UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-16073

GREAT ELM CAPITAL GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**94-3219054**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 South Street, Suite 230, Waltham, MA	**02453**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (617) 375-3006

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.001 per share	GEC	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)
Preferred Stock Purchase Rights		Nasdaq Global Select Market
Units, par value $0.001 per share		Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The Nasdaq Global Select Market on December 31, 2019, was $75,768,274. This number does not include shares of common stock held by our investor, Northern Right Capital Management, L.P. and persons who are directors or executive officers.

The number of shares of the Registrant's common stock outstanding as of September 1, 2020 was 25,560,160.

DOCUMENTS INCORPORATED BY REFERENCE

TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	2
Item 1A.	Risk Factors	4
Item 1B.	Unresolved Staff Comments	18
Item 2.	Properties	19
Item 3.	Legal Proceedings	19
Item 4.	Mine Safety Disclosures	19
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6.	Selected Financial Data	20
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	35
Item 8.	Financial Statements and Supplementary Data	35
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	36
Item 9A.	Controls and Procedures	36
Item 9B.	Other Information	37
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	38
Item 11.	Executive Compensation	48
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	51
Item 13.	Certain Relationships and Related Transactions, and Director Independence	54
Item 14.	Principal Accountant Fees and Services	55
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	55
Item 16	Form 10-K Summary	55
Exhibit Index		56
Signatures		59
Index to Financial Statements		F-1

Unless the context otherwise requires, "we," "us," "our," the "Company," "Great Elm" and terms of similar import refer to Great Elm Capital Group, Inc. and/or its subsidiaries.

Cautionary Statement Regarding Forward-Looking Information

This report and certain information incorporated herein by reference contain forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such statements often include words such as "may," "will," "should," "believe," "expect," "seek," "anticipate," "intend," "estimate," "plan," "target," "project," "forecast," "envision" and other similar phrases. Although we believe the assumptions and expectations reflected in these forward-looking statements are reasonable, these assumptions and expectations may not prove to be correct, and we may not achieve the financial results or benefits anticipated. These forward-looking statements are not guarantees of actual results. Our actual results may differ materially from those suggested in the forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control, including, without limitation:

- our ability to profitably manage Great Elm Capital Corp. (NASDAQ: **GECC**), a business development company (**BDC**) that we manage through our investment management business;
- the dividend rate that GECC will pay;
- our ability to continue to develop and grow our durable medical equipment, investment management and real estate businesses;
- our ability to raise capital to fund our business plan;
- our ability to make acquisitions and manage any businesses we acquire;
- conditions in the equity capital markets and debt capital markets as well as the economy generally;
- our ability to maintain the security of electronic and other confidential information;
- serious disruptions and catastrophic events, including the impact of Coronavirus Disease 2019 (**COVID-19**) on the global economy;
- competition, mostly from larger, well-financed organizations (both domestic and foreign), including operating companies, global asset managers, investment banks, commercial banks, and private equity funds;
- outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith;
- maintaining our contractual arrangements and relationships with third parties;
- our ability to attract, assimilate and retain key personnel;
- compliance with laws, regulations and orders;
- changes in laws and regulations governing our operations; and
- other factors described under "Item 1A. Risk Factors" or as set forth from time to time in our Securities and Exchange Commission (**SEC**) filings.

These forward-looking statements speak only as of the time of filing of this report and we do not undertake to update or revise them as more information becomes available. You are cautioned not to place undue reliance on these forward-looking statements. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

PART I

Item 1. Business.

Overview

We are a holding company seeking to acquire assets and businesses, where our people and other assets provide a competitive advantage. We currently have three business operating segments: durable medical equipment, investment management and real estate with general corporate representing unallocated costs and activity to arrive at consolidated operations.

Our goal is to build a diversified holding company focused on generating attractive, risk-adjusted returns on investment and long-term value creation. We intend to accomplish this principally through:

- continuous review of acquisitions of businesses, securities and assets that generate attractive risk-adjusted returns and exhibit the potential for significant long-term value creation;
- effective use of the skills of our team and our financial resources, including our tax assets, our willingness to create bespoke solutions and our ability to prudently assume risks; and
- constant evaluation of the retention and disposition of our operations and holdings.

In recent years, we have made a number of changes in our business:

- During the year ended June 30, 2018, we:
  - commenced our real estate business and determined that it was a separate business operating segment; and
  - expanded our investment management business with agreements to provide investment management services to separate accounts for an institutional investor.
- During the year ended June 30, 2019, we:
  - launched a new credit focused fund, Great Elm Opportunities Fund I, LP (**GEOF**), with a mandate to invest across the capital structure in niche, small and middle market opportunities with a catalyst for value-realization;
  - commenced our durable medical equipment business and determined that it was a separate business operating segment; and
  - subsequently, expanded our durable medical equipment business through the acquisition of certain operations of Midwest Respiratory Care, Inc.
- During the year ended June 30, 2020, we:
  - raised $30 million through the issuance of convertible notes to be used for future acquisitions and general corporate purposes, bolstering the Company's overall financial health and providing the means to pursue strategic acquisitions; and
  - invested in the employees, systems and processes of the durable medical equipment business to enhance scalability and remediate previously identified material weaknesses in internal controls over financial reporting.

As of June 30, 2020, we had approximately $1.5 billion of net operating loss (**NOL**) carryforwards for Federal income tax purposes.

Our Durable Medical Equipment Business

In September 2018, we launched our durable medical equipment segment by acquiring two durable medical equipment businesses that specialize in the distribution of respiratory care equipment, including positive air pressure equipment and supplies, ventilators and oxygen equipment, and provide sleep study services.

Our Investment Management Business

We decided to invest in the asset management business because of our assessment of its ability to generate recurring free cash flows, its growth prospects and our Board of Directors' (our **Board**) and employees' industry expertise. GECM, our wholly-owned registered investment adviser subsidiary, is an investment adviser providing investment management services to GECC, our largest investment vehicle, as well as GEOF and separate accounts for an institutional investor. The combined assets under management for these entities as of June 30, 2020 was approximately $190.5 million.

Our BDC, GECC, was established in 2016. At this time, GECC elected to be treated as a BDC under the Investment Company Act of 1940, as amended (the **Investment Company Act**). We own approximately 19.6% of GECC's shares that we may hold to generate dividends or sell to redeploy our capital in higher yielding opportunities.

GECM earns revenue through investment management agreements with each investment vehicle which provide for management fees, incentive fees and/or administrative fees. These fees are generally based on assets under management, investment performance and allocable expenses incurred in the administration of these investment vehicles.

Our Real Estate Business

We launched our real estate business in March 2018 with an investment in a majority-interest in two Class A office buildings totaling 257,000 square feet situated on 17 acres of land in Fort Myers, Florida (collectively, the **Property**). The Property is fully-leased, on a triple-net basis, to a single tenant through March 31, 2030.

For additional information see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Acquisition Program

GEC's team continues to monitor and identify opportunities in the durable medical equipment, investment management, real estate and other sectors through the acquisition of operating businesses. In the fiscal year ended June 30, 2020, we evaluated a number of opportunities in these areas.

