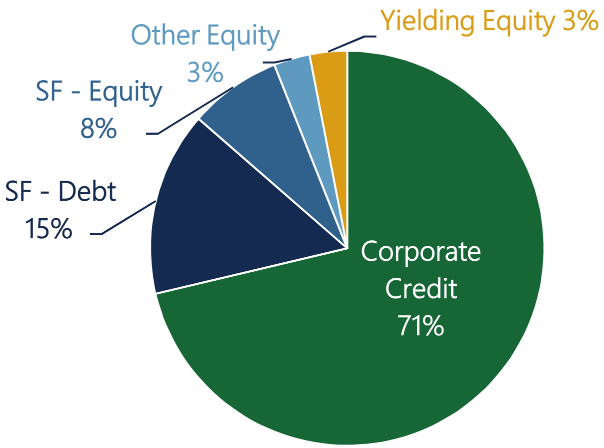
12/31/2023



[1] Excludes SPACs, non-accrual investments and two equity investments valued at zero.

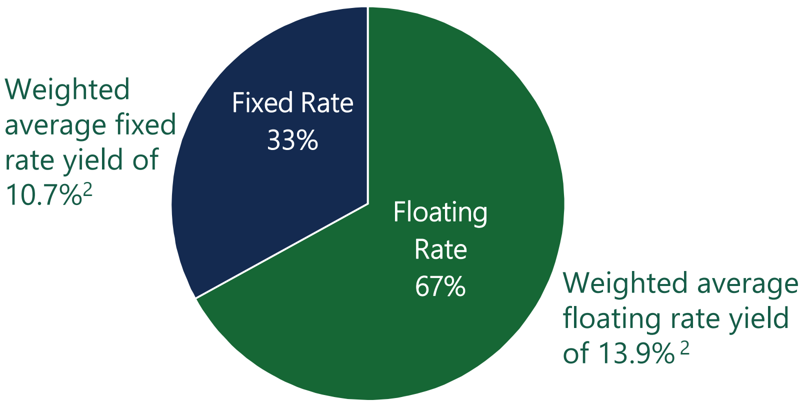
Total Quarter End Asset Mix

Portfolio by Asset Type ($230.6mm)



Investments	Fair Value $mm	% of Total Portfolio
Corporate Credit	$164.5	71%
Specialty Finance Debt	$34.7	15%
Specialty Finance Equity	$17.5	8%
Other Equity	$7.1	3%
Yielding Equity	$6.8	3%
Total Portfolio	**$230.6**	**100%**

Debt Investments by Rate Type ($199.3mm)[1]

