

Great Elm Capital Group, Inc.

Investor Presentation – Quarter Ended March 31, 2018

May 15, 2018

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

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Organizational Overview

Organizational Overview



**All debt of subsidiaries is non-recourse to GEC*

Investment Management

Great Elm Capital Management, Inc. ("GECM")

- SEC Registered Investment Advisor
- Investment Management Agreement ("IMA") with Great Elm Capital Corp. ("GECC"), a business development company ("BDC")
- Three IMAs with a leading institutional investor
- Manager for future funds, co-investments and separately managed accounts ("SMAs")

GECC GP Corp.

- Receives profits solely from GECC IMA
- Issuer of \$3.3 million note
- 80.1% owned by GEC, 19.9% owned by employees / former employees

Real Estate

Great Elm FM Acquisition, Inc.

- Great Elm FM Acquisition, Inc. indirectly owns 80.1% of CRIC IT Fort Myers LLC ("CRIC IT"), which owns the properties that are leased on a long-term and triple net basis to Gartner, Inc.
- CRIC IT is the issuer of a \$54.6 million A1 note and a \$2.7 million A2 note

Future Real Estate Acquisition Subsidiaries

- Direct owner of property to issue debt
- GEC to indirectly own at least 80.1% of equity in property owner

Operating Companies

Operating Company 1

- Issuer of debt
- GEC to indirectly own at least 80.1% of equity

Operating Company 2

- Issuer of debt
- GEC to indirectly own at least 80.1% of equity

Operating Company 3

- Issuer of debt
- GEC to indirectly own at least 80.1% of equity

Organizational Overview: Drivers of Shareholder Value

Investment Management

- Grow GECC through additional debt issuances and equity raises, as well as by acquiring other BDCs via M&A
- Increase assets under management (“AUM”) via new fund launches, SMAs and co-investments

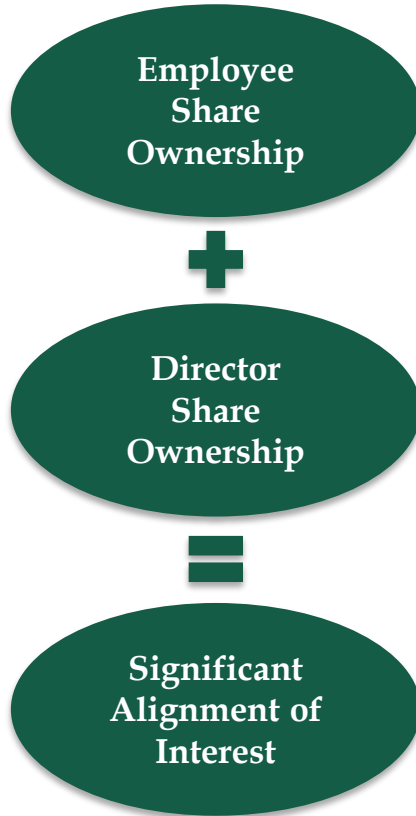
Real Estate

- Seek opportunities, such as the Fort Myers transaction that closed in March 2018, that utilize modest equity capital and monetize significant net operating loss carryforwards (“NOLs”)

Operating Companies

- Target growing companies with attractive returns on capital and limited depreciation and amortization expense
- Focus on companies that can be acquired at a reasonable multiple of earnings

Organizational Overview: Alignment of Interest



- Employees of GEC/GECM collectively own over 1.6 million shares in GEC, representing approximately 6.3% of the shares outstanding¹

- The directors of GEC collectively own approximately 10.5% of GEC's outstanding shares¹

- When combined, **insider ownership totals approximately 16.8% of the shares outstanding**
- We believe this level of insider ownership results in a **significant and long-term alignment of interest** between the shareholders and the insiders of GEC

(1) This includes restricted shares that are subject to both performance and service vesting and is based on the share count pro forma for the vesting of said restricted shares.