Competition

We face competition from larger, well financed organizations (both domestic and foreign), including operating companies, global asset managers, investment banks, commercial banks, private equity funds, sovereign wealth funds and state-owned enterprises. Government regulation is a key competitive factor for certain industries.

Employees

We had 349 employees as of June 30, 2020, including the 337 employees of our durable medical equipment subsidiaries.

Information about Great Elm on the Internet

The following documents and reports are available on or through our website as soon as reasonably practicable after we electronically file such materials with, or furnish to, the SEC:

- Code of Conduct;
- Reportable waivers, if any, from our Code of Conduct by our executive officers;
- Charter of the audit committee of our Board;
- Charter of the nominating and corporate governance committee of our Board;
- Charter of the compensation committee of our Board;
- Annual reports on Form 10-K;
- Quarterly reports on Form 10-Q;
- Current reports on Form 8-K;
- Proxy or information statements we send to our stockholders; and
- Any amendments to the above-mentioned documents and reports.

The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. Our stockholders may also obtain a printed copy of any of the above documents or reports free of charge by sending a request to Great Elm Capital Group, Inc., 800 South Street, Suite 230, Waltham, MA 02453; Attention: Investor Relations, or by calling (617) 375-3006.

Our corporate headquarters is located at 800 South Street, Suite 230, Waltham, Massachusetts 02453. Our corporate website address is www.greatelmcap.com. We are a Delaware corporation that was incorporated in 1994 and completed our initial public offering in 1999.

The contents of the websites referred to above are not incorporated into this filing.

Item 1A. Risk Factors.

Our business is subject to a number of risks. You should carefully consider the following risk factors, together with all of the other information included in this report, before you decide whether to invest in our securities. The following risks are not the only risks we face. If any of the following risks occurs or continues to occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our common shares could decline, and you may lose all or part of your investment.

Risks Related to Our Business

We have a limited track record in the investment management, durable medical equipment and real estate businesses, and provide no assurance as to our acquisition and investment program. We entered the investment management business in November 2016, we entered the real estate business in March 2018, and we entered the durable medical equipment business in September 2018. Accordingly, there is limited historical information about our performance.

We have plans to make significant investments and will continue to explore opportunities in these and other sectors but cannot provide specificity as to our future investments or financing plans.

These and other factors, including the other risk factors described in this report, make it difficult for you and other market participants to value our company and our prospects. We are unaware of any comparable company that securities analysts can use to benchmark our performance and valuation. We cannot give any assurance that any of the uncertainties or risk factors in this report will be favorably resolved.

Our growth strategy may not be successful. The process to identify potential investment opportunities and acquisition targets, to investigate and evaluate the future returns therefrom and business prospects thereof and to negotiate definitive agreements with respect to such transactions on mutually acceptable terms can be time consuming and costly. We are likely to encounter intense competition from other companies with similar business objectives to ours, including private equity and venture capital funds, sovereign wealth funds, special purpose acquisition companies, investment firms with significantly greater financial and other resources and operating businesses competing for acquisitions. Many of these companies are well established, well financed and have extensive experience in identifying and effecting business combinations.

The Company continually evaluates its assets and investments relative to other market opportunities in order to maximize shareholder value. As a result, the Company may purchase new assets or businesses or sell existing assets or businesses at any time. If such a purchase or sale is not successfully completed, integrated or managed effectively, or does not result in the benefits or cost savings we expect, our business, financial condition or results of operations may be adversely affected.

Because we will consider investments in different industries, you have no basis at this time to ascertain the merits or risks of any business that we may ultimately invest in or seek to acquire. We are a holding company seeking to acquire assets and businesses. We are not limited to acquisitions and/or investments in any particular industry or type of business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of the particular industry in which we may ultimately invest or the target businesses in which we may ultimately invest or seek to acquire. We may not properly assess all of the significant risks present in that opportunity. Even if we properly assess those risks, some of them may be outside of our control or ability to affect. Except as required under the Nasdaq Stock Market LLC (**Nasdaq**) rules and applicable law, we will not seek stockholder approval of any investment or acquisition that we may pursue, so you will most likely not be provided with an opportunity to evaluate the specific merits or risks of such a transaction before we become committed to the transaction. Our business, financial condition and results of operations are dependent upon our investments. Any material adverse change in one of our investments or in a particular industry in which we invest may cause material adverse changes to our business, financial condition and results of operations. Further, concentration of capital we devote to a particular investment or industry may increase the risk that such investment could significantly impact our financial condition and results of operations, possibly in a material adverse way.

Subsequent to an investment, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and our share price, which could cause you to lose some or all of your investment. Even if we conduct extensive due diligence on a target business that we invest in, we cannot assure you that this diligence will identify all material issues that may be present inside a particular target business, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of the target business or outside of our control will not later arise. As a result of these factors, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in us reporting losses. Even if our due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to violate covenants under our debt agreements. Accordingly, you could suffer a significant reduction in the value of your shares.

We may not correctly assess the management teams of the businesses we invest in. The value of the businesses we invest in is driven by the quality of the leaders of those businesses. When evaluating the desirability of a prospective target business, our ability to assess the target business' management may be limited due to a lack of time, resources or information. Our assessment of the capabilities of the target's management, therefore, may prove to be incorrect and such management may lack the skills, qualifications or abilities we expected. Should the target's management not possess the necessary skills, qualifications or abilities, the operations and profitability of that business will be negatively impacted. In addition, we may acquire private, non-public companies, with unsophisticated accounting operations and personnel.

Our ability to successfully grow our business will be dependent upon the efforts of our key personnel. The loss of key personnel could negatively impact the operations and profitability of our business. Our ability to successfully effect our growth strategy is dependent upon the efforts of our key personnel. The loss of our key personnel could severely negatively impact the operations and profitability of our business.

Increased competition may adversely affect our revenues, profitability and staffing. All aspects of our business are intensely competitive. We will compete directly with a number of BDCs, private equity and venture capital funds, financial investment firms and special purpose acquisition companies. There has been increasing competition from others offering financial services, including services based on technological innovations. Increased competition or an adverse change in our competitive position could lead to a reduction of business and therefore a reduction of revenues and profits.

Competition also extends to the hiring and retention of highly skilled management and employees. A competitor may be successful in hiring away employees, which may result in us losing business formerly serviced by such employees. Competition can also increase our costs of recruiting, hiring and retaining the employees we need to effectively operate our business.

Changing conditions in financial markets and the economy could impact us through decreased revenues, losses or other adverse consequences. Global or regional changes in the financial markets or economic conditions could adversely affect our business in many ways, including the following:

- Limitations on the availability of credit could affect our ability to borrow on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. Global market and economic conditions have been disrupted and volatile in the last several years and may be in the future. Our cost and availability of funding could be affected by illiquid credit markets and wider credit spreads.
- Should one of our customers, debtors or competitors fail, our business prospects and revenue could be negatively impacted due to negative market sentiment causing customers to cease doing business with us and our lenders to cease extending credit to us, which could adversely affect our business, funding and liquidity.