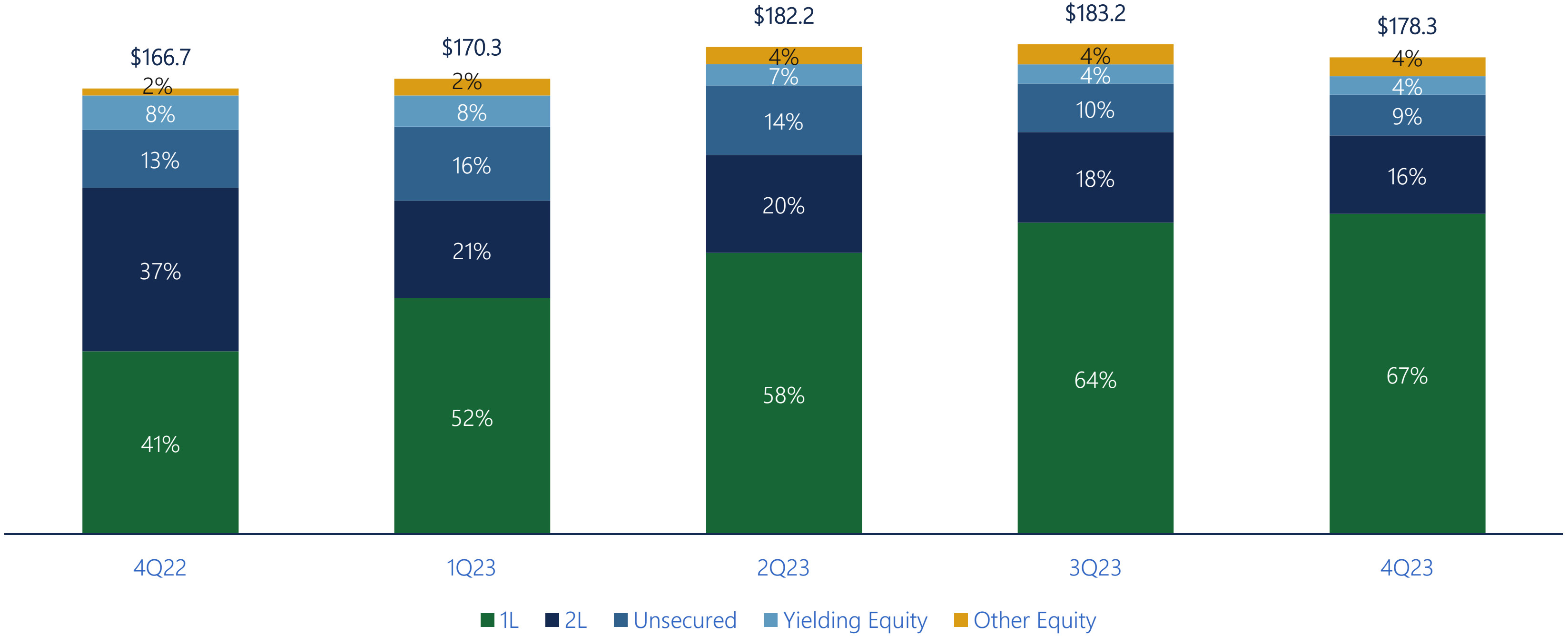


Investments	Fair Value of Debt $mm	% of Debt Holdings
Floating Rate	$134.1	67%
Fixed Rate	$65.2	33%
Total [1]	**$199.3**	**100%**

[1] Excludes non-accrual securities with a fair value of zero and unfunded revolvers.
[2] Weighted average fixed and floating rate current yield is based upon the stated coupon rate and fair value of outstanding debt instruments at the measurement date. Amounts in the above tables do not include fee income or short-term securities.

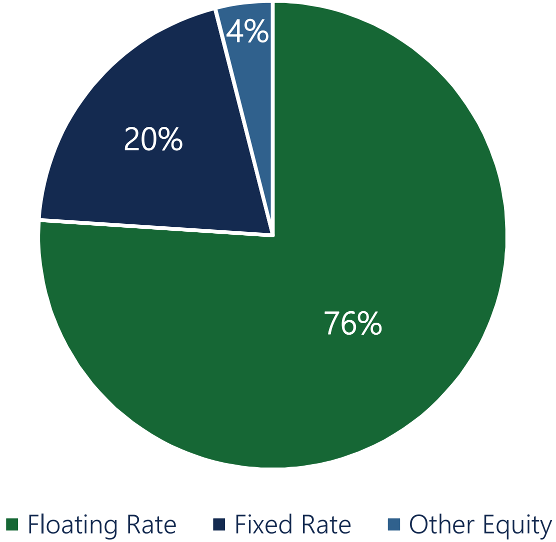
Corporate Portfolio Overview

Corporate Portfolio: Investment Mix Type ($mm)



Corporate Portfolio: Fixed and Floating Rate Exposure

Portfolio by Rate Type[1]