Investment Management

Investment Management: A Scalable, High Margin Business

AUM GROWTH

- Grow GECC's AUM through the issuance of additional debt and equity, complemented with accretive acquisitions of other BDCs, resulting in an increase in fee revenue
- Grow the Investment Management business by leveraging the existing team to raise additional vehicles

HIGHLY SCALABLE MODEL

- Investment team and platform in place to support substantial growth in AUM and investment vehicles

(1) Please refer to reconciliation of GAAP net income (loss) to EBITDA and Adjusted EBITDA and an explanation of earned but unrecognized revenues in the Appendix.

AUM Growth



High Adjusted EBITDA Margins



Highly Scalable Model



Significant Free Cash Flow

HIGH MARGINS

- Our Q3 and YTD Adjusted EBITDA margins on *earned but not recognized revenues* were 31.7% and 34.5% respectively¹
- We expect these margins to increase as our AUM increases

SIGNIFICANT FREE CASH FLOW

- Growth in AUM in the Investment Management business coupled with its high margins and highly scalable business model results in significant operating leverage and thus the potential for substantial growth in adjusted EBITDA

Investment Management: Revenue Generation

Management & Administration Fees

- GECM charges management fees of 1.50% on GECC's gross assets under management, excluding cash
- GECM receives reimbursement of certain expenses per its administration agreement with GECC

Incentive Fees: Part I (Pre-Incentive Fee NII)

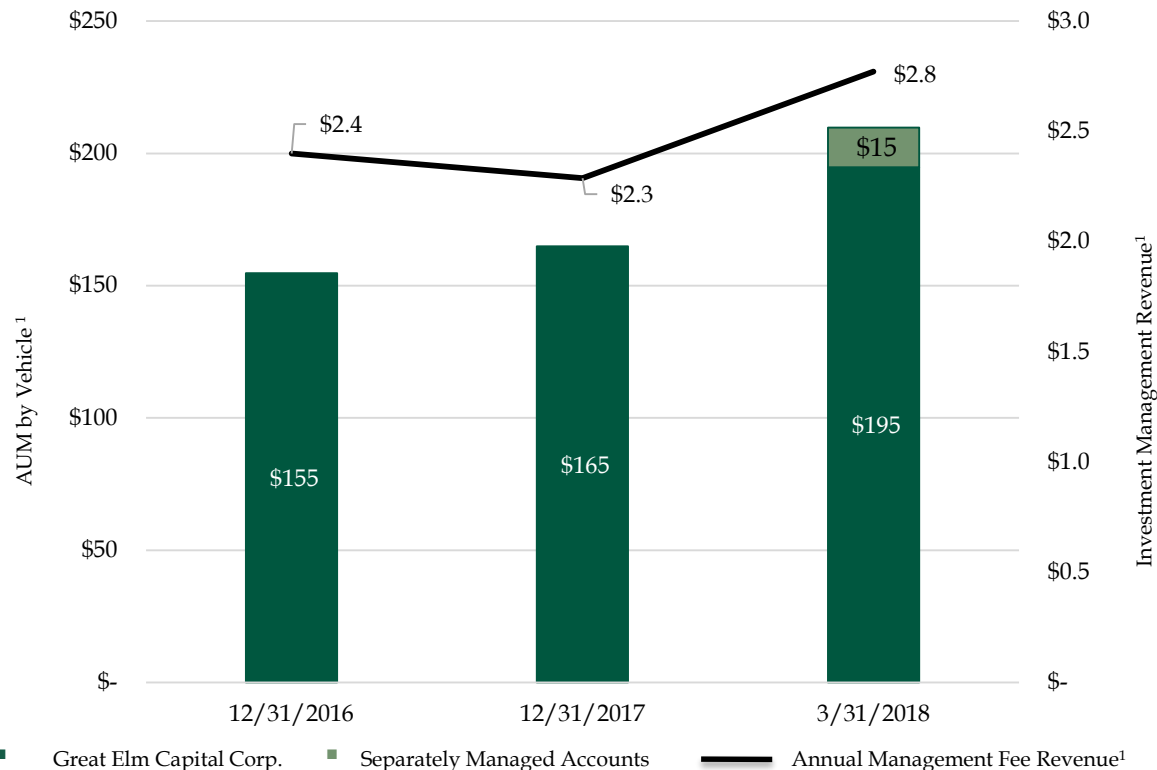
- Subject to a quarterly hurdle rate of 1.75% on GECC's net assets, GECM also charges a 20.0% incentive fee on GECC's pre-incentive fee net investment income ("NII"), which includes, but is not limited to: interest income, accretion of OID and market discount and dividends. Payment of this incentive fee is subject to a total return hurdle