We may not be able to generate sufficient taxable income to fully realize the tax benefits of our NOL carry forwards, the potential benefits of which would be reduced if U.S. federal income tax rates are lowered. At June 30, 2020, we had NOL carryforwards of approximately $1.5 billion. If we are unable to generate sufficient taxable income prior to the expiration of our U.S. federal NOL carryforwards, the NOL carryforwards would expire unused. Our projections of future taxable income required to fully realize the recorded amount of the gross deferred tax asset reflect numerous assumptions about our operating businesses and investments and are subject to change as conditions change specific to our business units, investments or general economic conditions.

If our tax filing positions were to be challenged by federal, state and local or foreign tax jurisdictions, we may not be wholly successful in defending our tax filing positions. We record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be recorded and, if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which result could be significant to our financial position, cash balances and results of operations.

We may issue notes or other debt securities, or otherwise incur substantial debt, which may adversely affect our leverage and financial condition and thus negatively impact the value of our stockholders' investment in us. We may choose to incur substantial debt to finance our growth plans. For example, in February 2020, we raised $30 million through the issuance of 5.0% Convertible Senior PIK Notes due 2030. The incurrence of additional debt could have a variety of negative effects, including:

- default and foreclosure on our assets if our operating cash flows are insufficient to repay our debt obligations;

- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach covenants that require the maintenance of financial ratios or reserves without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt is payable on demand;
- our inability to pay dividends on our common stock;
- using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock (if declared), expenses, capital expenditures, acquisitions and other general corporate purposes;
- limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and
- limitation on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt.

The financial services industry is subject to extensive regulation, including recent legislation and new or pending regulation, which may significantly affect our business. The financial services industry is subject to extensive laws, rules and regulations. In recent years in particular, there has been significant legislation and increased regulation affecting the financial services industry. These legislative and regulatory initiatives affect us, our competitors, our managed investment products and our customers. These changes could have an effect on our revenue and profitability, limit our ability to pursue business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us, and otherwise adversely affect our business. Accordingly, we cannot provide assurance that legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition.

Firms that engage in securities and derivatives trading and wealth and asset management must comply with the laws, rules and regulations imposed by national and state governments and regulatory and self-regulatory bodies with jurisdiction over such activities. Such laws, rules and regulations cover all aspects of the financial services business, including, but not limited to, sales and trading methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, anti-money laundering and anti-bribery and corruption efforts, recordkeeping and the conduct of directors, officers and employees. Regulators will supervise our business activities to monitor compliance with laws, rules and regulations of the relevant jurisdiction. In addition, if there are instances in which our regulators question our compliance with laws, rules, and regulations, they may investigate the facts and circumstances to determine whether we have complied.

Operational risks may disrupt our business, result in regulatory action against us or limit our growth. Our businesses will be highly dependent on our ability to process, on a daily basis, transactions across numerous and diverse markets and the transactions we process have become increasingly complex. If any of our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, a financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

Our financial and other data processing systems will rely on access to and the functionality of operating systems maintained by third parties. If the accounting, trading or other data processing systems on which we are dependent are unable to meet increasingly demanding standards for processing and security or if they fail or have other significant shortcomings, we could be adversely affected. Such consequences may include our inability to effect transactions and manage our exposure to risk.

We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. The increased use of smartphones, tablets and other mobile devices as well as cloud computing may also heighten these and other operational risks. We and our third-party providers are the subject of attempted unauthorized access, computer viruses and malware, and cyber-attacks designed to disrupt or degrade service or cause other damage and denial of service. Cyberattacks and other cyber incidents are occurring more frequently, are constantly evolving in nature, are becoming more sophisticated and are being carried out by groups and individuals (including criminal hackers, hacktivists, state-sponsored actors, criminal and terrorist organizations, individuals or groups participating in organized crime and insiders) with a wide range of expertise and motives (including monetization of corporate, payment or other internal or personal data, theft of computing resources, financial fraud, operational disruption, theft of trade secrets and intellectual property for competitive advantage and leverage for political, social, economic and environmental reasons). Such cyberattacks and cyber incidents can take many forms including cyber extortion, denial of service, social engineering, such as impersonation attempts to fraudulently induce employees or others to disclose information or unwittingly provide access to systems or data, introduction of viruses or malware, such as ransomware through phishing emails, website defacement or theft of passwords and other credentials, unauthorized use of computing resources for digital currency mining and business email compromises. There can be no assurance that such unauthorized access or cyber incidents will not occur in the future, and they could occur more frequently and on a larger scale. Legal liability arising from such risks may harm our business. Many aspects of our business involve substantial risks of liability.

Our financial and operational controls may not be adequate. As we expand our business, there can be no assurance that financial controls, the level and knowledge of personnel, operational abilities, legal and compliance controls and other corporate support systems will be adequate to manage our business and growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, if we acquire new businesses and introduce new products, we face numerous risks and uncertainties integrating their controls and systems, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and even an inefficient integration of these systems and controls, could adversely affect our business and prospects.

Losses not covered by insurance may be large, which could adversely impact our financial performance. We carry various insurance policies on our assets. These policies contain policy specifications, limits and deductibles that may mean that such policies do not provide coverage or sufficient coverage against all potential material losses. There are certain types of risk (generally of a catastrophic nature such as war or environmental contamination) which are either uninsurable or not economically insurable. Further, there are certain types of risk for which insurance coverage is not equal to the full replacement cost of the insured assets. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our assets or operations.

We also carry directors and officers liability insurance (**D&O insurance**) for losses or advancement of defense costs in the event a legal action is brought against the company's directors, officers or employees for alleged wrongful acts in their capacity as directors, officers or employees. Our D&O insurance contains certain customary exclusions that may make it unavailable for the company in the event it is needed; and in any case our D&O insurance may not be adequate to fully protect the company against liability for the conduct of its directors, officers or employees.

Our business is subject to risks arising from epidemic diseases, such as the COVID-19 pandemic. The COVID-19 pandemic has spread across the globe and is impacting worldwide economic activity. The COVID-19 pandemic, or other public health epidemic or pandemic, poses the risk that we or our employees, contractors, suppliers, portfolio companies and other partners may be prevented from conducting business activities for an indefinite period of time, including due to the spread of the disease within these groups or due to shutdowns that may be requested or mandated by governmental authorities. While the ultimate impact of the COVID-19 pandemic on our business remains uncertain, the continued spread of COVID-19 and the measures taken by local governments has temporarily had an adverse impact on our referral pipeline for sleep studies and durable medical equipment set-ups. We have also observed higher cancellation rates for attended sleep studies since March 2020. Although significant disruption to the supply chain has not been observed to date, future disruptions could occur depending on the future duration and magnitude of the pandemic. Such disruptions, were they to occur, could adversely impact our business, financial condition or results of operations, or impact the recoverability of our long-lived assets.

Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events have limited and could continue to limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. As a result, we may experience additional losses on our investments in GECC stock. Decreases in the market values of investments held within GECC's portfolio companies could also lead to decreases in asset-based fee revenues within the investment management business.