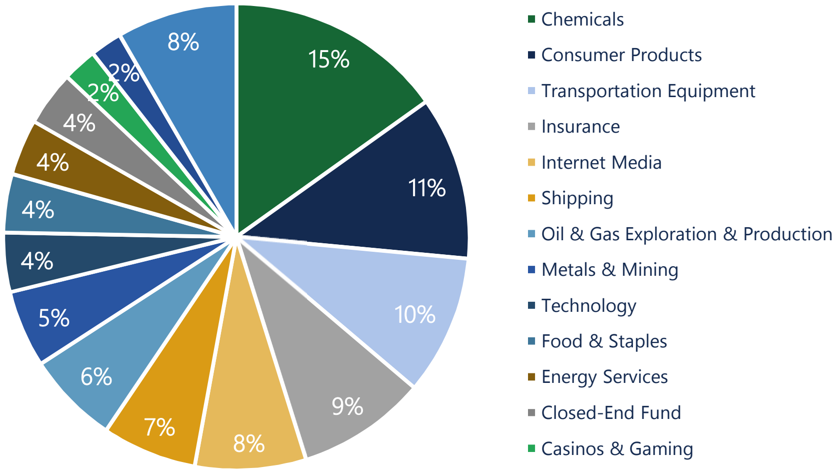
12/31/2023

	Value ($mm)	% of Corp.	Weighted Average Price	Weighted Average Coupon	Weighted Average Maturity	Weighted Average CY
Fixed Rate	$36.5	20%	95.45	9.1%	2.5 yrs	9.7%
Floating Rate	$128.0	72%	92.14	14.1%	3.3 yrs	15.3%
Total Credit	**$164.5**	**92%**	**92.21**	**13.0%**	**3.1 yrs**	**14.1%**
Pref & CEFs	$6.8	4%		15.0%		15.0%
Other Equity	$7.1	4%		0.0%		0.0%
Total	**$178.3**	**100%**		**12.6%**		**13.5%**

[1] Preferred ("Pref") and Closed End Funds ("CEFs") are included in Floating Rate above.

Corporate Portfolio: Industry Breakdown

Percentage of Fair Value



December 31, 2023

Industry	Investments at Fair Value ($ in 000s)	% of Fair Value
Chemicals	$27,024	15.2%
Consumer Products	$20,211	11.3%
Transportation Equipment	$17,261	9.7%
Insurance	$16,026	9.0%
Internet Media	$13,732	7.7%
Shipping	$11,724	6.6%
Oil & Gas Exploration & Production	$11,420	6.4%
Metals & Mining	$9,538	5.3%
Technology	$7,342	4.1%
Food & Staples	$7,200	4.0%
Energy Services	$6,930	3.9%
Closed-End Fund	$6,770	3.8%
Casinos & Gaming	$4.252	2.4%
Aircraft	$3,959	2.2%
Other (8 Industries)	$14.,903	8.4%
Total Corporate Portfolio	$178,290	100.0%

Great Elm Specialty Finance

Increasing Focus in Specialty Finance

The Specialty Finance Platform continues to expand across the "Continuum of Lending"

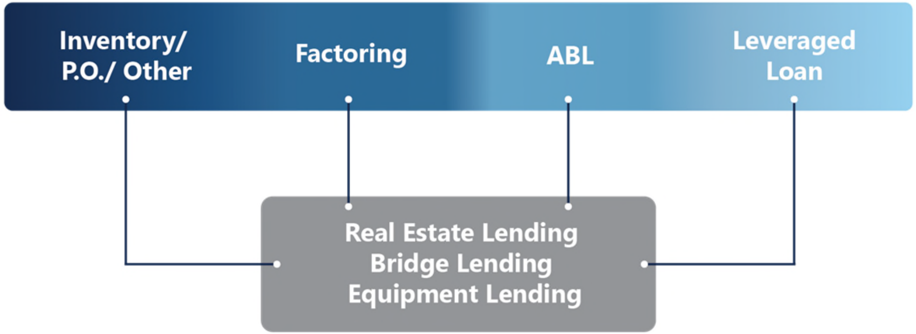
Equity ownership in Specialty Finance Companies (SFCs) generates two levels of proprietary investment exposure for investors:

- We believe direct investments in SFCs are largely uncorrelated to the broader syndicated credit market and have the potential to offer attractive risk-adjusted returns
- Ability for GECC to participate directly in underlying transactions originated by SFCs

Multiple SFCs owned by one operating company will leverage institutional permanent capital and generate natural referral sources, creating a competitive advantage for the businesses

GESF's growth strategy incorporates building equity stakes in each of the key specialty finance categories across the "Continuum of Lending" as SFCs are challenged from the lack of client "stickiness."