Incentive Fees: Part II (Capital Gains)

- GECM charges a 20.0% incentive fee on GECC's aggregate, cumulative net realized capital gains less any aggregate, cumulative unrealized losses

Investment Management: AUM by Vehicle and Revenue Growth¹ (\$ in M)

- *GECC grew its investment portfolio¹ by approximately 18% quarter-over-quarter from the quarter ended 12/31/2017 to 3/31/2018 through utilizing the proceeds of its most recent debt issuance and deploying said capital into new and existing investment opportunities*
- *Additionally, during the quarter ended 3/31/2018, GECM added three new SMAs with a fair market value of \$15 million and a par value of \$33 million*



(1) The chart above includes annualized management fee revenue for 2016 and 2018 and actual management fee revenue for 2017. Assets are based on fair market value of investments as of year-end or quarter-end, as applicable.

Investment Management: BDC Growth Initiatives

GECM intends to continue growing its Investment Management platform by focusing on growing GECC both organically and inorganically

Additional Debt Capital

- Addition of a credit facility and / or raise additional debt
 - GECC has raised approximately \$79 million in two baby bond issuances since September 2017 and is currently at a debt-to-equity ratio of 63 cents of debt for every dollar of equity (or an asset coverage ratio of approximately 255%). The initial baby bond issuance (NASDAQ: GECCL) was to refinance existing debt and the second issuance (NASDAQ: GECCM) was used to add assets to its portfolio
 - Any subsequent debt raises would also be utilized to add investment assets to its portfolio
 - In March 2018, the Small Business Credit Availability Act (“SBCAA”) was signed into law, permitting a reduction in the required asset coverage ratio test for BDCs from 200% to 150%
 - In May 2018, a majority of GECC’s stockholders approved the application of the modified minimum asset coverage requirements set forth in the SBCAA
 - Based on this reduction in the required asset coverage test, GECC would be permitted to raise up to approximately \$172 million in additional debt capital to fund new investments based on its current amount of outstanding indebtedness

GECM intends to continue to deploy leverage prudently, in amounts and at times that GECM believes best deliver attractive risk-adjusted returns to GECC’s stockholders

Investment Management: BDC Growth Initiatives

GECM intends to continue growing its Investment Management platform by focusing on growing GECC both organically and inorganically

Additional Equity Capital

- Consider raising equity at times when common shares trade at or above net asset value (“NAV”); GECC requires that a majority of shareholders approve the issuance of shares below NAV
- We believe there are two key “overhangs” to the GECC shares currently, which are trading at approximately 80% of NAV
 - Investment in Avanti Communications Group plc (“Avanti”): the investment in Avanti currently represents approximately 21% of the fair market value of investments in the GECC portfolio (please see Slide 16 for further information regarding the Avanti investment)
 - “MAST Overhang:” funds managed by MAST Capital Management, LLC (“MAST”) own approximately 47% of the outstanding shares of GECC
- Alternatively, raise equity via a rights offering or issue shares below NAV with shareholder approval

Investment Management: BDC Growth Initiatives

GECM intends to continue growing its Investment Management platform by focusing on growing GECC both organically and inorganically

M&A Activity

- GECC can utilize its shares as acquisition currency to acquire other BDCs, increasing assets under management and potentially fees. GECM can execute on this strategy even if GECC's shares are not trading at / near NAV and said transaction, importantly, can still be accretive to GECC stockholders
- Since GECC's merger with Full Circle Capital Corporation ("Full Circle") closed in November 2016, the GECM team has extracted significant value from a portfolio that the equity market had viewed as "challenged" under former management. In the year and a half since, we have exited approximately 70% of the initial cost basis of this portfolio across 22 positions and 15 portfolio companies, realizing an aggregate total return of \$4.2 million to date, a significant achievement given the market's assessment of the value
- With our significant experience in rehabilitating companies in financial distress, we believe that GECM is uniquely positioned to unlock value in other "challenged" BDC portfolios, similar to what we have accomplished with the Full Circle portfolio