The COVID-19 pandemic and mitigation measures have and may continue to have an adverse impact on global economic conditions which could have an adverse effect on our business, financial condition, result of operations, and the recovery of our long-lived assets, as well as our ability to obtain third-party financing for potential acquisitions on terms acceptable to us, if at all. The extent to which the COVID-19 pandemic impacts our results and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

Risks Related to Our Durable Medical Equipment Business

Adverse trends in the healthcare industry may negatively affect our investment in Great Elm DME, Inc. (DME Inc.), a supplier of durable medical equipment and services. The healthcare industry is currently experiencing, among other things:

- changes in the demand for and methods of delivering healthcare services;
- competition among healthcare providers;
- consolidation of large health insurers;
- regulatory and government reimbursement uncertainty resulting from the Patient Protection and Affordable Care Act (the **ACA**) and other healthcare reform laws;
- federal court decisions on cases challenging the legality of certain aspects of the ACA;
- federal and state government plans to reduce budget deficits and address debt ceiling limits by lowering healthcare provider Medicare and Medicaid reimbursement rates;
- changes in third-party reimbursement methods and policies; and
- increased scrutiny of billing, referral and other practices by U.S. federal and state authorities.

These factors may negatively impact the economic performance of DME Inc., which may have a material adverse effect on our business and financial condition.

A significant portion of DME Inc.'s rental patients who use its products have health coverage under the Medicare program, and future changes in the reimbursement rates or payment methodologies under Medicare and other government programs may adversely affect the financial condition of DME Inc., which could materially and adversely affect our business and operating results. As a provider of respiratory-related product rentals, a portion of DME Inc.'s revenue comes from Medicare reimbursement, due in part to a higher proportion of elderly persons suffering from chronic respiratory conditions than in the general population. There are increasing pressures on Medicare to control healthcare costs and to reduce or limit reimbursement rates for home medical products.

Legislation, including the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Deficit Reduction Act of 2005, the Medicare Improvements for Patients and Providers Act of 2008, the ACA, and the 21st Century Cures Act contain provisions that directly impact reimbursement for the durable medical equipment products supplied by DME Inc. These legislative provisions as currently in effect and any changes to such provisions in the future will continue to have a material effect on DME Inc.'s business, financial condition and operating results.

Further, due to budgetary shortfalls, many states are considering, or have enacted, cuts to their Medicaid programs. These cuts have included, or may include, elimination or reduction of coverage for DME Inc.'s products, amounts eligible for payment under co-insurance arrangements, or reimbursement rates for covered items. Continued state budgetary pressures could lead to further reductions in funding for the reimbursement for DME Inc.'s products which, in turn, would adversely affect its, and ultimately our, business, financial condition and results of operations.

The competitive bidding process under Medicare could adversely impact the business and financial condition of DME Inc. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 requires the Secretary of Health and Human Services to establish and implement programs under which competitive bid areas (**CBAs**)are established throughout the U.S. for purposes of awarding contracts for the furnishing of competitively priced items of durable medical equipment. The Centers for Medicare and Medicaid Services (**CMS**), the agency responsible for administering this Medicare program, conducts a competition for each competitive acquisition area under which suppliers submit bids to supply certain covered items of durable medical equipment. Successful bidders must meet certain program quality standards in order to be awarded a contract and only successful bidders can supply the covered items to Medicare beneficiaries in the CBAs. There are, however, regulations in place that allow non-contracted suppliers to continue to provide products and services to their existing customers at the new competitive bidding payment amounts. The contracts are expected to be re-bid every three years.

We continue to monitor developments regarding the implementation of this competitive bidding program, but we are currently unable to predict the outcome of the competitive bidding program on DME Inc. once fully implemented. It is likely that reimbursement rates will continue to fluctuate, thus resulting in payment adjustments which could adversely affect the financial conditions and results of operations of DME Inc.

CMS suspended its competitive bidding process last year and existing contracts expired on December 31, 2018. As of January 1, 2019, there is a temporary gap in the competitive bidding program that is expected to last until December 31, 2020. The bids for the 2021 competitive bidding program were due on September 18, 2019 and our bids are currently being evaluated by CMS.

Since 2011, the competitive bidding program has undergone several rounds, awarding contracts to program winners to supply durable medical equipment in competitive bid areas. Certain operating subsidiaries of DME Inc. currently have contracts in Phoenix and Tucson, AZ, as well as Omaha, NE, where it anticipates new competition as a result of the expiration of contracts that could adversely affect the financial conditions and results of operations of DME Inc.

DME Inc. obtains some of the components, subassemblies and completed products included in its sleep and respiratory-focused durable medical equipment from a single source or a limited group of manufacturers or suppliers, and the partial or complete loss of one of these manufacturers or suppliers could cause significant production delays, an inability to meet customer demand and a substantial loss in revenue. DME Inc. utilizes single-source suppliers for some of the components and subassemblies it uses in its sleep and respiratory-focused durable medical equipment. DME Inc.'s use of single-source suppliers for some components of its durable medical equipment may expose it to several risks, including, among other things:

- its suppliers may encounter financial hardships as a result of unfavorable economic and market conditions unrelated to its demand for components, which could inhibit their ability to fulfill orders and meet DME Inc.'s requirements;
- suppliers may fail to comply with regulatory requirements, be subject to lengthy compliance, validation or qualification periods, or make errors in manufacturing components that could negatively affect the performance or safety of DME Inc.'s products or cause delays in the supplying of DME Inc.'s products to its customers;
- newly identified suppliers may not qualify under the stringent quality regulatory standards to which DME Inc.'s business is subject;
- DME Inc. or its suppliers may not be able to respond to unanticipated changes in customer orders, and if orders do not match forecasts, DME Inc. or its suppliers may have excess or inadequate inventory of materials and components;
- DME Inc. may be subject to price fluctuations due to a lack of long-term supply arrangements for key components;
- DME Inc. may experience delays in delivery by its suppliers due to customs clearing delays, shipping delays, scarcity of raw materials or changes in demand from DME Inc. or their other customers;
- DME Inc. or its suppliers may lose access to critical services and components, resulting in an interruption in the manufacture, assembly and shipment of its systems;
- DME Inc.'s suppliers may be subject to allegations by other parties of misappropriation of proprietary information in connection with their supply of products to DME Inc., which could inhibit their ability to fulfill DME Inc.'s orders and meet its requirements;
- fluctuations in demand for products that DME Inc.'s suppliers manufacture for others may affect their ability or willingness to deliver components to DME Inc. in a timely manner;
- DME Inc.'s suppliers may wish to discontinue supplying components or services to DME Inc.; and
- DME Inc. may not be able to find new or alternative components or reconfigure its system and manufacturing processes in a timely manner if the necessary components become unavailable.

DME Inc. may experience problems with some of its suppliers in the future. It may not be able to quickly establish additional or replacement suppliers, particularly for single source components or subassemblies. Any interruption or delay in the supply of components or subassemblies, or DME Inc.'s inability to obtain components or subassemblies from alternate sources at acceptable prices in a timely manner, could impair its ability to meet the demand of its customers and cause them to cancel orders or switch to competitive products, potentially resulting in a loss of revenues.

DME Inc. depends upon reimbursement from Medicare, private payors, Medicaid and patients for a significant portion of its revenue, and if it fails to manage the complex and lengthy reimbursement process, its business and operating results could suffer. A significant portion of DME Inc.'s rental revenue is derived from reimbursement by third-party payors. DME Inc. accepts assignment of insurance benefits from customers and, in a majority of cases, invoices and collects payments directly from Medicare, private insurance companies and Medicaid, as well as direct from patients under co-insurance provisions.