- SMBs by their nature are either growing or shrinking (and potentially going out of business)
- SFCs must continually find new clients as existing clients outgrow the platform, get acquired, or shut down
- We intend to combat this issue by investing in a number of different SFCs along the "Continuum of Lending"



Continuum of Lending Benefits

A "Continuum of Lending" platform provides significant benefits

The Continuum allows lenders to improve "stickiness" of clientele and hold onto key borrowers longer

By having a Continuum of Lending platform, we will be able to offer borrowers economic incentives to stay within the Great Elm family

The Continuum provides an ideal platform to cross-sell products and services to borrowers

The Continuum allows for customer acquisition costs to be spread across platforms

By adding one-stop shop / complementary loan products, we enhance our ability to hold onto profitable relationships longer, across the lending continuum

The Continuum provides an incentive within all Specialty Finance verticals to refer business and work collaboratively

Specialty Finance Focus and Execution

Utilizing a 3-pronged approach to build out its specialty finance platform

1 Acquisitions

Actively source complimentary acquisition opportunities to build out our platform, expand its continuum of lending strategy and add complementary lines of business

2019	**Prestige** Factoring
2022	**Sterling Commercial Credit** Asset-Based Lending Platform

2 Strategic Relationships

Increase deal flow to the GESF family through strategic relationships

- **Assist third-party platforms** by providing capital that allows for larger deal execution
- **Form strategic partnerships** with banks by providing last-out financing on ABLs or with targeted groups (i.e., liquidation firms)
- **Build specialized businesses** with experienced equity partners (e.g., Berkadia and **Great Elm Healthcare Finance** in 2022)

3 Direct Originations

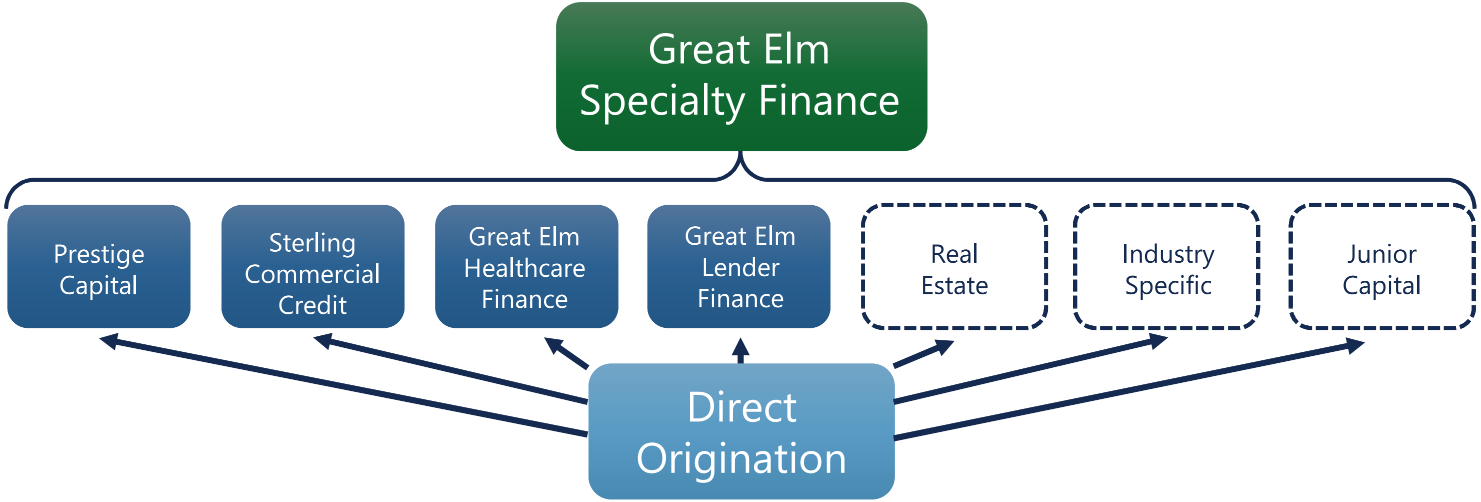
Proprietary originations send a clear message to the market that GESF is an active player in the asset backed and specialty finance industry