Investment Management: Other Growth Initiatives

GECM intends to continue growing its Investment Management platform by focusing on fund launches, SMAs and co-investment opportunities

Other Growth Initiatives

- Building on the team's track record of success with co-investments, GECM has been in dialogue with institutional and family office investors about potential co-investments, SMAs and other fund investment opportunities. We are specifically focused on actionable co-investment opportunities to drive near-term growth

With a high degree of operating leverage in a scalable business model, GEC can continue to grow its Investment Management business, leveraging the skill set of the existing team with little additional capital required

Investment Management: Avanti Update

About Avanti

- Avanti is a leading provider of satellite-enabled data communications services in Europe, the Middle East and Africa. Avanti's satellites utilize Ka-band frequencies, enabling higher speed and volume at lower cost. GECC's debt investment in Avanti is secured by a collateral package that consists of satellites in orbit (HYLAS 1, 2 and 4), one satellite under construction (HYLAS 3), ground earth stations, spectrum and orbital slots. As of March 31, 2018, approximately 21% of the fair market value of GECC's investments were in Avanti securities

Recent Events

- In December 2017, Avanti announced a proposed restructuring plan whereby the terms of its second lien debt would be amended and its current third lien debt would be "equitized" in a debt-for-equity swap. In April 2018, a majority of Avanti shareholders voted in support of the proposed restructuring plan, allowing for the plan to close on April 26, 2018. In consideration for their support, the existing shareholders retained 7.5% of the common equity pro-forma for the issuance associated with the restructuring and the third lien debtholders received 92.5%. GECC now owns approximately 9.1% of Avanti's common equity
- Additionally, in April 2018, Kyle Whitehill joined Avanti as its new CEO, replacing Alan Harper, previously the company's Interim CEO. Mr. Whitehill started in April and Mr. Harper resumed his role as a Non-Executive Director of Avanti. Mr. Whitehill brings significant experience working with telecommunications companies in emerging market countries, similar to the ones that Avanti serves
- Lastly, Avanti successfully launched HYLAS 4 in April 2018, its largest capacity satellite. HYLAS 4 is now in its period of in-orbit testing, a period that typically lasts approximately three months. If in-orbit testing is successfully completed, we anticipate Avanti would commence selling capacity and thus generating revenue from HYLAS 4

With the completion of these three significant events, we believe Avanti is well-positioned for improved operating results, which may lead to an opportunity for GECC to reduce its exposure to this issuer at potentially higher prices

Real Estate

We view Credit Tenant Lease financings in Real Estate to High-Quality Tenants as an attractive business for GEC for the following reasons:

**Limited Equity
Capital
Deployed**

**High Level of
Non-Recourse
Leverage**

**Monetization
of Significant
NOLs**

We believe we are uniquely positioned to be a preferred partner to a sub-set of real estate investors because of our ability to absorb phantom income

Real Estate: Fort Myers Transaction Cash Flows

CRIC IT Fort Myers LLC

Summary of Cash Rent, Amortization and Mortgage Balances

Over the course of this twelve-year lease term, the cash flows from the rental income will amortize down the senior note from approximately \$54.8 million to \$18.4 million, allowing us to create significant equity value with limited equity capital deployed

Year	Cash Rent	Senior Note Amortization	Senior Note Interest	Sub. Note Amortization	Sub. Note Interest	Remaining Mortgage Balance (Sr. Note)	Remaining Mortgage Balance (Sub. Note)
1	\$ 4,000,394	\$ (1,946,883)	\$ (1,881,660)	\$ -	\$ -	\$ 52,850,853	
2	4,089,997	(2,104,321)	(1,811,215)	-	-	50,746,532	
3	4,181,631	(2,269,346)	(1,735,155)	-	-	48,477,187	
4	4,277,059	(2,443,941)	(1,653,208)	-	-	46,033,245	
5	4,383,281	(2,635,402)	(1,564,876)	-	-	43,397,844	
6	4,492,249	(2,836,359)	(1,469,712)	-	-	40,561,484	
7	4,604,035	(3,047,224)	(1,367,377)	-	-	37,514,260	
8	4,740,238	(3,289,625)	(1,257,213)	-	-	34,224,635	
9	4,882,445	(3,546,575)	(1,138,328)	-	-	30,678,060	
10	5,028,918	(3,816,845)	(1,010,264)	-	-	26,861,215	
11	5,179,786	(4,101,036)	(872,547)	-	-	22,760,179	
12	5,766,208	(4,387,097)	(778,135)	-	-	18,373,083	
	\$ 55,626,238	\$ (36,424,654)	\$ (16,539,690)	\$ -	\$ -	\$ 18,373,083	\$ 16,269,888