DME Inc.'s financial condition and results of operations may be affected by the healthcare industry's reimbursement process, which is complex and can involve lengthy delays between the time that a product is delivered to the consumer and the time that the reimbursement amounts are settled. Depending on the payor, DME Inc. may be required to obtain certain payor-specific documentation from physicians and other healthcare providers before submitting claims for reimbursement. Certain payors have filing deadlines and they will not pay claims submitted after such time. DME Inc. is also subject to extensive pre-payment and post-payment audits by governmental and private payors that could result in material delays, refunds of monies received or denials of claims submitted for payment under such third-party payor programs and contracts. We cannot ensure that DME Inc. will be able to continue to effectively manage the reimbursement process and collect payments for its products promptly. If it fails to manage the complex and lengthy reimbursement process, it could adversely affect DME Inc.'s business, financial conditions and results of operations.

Furthermore, we applied for and received $4.4 million in advanced payments from the CMS under their Accelerated and Advance Payment Program, which was expanded to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic. These advanced payments will be recouped against our future Medicare and Medicaid claims, expected during fiscal year 2021. Our cash flows will be negatively impacted in the future as these recoupments occur.

If DME Inc. fails to comply with state and federal fraud and abuse laws, including anti-kickback, Stark, false claims and anti-inducement laws, it, and we, could face substantial penalties and DME Inc.'s business, operations, and financial condition could be adversely affected. The federal anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering, or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid, or other federal healthcare programs. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution, the exceptions and safe harbors are drawn narrowly, and any remuneration to or from a prescriber or purchaser of healthcare products or services may be subject to scrutiny if it does not qualify for an exception or safe harbor. DME Inc.'s practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability. Failure to meet all requirements of a safe harbor is not determinative of a kickback issue but could subject the practice to increased scrutiny by the government.

The "Stark Law" prohibits a physician from referring Medicare or Medicaid patients to an entity providing "designated health services," which includes durable medical equipment, if the physician or immediate family member of the physician has an ownership or investment interest in or compensation arrangement with such entity that does not comply with the requirements of a Stark exception. Violation of the Stark Law could result in denial of payment, disgorgement of reimbursements received under a non-compliant arrangement, civil penalties, and exclusion from Medicare, Medicaid or other governmental programs. Although we believe that DME Inc. has structured its provider arrangements to comply with current Stark Law requirements, these arrangements may not expressly meet the requirements for applicable exceptions from the law.

Federal false claims laws prohibit any person from knowingly presenting or causing to be presented a false claim for payment to the federal government, or knowingly making or causing to be made a false statement to get a false claim paid. The majority of states also have statutes or regulations similar to the federal anti-kickback and self-referral laws and false claims laws, which apply to items or services, reimbursed under Medicaid and other state programs, or, in several states, apply regardless of payor. These false claims statutes allow any person to bring suit in the name of the government alleging false and fraudulent claims presented to or paid by the government (or other violations of the statutes) and to share in any amounts paid by the entity to the government in fines or settlement. Such suits, known as qui tam actions, have increased significantly in the healthcare industry in recent years. Sanctions under these federal and state laws may include civil monetary penalties, damages, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment. In addition, the recently enacted ACA, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Because of the breadth of these laws and the narrowness of the safe harbors and exceptions, it is possible that some of DME Inc.'s business activities could be subject to challenge under one or more of such laws. Such a challenge, regardless of the outcome, could have a material adverse effect on its business, business relationships, reputation, financial condition and results of operations.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians. Certain states mandate implementation of compliance programs and/or the tracking and reporting of gifts, compensation and other remuneration to physicians. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may violate one or more of the requirements.

The federal Civil Monetary Penalties Law prohibits the offering or giving of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know is likely to influence the beneficiary's selection of a particular supplier of items or services reimbursable by a federal or state governmental healthcare program. While it is DME Inc.'s intent to comply with all applicable laws, the government may find that DME Inc.'s marketing activities violate the Civil Monetary Penalties Law. If it is found to be in non-compliance, DME Inc. could be subject to civil money penalties of up to $0.01 million for each wrongful act, assessment of three times the amount claimed for each item or service and exclusion from the federal or state healthcare programs.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. If DME Inc.'s operations are found to be in violation of any of the laws described above or any other government regulations that apply to us, it, and potentially we, may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restricting of DME Inc.'s operations. Any penalties, damages, fines, curtailment or restructuring of DME Inc.'s operations could harm its ability to operate its business, and ultimately our financial results. Any action against DME Inc. for violation of these laws, even if successfully defended against, could cause DME Inc. to incur significant legal expenses and divert its management's attention from operation of its business. Moreover, achieving and sustaining compliance with applicable federal and state fraud and abuse laws may prove costly.

DME Inc. and its subsidiaries received economic stimulus during the year ended June 30, 2020 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). If such funding was required to be repaid pursuant to the terms of the CARES Act or related guidance, our financial condition would be adversely affected. Section 1102 of the CARES Act established the Paycheck Protection Program (**PPP**), which provided additional funding for small businesses, as defined by the Small Business Act, to keep workers employed during through the COVID-19 crisis. In April 2020, our 80.1% owned subsidiary Great Elm DME, Inc. applied for and received $3.6 million in PPP funding. Proceeds can only be used for specified covered purposes including payroll, rent and utilities in accordance with the CARES Act. The PPP loan has a two-year term and bears interest at a rate of 1.0% per annum. To the extent proceeds are used for these covered purposes, some or all of the related principal balances may be forgiven. Between funding and June 30, 2020, the Company spent these proceeds on covered purposes and has recognized the proceeds as a reduction to operating expenses. Subsequent to June 30, 2020, the Company submitted a forgiveness application to the lender seeking full forgiveness of the PPP Loan. The eligibility requirement of the PPP loan is subjective, and if determined that we were ineligible to receive the PPP loan we could be required to repay the PPP loan in its entirety.

Additionally, pursuant to the CARES Act, Congress appropriated $100 billion in relief funds for hospitals and healthcare providers through grants administered by the U.S. Department of Health and Human Services (HHS). Qualified providers of healthcare, services and support may receive HHS grants for healthcare-related expenses or lost revenue due to the COVID-19 pandemic. Retention and use of the HHS grants are subject to certain terms and conditions including that such grant funds may only be used to prevent, prepare for, and respond to COVID-19 and such grant funds will reimburse only healthcare-related expenses or lost revenue that are attributable to the COVID-19 pandemic. If these terms and conditions are met, HHS grants do not need to be repaid. In April 2020 subsidiaries of Great Elm DME Inc. received $1.4 million in HHS grants to continue providing health care treatment to patients during the COVID-19 pandemic. Between the date of funding and June 30, 2020, the Company used these funds as authorized by the HHS grant and has recognized the proceeds as a reduction to operating expenses. We will continue to monitor our compliance with the terms and conditions of the HHS grant and any additional requirements if and when they become applicable.