- **Proprietary deal flow** provides currency that encourages strategic partnerships
- **Direct originations** provide compelling risk-adjusted opportunities on a standalone basis

Great Elm Specialty Finance

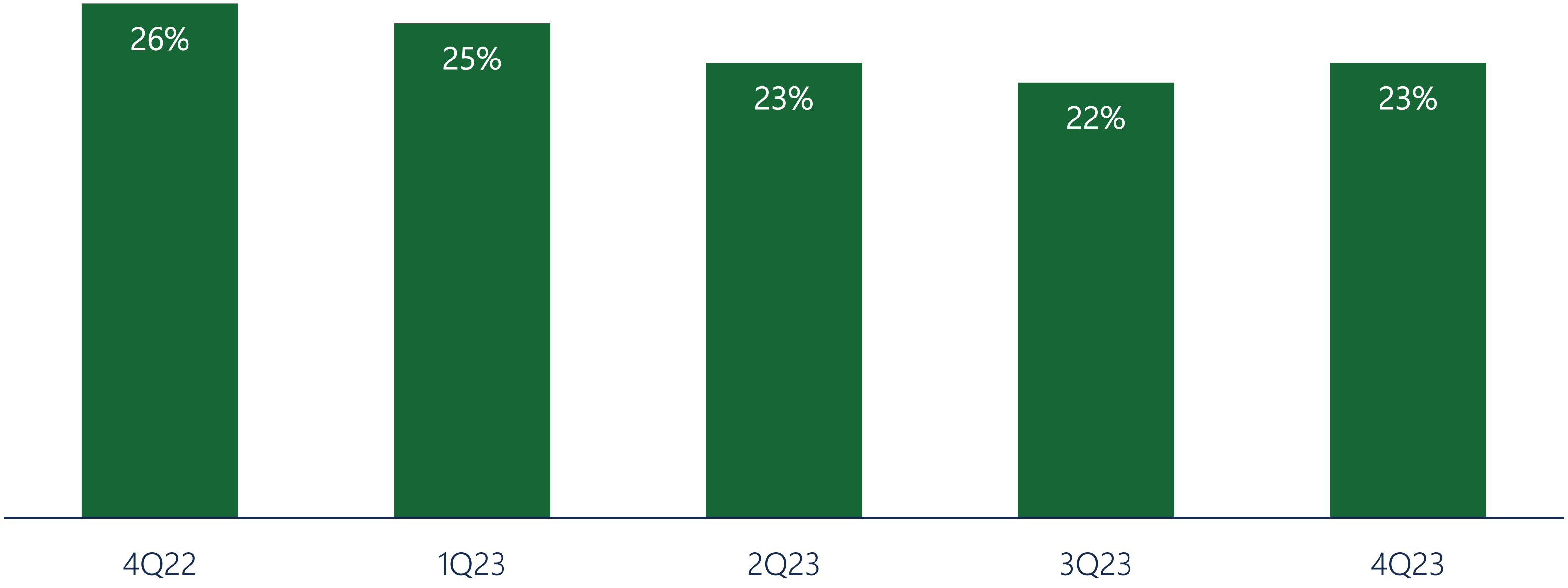
Great Elm Specialty Finance ("GESF") is a subsidiary of GECC formed to oversee Specialty Finance investments and all future specialty finance acquisitions, strategic partnerships, and direct origination opportunities

- GESF oversees existing platforms – shaded below
- Other areas into which we may look to expand – dotted outline
- Direct Origination is critical as these efforts will provide deal flow for all of our specialty finance verticals