Senior Note: Beginning Balance	\$ 54,797,736
Senior Note: Remaining Balance	\$ 18,373,083
Sub. Note: Beginning Balance	\$ 2,685,993
Sub. Note: Remaining Balance	\$ 16,269,888

Real Estate: Deal Pipeline Post-Fort Myers Transaction

50+
Opportunities
Since Early
March

Since announcing the Fort Myers Transaction in March 2018, our Real Estate team has received in excess of 50 opportunities to review

Deal Flow
Characteristics

- Approximately 75% of the deals we have reviewed have prices greater than \$20 million
- Primarily single tenant leaseholds and ground leases across commercial office space and industrial properties
 - Tenant types include enterprise, healthcare and government / GSA

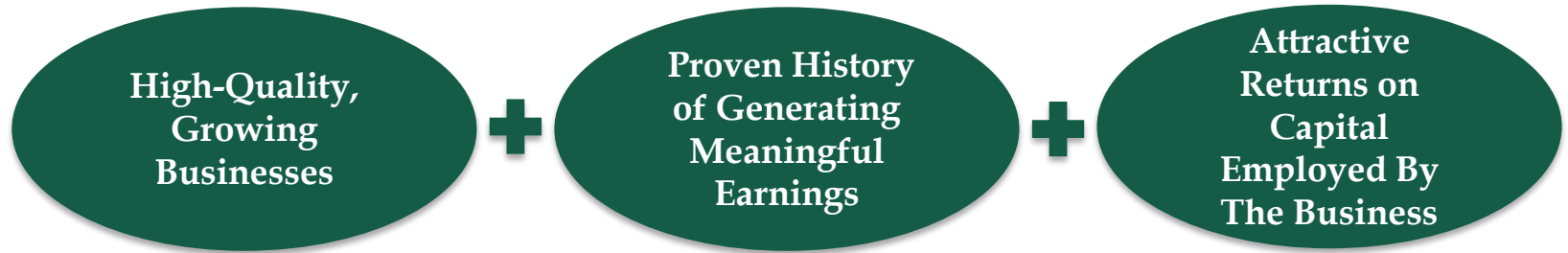
Focus: 3 - 5
Deals Under
Further
Review

Currently focused on 3 - 5 potential acquisitions that range from \$30 to \$130 million in offer price

Operating Companies

Operating Companies: A Refresher

We are seeking to acquire controlling interests in Operating Companies that meet the following characteristics:



*Further, we are focused on businesses that we can acquire at what we view to be **reasonable multiples of earnings** while utilizing prudent amounts of **non-recourse leverage***

Operating Companies: Deal Pipeline

Significant Deal Flow

During the past 18 months, we have seen a significant number of possible acquisition candidates, with enterprise values (“EV”) ranging from \$5 to \$200 million

Transaction Focus

The bulk of the transactions we have been evaluating have an EV between \$10 and \$70 million. To date, we have passed on potential transactions primarily due to: purchase price, lack of durable competitive advantage, excessive cyclicality, customer concentration and transaction size

Final Due Diligence

Most recently, we declined to pursue a transaction that we had under exclusivity because of heightened operational risks uncovered during due diligence

Financial Review

Financial Review: Quarterly Financial Results

Great Elm Capital Group, Inc.