Risks Related to Our Investment Management Business

Our investment management agreements may be terminated. The investment management agreements (**IMAs**) we have through GECM with various pooled investment vehicles, such as GECC, may be cancelled at the applicable counterparty's discretion upon certain notice or upon the occurrence of certain events. We do not control the boards of directors of such pooled investment vehicles, and they may cancel our respective IMAs at their discretion without making any termination payment to us. GECM's investment performance is a key element of retaining this business. We have recorded an intangible asset attributable to the IMAs that is being amortized over a 15-year economic life even though the IMAs are cancellable by the respective counterparties.

Difficult or changing market conditions can adversely affect our investment management business in many ways, by reducing the value or performance of our funds (including our invested funds and funds invested by third parties) or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our income and cash flow and adversely affect our financial condition. The build-out of our investment management business is affected by conditions in the financial markets and economic conditions and events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and regulations, market perceptions and other factors.

Adverse changes could lead to a reduction in investment income, losses on our own capital invested and lower revenues from investment management fees. Such adverse changes may also lead to a decrease in new capital raised and may cause investors to withdraw their investments and commitments. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce investment management revenues and assets under management and result in reputational damage that may make it more difficult to attract new investors or retain existing investors.

In July 2017, the head of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced the desire to phase out the use of LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities, called the Secured Overnight Financing Rate. If LIBOR ceases to exist, GECC may need to renegotiate outstanding loans to its portfolio companies which extend beyond 2021, and that utilize LIBOR as a factor in determining the interest rate, to replace LIBOR with the new standard that is established. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of capital and investment income cannot yet be determined.

If we are deemed to be an investment company under the Investment Company Act, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to execute our growth plans. If we are deemed to be an investment company under the Investment Company Act, we will be subject to additional regulatory requirements and our activities may be restricted, including:

- restrictions on the nature of our investments;
- limitations on our ability to borrow;
- prohibitions on transactions with affiliates; and
- restrictions on the issuance of securities.

Each of these may make it difficult for us to run our business. In addition, the law may impose upon us burdensome requirements, including:

- registration as an investment company and subsequent regulation as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

In order not to be regulated as an investment company under the Investment Company Act, unless we can qualify for an exclusion, we must ensure that we are engaged primarily in a business other than investing, reinvesting or trading of securities and that our activities do not include investing, reinvesting, owning, holding or trading "investment securities" constituting more than 40% of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Though we do not believe that our principal activities will subject us to the Investment Company Act, if we were deemed to be subject to the Investment Company Act, compliance with these additional regulatory burdens would require additional expense and attention from management for which we have not accounted.

Our officers and directors may become aware of business opportunities which may be appropriate for presentation to us and the other entities to which they owe certain fiduciary or contractual duties. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in our favor and a potential target business may be presented to another entity prior to its presentation to us, subject to their fiduciary duties under applicable law.

We may engage in a business combination with one or more target businesses that have relationships with our executive officers, directors or existing holders which may raise potential conflicts of interest. In light of the involvement of our executive officers and directors with other entities in the investment management business and otherwise, we may decide to acquire or do business with one or more businesses affiliated with our executive officers, directors or existing shareholders.

Our directors also serve as officers and board members for other entities. Such entities may compete with us. We could pursue an affiliate transaction if we determined that such affiliated entity met our criteria for a business combination and such transaction was approved by a majority of our disinterested directors. Potential conflicts of interest may exist, and, as a result, the terms of the business combination may not be as advantageous to our public stockholders as they would be absent any conflicts of interest.

Risks Related to Our Real Estate Business

Our initial investment through our real estate business includes the Property leased pursuant to a long-term triple net lease and the failure of the tenant to satisfy its obligations under the lease may adversely affect the condition of the Property or the results of our real estate business segment. Because the Property is leased pursuant to a long-term triple net lease, we depend on the tenant to pay all insurance, taxes, utilities, common area maintenance charges, maintenance and repair expenses and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business, including any environmental liabilities resulting from the tenant's failure to comply with applicable environmental laws. There are no assurances that the tenant will have sufficient assets and income to enable it to satisfy its payment obligations to us under the lease. The inability or unwillingness of the tenant to meet its rent obligations could materially adversely affect the business, financial position or results of operations of our real estate business segment. Furthermore, the inability or unwillingness of the tenant to satisfy its other obligations under the lease, such as the payment of insurance, taxes and utilities, could materially and adversely affect the condition of the Property. Our triple net lease agreement requires that the tenant maintains comprehensive liability and all risk property insurance. However, there are certain types of losses (including losses arising from environmental conditions or of a catastrophic nature, such as earthquakes, hurricanes and floods) that may be uninsurable or not economically insurable. Insurance coverage may not be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace the Property after such property has been damaged or destroyed. In addition, if we experience a loss that is uninsured or that exceeds policy coverage limits, we could lose the capital invested in the Property as well as the anticipated future cash flows from the Property.

We are subject to risks inherent in ownership of real estate. Cash flows from our real estate business segment and real estate values are affected by a number of factors, including competition from other available properties and the ability to provide adequate property maintenance and insurance and to control operating costs. Cash flows from our real estate business segment and real estate values are also affected by such factors as governmental regulations (including zoning, usage and tax laws), property tax rates, utility expenses, potential liability under environmental and other laws and changes in environmental and other laws.

We may incur significant liabilities from environmental contamination. Existing or future laws impose or may impose liability on us to clean up environmental contamination on or around the property that we currently own, or may in the future own, even if we were not responsible for or aware of the environmental contamination or even if such environmental contamination occurred prior to our involvement with such property. From time to time, we may conduct environmental assessments, commonly referred to as "Phase 1 Environmental Reports," on properties in which we are considering an investment. These assessments typically include an investigation (excluding soil or groundwater sampling or analysis) and a review of publicly available information regarding the site and other nearby properties. However, such environmental assessments may not identify all potential environmental liabilities.

We may face potential difficulties or delays renewing leases or re-letting space. We currently derive all of our real estate business income from rent received from a single tenant in connection with our initial investment in two Class A office buildings in Fort Myers, FL. If the tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Also, in the event that the tenant does not renew the lease, we may not be able to re-let the space or there could be a substantial delay in re-letting the space. Even if the tenant decides to renew or lease new space, the terms of renewals or new leases, including the cost of required renovations or concessions, may be less favorable to us than the current lease term.

We face potential adverse effects from a tenant's bankruptcy or insolvency. The bankruptcy or insolvency of a tenant may adversely affect the income produced by our property, or by any properties we may own in the future. Our tenant could file for bankruptcy protection or become insolvent in the future. A bankrupt tenant may reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. This shortfall could adversely affect our cash flow and results of operations.

We face possible risks associated with the physical effects of climate change. The physical effects of climate change could have a material adverse effect on our properties, and consequently on our operations and business. For example, we have two Class A office buildings located in southern Florida; to the extent climate change causes changes in weather patterns, that geographic area could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for office space in our office buildings or our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, or by increasing the cost of energy at our properties. There can be no assurance that climate change will not have a material adverse effect on our property, operations or business.

We depend upon personnel of our property managers. We do not have any internal real estate management capacity. We depend, and will depend in the future, on our property managers and their personnel to efficiently manage the day-to-day operations at certain of our properties; any difficulties our property managers encounter in hiring, training and retaining skilled personnel may adversely affect the income produced by our properties.