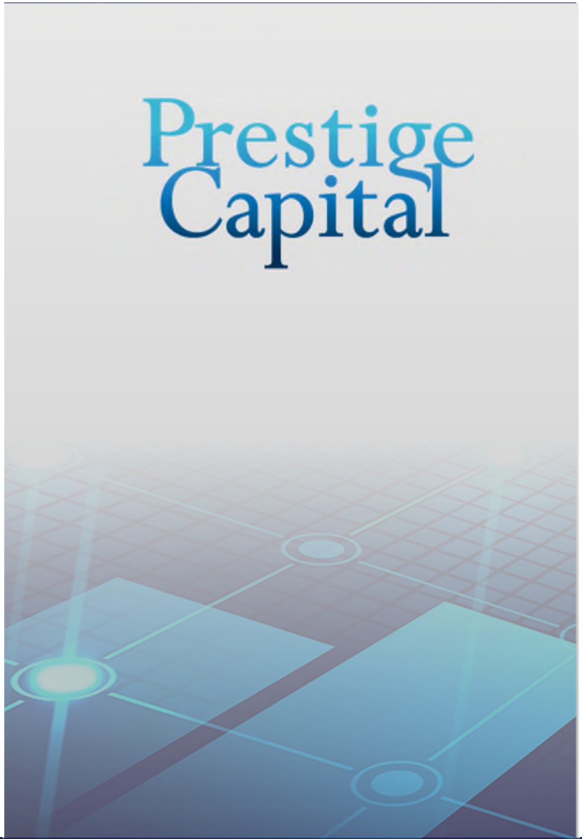


GECC Specialty Finance

Specialty Finance as a Percentage of Investment Portfolio



GESF: Prestige Capital



Provider of "spot factoring" services, providing clients with opportunities to sell individual accounts receivable for upfront payments

Functional

Prestige purchases the individual accounts receivable of creditworthy companies from its clients. It typically advances 75%-85% of the receivable to the client upfront and remits the rest to the client (less Prestige's fee) upon payment of the receivable

Risk Management

The combination of clients' capital needs and receivables from creditworthy counterparties allows Prestige to consistently underwrite profitable business while taking limited corporate credit risk

Diversified Customer Base

Prestige's clients are generally unable to access traditional bank financing to meet their capital needs but have accounts receivable from creditworthy companies

Experienced

Over 30 years in business and through $6+ billion of transactions factored, Prestige has a track record of strong credit underwriting with minimal losses

GESF: Sterling Commercial Credit

Great Elm CAPITAL CORP

Provider of asset-based loans to small and middle market companies throughout the United States

Direct Lending Solution

Sterling provides short term, asset-based loans and working capital solutions to small businesses with annual sales typically between $3 Million and $100 Million.

Seasoned Team

Sterling has an executive team with over 150 years experience in bank and non-bank environments.

Sterling's seasoned Back Office strives for "best in class" execution and has experienced monitoring and asset management capabilities that can be leveraged across the entire Great Elm Specialty Finance platform.

Diversified Products

Sterling offers a variety of product types to meet client needs such as:

- ABL revolvers secured by:
  - Accounts receivables
  - Inventory
- Term loans + lines of credit secured by:
  - Equipment
  - Commercial real estate
- Unitranche loans
- Senior Stretch and Junior Capital to augment borrowing capacity

GESF: Great Elm Healthcare Finance

Formed and funded in November 2022 in partnership with Berkadia

- Acquired a portfolio of loans in December 2022
- Building a robust pipeline of proprietary deal flow
- Closed $50m committed credit facility (with uncommitted $50m accordion) with Encina Lender Finance to fund growth of active pipeline

Experienced Management

- Over 100 years of collective expertise
- Experienced building successful healthcare lending platforms
- Focus on capital preservation

Robust Underwriting

- Asset driven focus
- Emphasis on operations and collateral
- Proprietary risk-rating system

Portfolio Management

- Rigorous monitoring & Regular testing
- Continuous relationship maintenance
- Disciplined oversight and management

Nationwide Lending Focus

Use of Funds:

Refinancing existing debt, growth capital, working capital, acquisitions, restructuring, mezzanine financing, DIP financing, and capital expenditures

Industries:

- Skilled Nursing
- Hospital & Medical Centers
- Home Care & Hospice
- Behavioral Health
- Other Ancillary Services
- Assisted Living
- Independent Living
- Emergent Care & Outpatient Facilities
- Pharmacy and Labs
- Other Facility Based Providers