Quarterly Financial Review

\$ in K	Three Months Ended March 31, 2018				Three Months Ended December 31, 2017				Three Months Ended March 31, 2017			
	Investment Management	Real Estate	Corporate	Consolidated	Investment Management	Real Estate	Corporate	Consolidated	Investment Management	Real Estate	Corporate	Consolidated
Rental Revenue	\$ -	\$ 343	\$ -	\$ 343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management Fees	693	-	-	693	606	-	-	606	582	-	-	582
Incentive Fees	(1,766)	-	-	(1,766)	1,610	-	-	1,610	1,000	-	-	1,000
Administration Fees	283	-	-	283	307	-	-	307	384	-	-	384
Revenue	\$ (791)	\$ 343	\$ -	\$ (448)	\$ 2,523	\$ -	\$ -	\$ 2,523	\$ 1,966	\$ -	\$ -	\$ 1,966
GAAP Net Income (Loss)	(2,056)	23	(2,356)	(4,389)	150	-	(1,352)	(1,202)	(1,346)	-	(1,451)	(2,797)
Adjusted EBITDA^{1,2,3,4}	\$ 616	\$ 322	\$ (1,019)	\$ (81)	\$ 1,043	\$ -	\$ 75	\$ 1,118	\$ 796	\$ -	\$ (821)	\$ (25)

(1) See reconciliation of GAAP net income (loss) to EBITDA and Adjusted EBITDA in the Appendix.

(2) Interest, taxes, depreciation and amortization are added back to net income (loss) in determining EBITDA.

(3) Stock based compensation expense, unrealized loss on investments, unrecognized incentive fees earned (net of related compensation costs) and other minor adjustments are added back to EBITDA in determining Adjusted EBITDA.

(4) The Adjusted EBITDA for the three months ended 12/31/2017 was increased by the gain resulting from the redemption of the Full Circle baby bonds (NASDAQ: FULLL) being taken into GECC's NII. Operating expenses during the three month period ended 3/31/2017 were depressed due to an allocation of such expenses under the cost-sharing agreement resulting in increased adjusted EBITDA for such period.

Financial Review: Year to Date Financial Review

Great Elm Capital Group, Inc.

Year To Date Financial Review

\$ in K	Nine Months Ended March 31, 2018				Nine Months Ended March 31, 2017			
	Investment Management	Real Estate	Corporate	Consolidated	Investment Management	Real Estate	Corporate	Consolidated
Rental Revenue	\$ -	\$ 343	\$ -	\$ 343	\$ -	\$ -	\$ -	\$ -
Management Fees	1,850	-	-	1,850	982	-	-	982
Incentive Fees	735	-	-	735	1,880	-	-	1,880
Administration Fees	916	-	-	916	446	-	-	446
Revenue	\$ 3,501	\$ 343	\$ -	\$ 3,844	\$ 3,308	\$ -	\$ -	\$ 3,308
GAAP Net Income (Loss)	(3,532)	23	(5,465)	(8,974)	(2,178)	-	(12,168)	(14,346)
Adjusted EBITDA^{1,2,3,4}	\$ 2,148	\$ 322	\$ (2,053)	\$ 417	\$ 1,366	\$ -	\$ 1,865	\$ 3,231

(1) See reconciliation of GAAP net income (loss) to EBITDA and Adjusted EBITDA in the Appendix.

(2) Interest, taxes, depreciation and amortization are added back to net income (loss) in determining EBITDA.

(3) Stock based compensation expense, unrealized loss on investments, unrecognized incentive fees earned (net of related compensation costs) and other minor adjustments are added back to EBITDA in determining Adjusted EBITDA.

(4) The Adjusted EBITDA for the three months ended 12/31/2017 was increased by the gain resulting from the redemption of the Full Circle baby bonds (NASDAQ: FULLL) being taken into GECC's NII. Operating expenses during the three month period ended 3/31/2017 were depressed due to an allocation of such expenses under the cost-sharing agreement resulting in increased adjusted EBITDA for such period.

Financial Results: Earned vs. Recognized Fee Income

Great Elm Capital Management, Inc.