Risks Relating to Our Common Stock

Our common stock is subject to transfer restrictions. We have significant NOL carryforwards and other tax attributes, the amount and availability of which are subject to certain qualifications, limitations and uncertainties. In order to reduce the possibility that certain changes in ownership could result in limitations on the use of the tax attributes, our amended and restated certificate of incorporation (our **certificate of incorporation**) contains provisions that generally restrict the ability of a person or entity from acquiring ownership (including through attribution under the tax law) of 4.99% or more of our common stock and the ability of persons or entities now owning 5% or more of our common shares from acquiring additional common shares. The restriction will remain until the earliest of (1) the repeal of Section 382 of the Internal Revenue Code of 1986, as amended or any successor statute if our Board determines that the restriction on transfer is no longer necessary or desirable for the preservation of tax benefits, (2) the close of business on the first day of a taxable year as to which our Board determines that no tax benefits may be carried forward, (3) such date as our Board may fix for expiration of transfer restrictions and (4) January 29, 2028. The restriction may be waived by our Board on a case-by-case basis. You are advised to carefully monitor your ownership of our common shares and consult your own legal advisors to determine whether your ownership of our common shares approaches the proscribed level.

We also have a Tax Rights Plan that would be triggered if any person acquires 4.99% or more of our common stock without prior approval by our Board. Holders of more than 4.99% of our common stock on the day the rights plan was adopted were exempted from this limitation as to the number shares they held at the time of adoption of the rights plan.

We may issue additional shares of common stock or shares of our preferred stock to obtain additional financial resources, as acquisition currency or under employee incentive plans. Any such issuances would dilute the interest of our stockholders and likely present other risks. Our certificate of incorporation authorizes our Board to issue shares of our common stock or preferred stock from time to time in their business judgement up to the amount of our then authorized capitalization. We may issue a substantial number of additional shares of our common stock and may issue shares of our preferred stock. These issuances:

- may significantly dilute your equity interests;
- may require you to make an additional investment in us or suffer dilution of your equity interest;
- may subordinate the rights of holders of shares of our common stock if shares of preferred stock are issued with rights senior to those afforded to our common stock;
- could cause a change in control if a substantial number of shares of our common stock are issued;
- may affect, among other things, our ability to use our NOL carry forwards; and
- may adversely affect prevailing market prices for our common stock.

Anti-takeover provisions contained in our certificate of incorporation and amended and restated bylaws (our bylaws), as well as provisions of Delaware law, could impair a takeover attempt. Our certificate of incorporation, bylaws and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board. Our corporate governance documents include provisions:

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our Board and officers;
- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board;
- controlling the procedures for the conduct and scheduling of Board and stockholder meetings;
- limiting the ability for persons to acquire 4.99% or more of our common stock;
- providing our Board with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings;
- limiting the determination of the number of directors on our Board and the filling of vacancies or newly created seats on the board to our Board then in office; and
- providing that directors may be removed by stockholders only for cause.

These provisions, alone or together, could delay hostile takeovers and changes in control of our company or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Our common stockholders may experience significant dilution upon the issuance of common stock upon conversion of 5.0% Convertible Senior PIK Notes due 2030 (The Convertible Notes). The issuance of common stock upon conversion of some or all of the Convertible Notes will dilute the ownership interests of existing holders of shares of our common stock, which could cause the price of our common stock to decline. Furthermore, the number of shares of common stock to be issued upon conversion of the Convertible Notes may be substantially greater if the conversion rate is adjusted in accordance with the terms of the Convertible Notes. Holders of the Convertible Notes have the right to convert all or any portion of such notes at any time prior to February 22, 2030 into shares of our common stock at a conversion price of $3.4722 per share. Upon conversion of any note, the Company will pay or deliver, as the case may be, to the noteholder, in respect of each $1,000 principal amount of notes being converted, shares of common stock equal to the conversion rate in effect on the conversion date, together with cash, if applicable, in lieu of delivering any fractional share of common stock. We cannot predict or accurately forecast the total amount of shares of common stock that ultimately may be issued under the Convertible Notes. Further, the perception of these sales or issuances, or the conversion of the Convertible Notes, could impair our ability to raise additional capital through the sale of our equity securities.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We currently lease office space for our principal executive offices in Waltham, Massachusetts where our general corporate, investment management and real estate businesses operate. Our lease is non-cancellable through September 2024.

Durable Medical Equipment Business

We lease 20 offices and nine sleep labs for our durable medical equipment businesses. These facilities have various expiration dates between 2020 and 2027. Certain office locations may also include warehouse and retail sales space. The facilities are primarily located in Arizona, Alaska, Iowa, Kansas, Nebraska, Oregon and Washington.

Real Estate Business

Through our real estate business we own a majority-interest in two Class A office buildings totaling 257,000 square feet situated on 17 acres of land in Fort Myers, Florida (collectively, the **Property**). The Property is fully-leased, on a triple-net basis, to a single tenant through March 31, 2030. The Company does not have any operations at this location.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the trading symbol "GEC".

Record Holders

As of September 1, 2020, there were 58 record holders of our common stock.

Dividends

We do not currently intend to pay dividends on our common stock. The payment of dividends in the future is subject to the discretion of our Board and will depend upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that our Board may deem to be relevant.

Restrictions on Ownership

We have significant NOL carryforwards and other tax attributes, the amount and availability of which are subject to qualifications, limitations and uncertainties. In order to reduce the possibility that certain changes in ownership could result in limitations on the use of our tax attributes, our certificate of incorporation contains provisions which generally restrict the ability of a person or entity from acquiring ownership (including through attribution under the tax law) of 5% or more of the outstanding shares of common stock and the ability of persons or entities now owning 5% or more of the outstanding shares of common stock from acquiring additional common shares. We also have a tax benefits preservation rights plan that restricts ownership of 4.99% or more of our outstanding shares of common stock. Persons that owned more than 4.99% of our common stock when the rights plan was adopted were grandfathered as to their then-current holdings of our common stock. Our Board has granted limited waivers to certain investors to own more than 4.9% of our common stock, including the MAST Funds, Northern Right Capital Management, L.P. (**Northern Right**) and Imperial Capital Asset Management, LLC (**ICAM**). As of September 1, 2020, the MAST Funds and their affiliates, Northern Right and its affiliates, and ICAM and its affiliates own approximately 7.8%, 9.7% and 9.3%, respectively, of the outstanding shares of our common stock. Ownership information is based on information in publicly available filings.

Stock Purchases

None.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations is a supplement to, and should be read in conjunction with, and is qualified entirely by, our consolidated financial statements (including Notes to the Consolidated Financial Statements) and the other consolidated financial information appearing elsewhere in this report. Some of the information in this discussion and analysis includes forward-looking statements that involve risk and uncertainties. Actual results and timing of events could differ from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a holding company seeking to acquire assets and businesses, where our people and other assets provide a competitive advantage. We currently have three business operating segments: durable medical equipment, investment management and real estate with general corporate representing unallocated costs and activity to arrive at consolidated operations.

For additional information see "Item 1. Business."