GESF: Great Elm Lender Finance

GESF is in the process of creating a new lender finance platform, focused on participation opportunities that present definable downside protection while leveraging existing specialty finance infrastructure

Business Focus

- Participations with other lenders that Great Elm has relationships with
- Participations in deals originated by other GESF businesses: Sterling Commercial Credit, Prestige Capital, and Great Elm Healthcare Finance
- Participations in other credit opportunities

Risk Management

- A "Credit First" platform which will be bolstered by stringent underwriting and portfolio standards
- Sterling will be the Servicer for GELF, providing provide back-office operations support, as well as underwriting and portfolio management support

Q4 2023
Financial Review

Financial Review: Per Share Data

Financial Highlights – Per Share Data					
	4Q 22	**1Q 23**	**2Q 23**	**3Q 23**	**4Q 23**
Earnings Per Share ("EPS")	($0.96)	$1.07	$0.68	$1.02	$0.55
Net Investment Income ("NII") Per Share	$0.30	$0.37	$0.44	$0.40	$0.43
Pre-Incentive NII Per Share	$0.37	$0.47	$0.56	$0.50	$0.54
Net Realized and Unrealized Gains / (Losses) Per Share	($1.26)	$0.70	$0.24	$0.62	$0.12
Net Asset Value Per Share at Period End	$11.16	$11.88	$12.21	$12.88	$12.99
Distributions Paid / Declared Per Share	$0.45	$0.35	$0.35	$0.35	$0.45[1]

[1] Includes a $0.35 regular distribution and a $0.10 special distribution.

Financial Review: Quarterly Operating Results

	4Q 2022		1Q 2023		2Q 2023		3Q 2023		4Q 2023	
$ in $000s		Per Share[1]		Per Share[1]		Per Share[1]		Per Share[1]		Per Share[1]
Total Investment Income[2]	**$7,325**	**$0.96**	**$8,410**	**$1.11**	**$8,977**	**$1.18**	**$9,276**	**$1.22**	**$9,161**	**$1.20**
Interest Income	5,919	0.78	6,630	0.87	7,081	0.93	7,592	1.00	7,704	1.01
Dividend & Other Income	1,406	0.18	1,780	0.24	1,896	0.25	1,684	0.22	1,457	0.19
Net Operating Expenses	**5,067**	**0.66**	**5,543**	**0.73**	**5,609**	**0.74**	**6,224**	**0.82**	**5,879**	**0.77**
Management fees	850	0.11	869	0.11	884	0.12	899	0.12	887	0.11
Incentive fees	565	0.07	710	0.09	842	0.11	763	0.10	817	0.11
Total Investment Management fees	1,415	0.18	1,579	0.20	1,726	0.23	1,662	0.22	1,703	0.22
Administration fees	235	0.03	295	0.04	341	0.04	420	0.06	465	0.06
Directors' fees	59	0.01	52	0.01	53	0.01	51	0.01	49	0.01
Interest expense	2,681	0.35	2,821	0.38	2,769	0.36	3,344	0.44	2,808	0.37
Professional services	298	0.04	536	0.07	434	0.06	422	0.06	380	0.05
Custody fees	11	0.00	22	0.00	21	0.00	19	0.00	19	0.00
Other	239	0.03	238	0.03	265	0.04	267	0.03	234	0.03
Income Tax, Including Excise Tax	129	0.02	28	0.00	0	0.00	39	0.00	221	0.03
Net Investment Income	**$2,258**	**$0.30**	**$2,839**	**$0.37**	**$3,368**	**$0.44**	**$3,052**	**$0.40**	**$3,282**	**$0.43**

[1] The per share figures are based on a weighted average of the shares outstanding for the preceding quarter, except where such amounts need to be adjusted to be consistent with the financial highlights of our consolidated financial statements.

[2] Total investment income includes net accretion of discount.