Earned vs. Recognized Fee Income

\$ in K	<u>Three Months Ended March 31, 2018</u>	<u>Nine Months Ended March 31, 2018</u>	<u>Inception to Date¹ March 31, 2018</u>
<i>Management and Administration Fees:</i>			
Management and Administration Fees - Earned	\$ 975	\$ 2,766	\$ 4,936
Management and Administration Fees - Recognized	975	2,766	4,936
Management and Administration Fees - Earned, Not Recognized	\$ -	\$ -	\$ -
<i>Incentive Fees:</i>			
Incentive Fees - Earned	\$ 966	\$ 3,467	\$ 6,224
Incentive Fees - Recognized ^{2,3}	352	1,801	3,491
Incentive Fees - Earned, Not Recognized^{2,3}	\$ 614	\$ 1,666	\$ 2,732
<i>Total Investment Management Fees:</i>			
Investment Management Fees - Earned	\$ 1,942	\$ 6,233	\$ 11,160
Investment Management Fees - Recognized ^{2,3}	1,328	4,567	8,428
Total Investment Management Fees - Earned, Not Recognized^{2,3}	\$ 614	\$ 1,666	\$ 2,732

(1) November 3, 2016 through March 31, 2018.

(2) After the impact of the \$2.1 million reversal recorded in the quarter ending March 31, 2018.

(3) Please refer to an explanation of earned but unrecognized revenues in the Appendix.

Financial Results: Path to Cash Flow Break-Even

Including the dividend income generated from our holdings in GECC shares, Great Elm Capital is close to “cash flow” break-even for Corporate overhead

Great Elm Capital Group, Inc. Cash Flow Break-Even Analysis

\$ in K	Pro Forma Quarterly	Pro Forma Annualized
Corporate Overhead ¹	\$ (950)	\$ (3,800)
Dividend from GECC	490	1,959
Net Corporate Overhead	\$460	\$1,841
Investment Management Cash Flows Required to Break-Even	\$460	\$1,841

(1) Includes audit, tax and other professional fees, board of director costs, other public company expenses and compensation for corporate team. Excludes M&A related expenses and stock based compensation.

Summary

Summary: Drivers of Shareholder Value

Investment Management

- Focus on driving asset growth in GECC coupled with raising capital for SMAs / other investment vehicles. Through leveraging the existing team and infrastructure, we anticipate this growth could result in an improvement in cash flow generation

Real Estate

- Capitalize on increased deal flow from the announcement of the Fort Myers transaction
- Seek to enhance value of existing and potential acquired properties through property enhancement and lease modification

Operating Companies

- Continue to pursue acquisitions of operating companies that meet our investment criteria: high-quality, growing businesses with demonstrated histories of generating meaningful earnings that offer attractive returns on the capital employed by the businesses
- Focus on acquiring these businesses at what we view to be reasonable multiples of earnings

Q&A

Appendix

Appendix: Incentive Fee Reversal

In March 2018, the Company reversed approximately \$2.1 million of incentive fees earned by GECM under the investment management agreement and recognized in revenue in prior periods. Generally speaking, GECM earns 20% of GECC's pre-incentive fee net investment income ("NII") in excess of a 7% hurdle under its investment management agreement with GECC. Payment of this fee is also subject to a total return hurdle as set forth in the investment management agreement. To the extent that any of such NII is composed of non-cash income, then payment of the incentive fees owed to GECM in respect of such NII is deferred until received by GECC in cash. GECC's largest investment, Avanti Communications Group plc ("Avanti"), has generated significant non-cash income in the form of payment-in-kind ("PIK") interest. In connection with the recent restructuring of Avanti completed on April 26, 2018, GECC's investment in Avanti's third lien notes was converted into Avanti common equity. As a result of this debt-for-equity conversion, we have determined that the accrued incentives fees associated with the portion of such PIK interest generated by the third lien notes cannot at this time be recognized in revenue and must be reversed for prior periods. Notwithstanding this reversal, such incentives fees remain payable under the investment management agreement (subject to achievement of return hurdles) and will be recognized in revenue to the extent a hypothetical sale of the new common equity at the market price would result in gross proceeds to GECC in excess of its initial cost basis in the third lien notes. We can make no assurances that such incentive fees will ultimately be recognized in revenue or as to the timing of any such recognition.

Investor Relations

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