Financial Review: Portfolio

Financial Highlights - Portfolio					
	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23
Capital Deployed	$37.6 million	$46.0 million	$23.0 million	$32.6 million	$29.9 million
Investments Monetized	$20.4 million	$52.8 million	$16.0 million	$37.0 million	$36.2 million
Total Fair Value of Investments at Period End[1]	$225.0 million	$226.9 million	$236.4 million	$235.4 million	$241.4 million
Net Asset Value at Period End	$84.8 million	$90.3 million	$92.9 million	$97.9 million	$98.7 million
Total Assets at Period End	$310.1 million	$314.1 million	$322.5 million	$246.3 million	$ 246.8 million
Total Debt Outstanding at Period End (Par Value)	$155.9 million	$150.9 million	$150.9 million	$143.1 million	$ 143.1 million
Debt to Equity Ratio at Period End	1.84x	1.67x	1.63x	1.46x	1.45x
Cash at Period End[2]	$6.9 million	$12.5 million	$11.8 million	$2.8 million	$11.8 million

[1] Total Fair Value of Investments does not include investments in short-term securities and United States Treasury Bills.
[2] Cash does not include our holdings in United States Treasury Bills or Restricted Cash. Cash does include cash as well as money market securities.

Financial Review: Cash NII

Great Elm CAPITAL CORP

$000s	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23
Total Investment Income (TII)	$7,325	$8,410	$8,977	$9,276	$9,161
Less: Accretion of OID and PIK income	(867)	(1,223)	(1,170)	(1,157)	(1,446)
"Cash" Total Investment Income	**$6,458**	**$7,187**	**$7,807**	**$8,119**	**$7,838**
"Cash" TII Mix	*88.2%*	*85.5%*	*87.0%*	*87.5%*	*85.2%*
Less: Interest expense	(2,682)	(2,821)	(2,769)	(3,344)	(2,808)
Plus: Amortization of deferred debt costs	330	323	326	691	287
Less: Admin fees	(234)	(295)	(341)	(420)	(465)
Less: Custody fees	(12)	(22)	(21)	(19)	(19)
Less: Directors' fees	(59)	(52)	(53)	(51)	(49)
Less: Professional services	(298)	(536)	(434)	(422)	(380)
Less: Other expenses	(239)	(238)	(265)	(267)	(234)
Less: Management Fees	(850)	(869)	(884)	(899)	(887)
Less: Excise tax	(129)	(28)	-	(39)	(221)
Pre-incentive "Cash" NII	**$2,285**	**$2,649**	**$3,366**	**$3,349**	**$3,062**
Less: Incentive Fees[1]	(565)	(710)	(842)	(763)	(817)
X "Cash" TII Mix	88.2%	85.5%	87.0%	87.5%	85.2%
Less: "Cash" Incentive Fees	(498)	(607)	(732)	(668)	(688)
"Cash" NII	**$1,787**	**$2,042**	**$2,634**	**$2,681**	**$2,253**
"Cash" NII per share [2]	*$0.24*	*$0.27*	*$0.35*	*$0.35*	*$0.30*

[1] Incentive fees excludes the reversal and/or waiver of certain accrued incentive fees.
[2] Per share figures are based on a weighted average of the shares outstanding for the relevant quarter.

General Risks

Debt instruments are subject to credit and interest rate risks.

Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. Our debt investments either are, or if rated would be, rated below investment grade by independent rating agencies. These "junk bonds" and "leveraged loans" are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may be illiquid and difficult to value and typically do not require repayment of principal before maturity, which potentially heightens the risk that we may lose all or part of our investment.

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of an instrument whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors).

GECC utilizes leverage to seek to enhance the yield and net asset value of its common stock. These objectives will not necessarily be achieved in all interest rate environments. The use of leverage involves risk, including the potential for higher volatility and greater declines of GECC's net asset value, fluctuations of dividends and other distributions paid by GECC and the market price of GECC's common stock, among others. The amount of leverage that GECC may employ at any particular time will depend on, among other things, our Board's and our adviser's assessment of market and other factors at the time of any proposed borrowing.

As part of our lending activities, we may purchase notes or make loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financings may result in significant financial returns to us, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. We cannot assure you that we will correctly evaluate the value of the assets collateralizing our investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a portfolio company, we may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the investment advanced by us to the borrower.

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