COVID-19

In the six months ended June 30, 2020, the Company's revenues declined relative to its prior expectations in part due to the impact of the Coronavirus Disease 2019 (COVID-19) pandemic. During the six months ended June 30, 2020, the Company experienced a decrease in assets under management in our managed portfolios within the investment management business and observed higher patient cancellation rates for attended sleep studies at DME Inc. The impact of COVID-19 continues to evolve and its duration and ultimate disruption to the Company's customers and to its operations cannot be estimated at this time. However, the Company has experienced and expects to continue to experience decreased patient referrals in our medical equipment business in the near future due to these factors. Should the disruption continue for an extended period of time, the impact could have a more severe adverse effect on our business and operations.

In addition, COVID-19 may impact our ability to act on new acquisitions or other business opportunities.

The Company prioritizes the health and safety of employees and customers. Beginning in early March 2020, all employees at our GEC headquarters as well as certain employees of DME Inc. moved to a remote-working model. In addition, the officers of GEC have maintained regular communications with key service providers, including legal and accounting professionals, other consultants and vendors, noting that those firms have similarly moved to remote-working models to the extent possible. Such employees and key service providers have been able to effectively transition to working remotely while maintaining a consistent level of capabilities and service, however, we will continue to monitor and make adjustments as necessary.

At DME Inc. we invested in virtual patient set-ups which allow our respiratory therapists to interact with patients by video to maintain social distance. Certain other employees whose responsibilities have been impacted by social distancing have been temporarily redeployed within the organization.

We cannot predict the full impact of the COVID-19 pandemic, including its duration in the United States and worldwide and the magnitude of the economic impact of the outbreak, particularly with respect to the travel restrictions, business closures and other quarantine measures imposed on our employees, suppliers and service providers by various local, state, and federal governmental authorities, as well as non-U.S. governmental authorities. As such, we are unable to predict the duration of any business and supply-chain disruptions, the extent to which the COVID-19 pandemic will negatively affect our operating companies' operating results or the impact that such disruptions may have on our results of operations and financial condition.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires our management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These items are monitored and analyzed by our management for changes in facts and circumstances, and material changes in these estimates could occur in the future.

Business Combinations, Acquired Intangible Assets and Goodwill

Business combinations are accounted for at fair value. The accounting for business combinations requires estimates and judgment as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair value for assets and liabilities acquired. Goodwill represents the excess of fair value over identifiable tangible and intangible net assets acquired in business combinations. Goodwill is not amortized. Instead goodwill is reviewed for impairment at least annually, or on an interim basis between annual tests when events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value.

The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, as well as other information compiled by management, including projected financial information, effective income tax rates, present value discount factors, and long-term growth expectations. The Company utilizes third-party specialists to assist management with the identification and valuation of intangible assets using customary valuation procedures and techniques.

We perform our annual impairment test of goodwill on the first day of the fiscal fourth quarter. The Company tests long-lived assets, including intangible assets, for impairment if conditions exist that indicate the carrying value may not be recoverable.

All of the Company's goodwill was acquired in conjunction with the acquisitions of the durable medical equipment businesses during the fiscal year ended June 30, 2019 and has been recorded within our durable medical equipment reporting unit. Based on our annual impairment test as of April 1, 2020 the fair value of the durable medical equipment reporting unit exceeded the carrying value by 12.0% and no impairment occurred. The fair value of this reporting unit was derived using a combination of present value of estimated cash flows and the valuations and prices of comparable businesses. The discount rate used in this analysis was 15.0%.

In addition, due to identified potential impairment triggering events as of March 31, 2020 related to the asset groups at our durable medical equipment and investment management businesses, the Company performed quantitative impairment testing over such asset groups. This analysis considered the estimated cash flows during the remaining useful life of each asset group, and no impairments were identified.

Although neither the durable medical equipment reporting unit nor long-lived asset groups were deemed at risk of impairment as of June 30, 2020, there exists the potential for future impairment should actual results deteriorate versus our current expectations. As of June 30, 2020, the Company had approximately $65.1 million on its consolidated balance sheet related to acquired goodwill and intangible assets.

Accounts Receivable

Substantially all of the accounts receivable balance relates to the durable medical equipment business. Accounts receivable are customer obligations due under normal sales and rental terms and represent the amount estimated to be collected from the patient customers and, if applicable, the third-party private insurance provider or government program (collectively, **Payors**), based on the contractual agreements. The Company does not require collateral in connection with its customer transactions and aside from verifying insurance coverage, does not perform credit checks on patient customers. Revenue and accounts receivable have been constrained to the extent that billed amounts exceed the amounts estimated to be collected. The constrained transaction price relates primarily to expected billing adjustments with the Payors and patient customers. Management's evaluation of variable consideration takes into account such factors as past experience, information about specific receivables, Payors and patient customers.

The assessment of variable consideration to be constrained is based on estimates, and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in earnings in the periods in which they become known. Changes in constraints on variable consideration are recorded as a component of net revenues. To the extent historical experience is not indicative of future performance, actual collections experience could differ significantly from management's judgments and expectations, resulting in either increases or decreases to future revenues, as applicable.

The Company generally does not allow returns from providers for reasons not covered under the manufacturer's standard warranty. Therefore, there is no provision for sales return reserves. The Company does not have significant bad debt experience with Payors, and therefore does not maintain an allowance for doubtful accounts.

Durable Medical Equipment Revenue

Durable medical equipment revenue from a customer consists of any combination of the sale and rental of durable medical equipment and/or the provision of sleep study services. For durable medical equipment sales and services, the Company recognizes revenue in accordance with FASB Accounting Standards Codification (**ASC**) Topic 606, *Revenue from Contracts with Customers*. For revenue associated with durable medical equipment rentals, the Company recognizes revenue in accordance with ASC Topic 842, *Leases*.

The Company sells durable medical equipment, replacement parts and supplies to customers and recognizes revenue at the point control is transferred through delivery to the customer. Each piece of equipment, part or supply is distinct and separately priced thus they each represent a single performance obligation. The revenue is allocated amongst the performance obligations based upon the relative standalone selling price method, however, items are typically all delivered or supplied together. The customer and, if applicable, the Payors are generally charged at the time that the product is sold, although separate layers of insurance coverage may need to be invoiced before final billings may occur.

The Company also provides sleep study services to customers and recognizes revenue when the results of the sleep study are complete as that is when the performance obligation is met.

The Company leases durable medical equipment to customers for a fixed monthly amount on a month-to-month basis. The customer has the right to cancel the lease at any time during the rental period and payments are generally billed in advance on a month-to-month basis.

Due to the nature of the durable medical equipment business, billing adjustments customarily occur during the collections process when explanations of benefits are received by Payors, and as amounts are deferred to secondary Payors or to patient responsibility. For durable medical equipment sales and services revenue, the Company includes in the transaction price only the amount that the Company expects to be entitled. Durable medical equipment rental revenue is recognized for amounts where collection from Payors and patients are reasonably assured. As such, revenue recognized upon satisfaction of the Company's performance obligations consist of substantially all of the Payor billings at contractual rates as well as estimates of patient co-payments that will ultimately be collected.

Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain Payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application or claim denial. To the extent historical experience is not indicative of future performance, actual collections experience could differ significantly from management's judgments and expectations, resulting in either increases or decreases to future durable medical equipment sales and services revenues or durable medical equipment rental income, as applicable.

Investment Management Revenue

The Company recognizes revenue from its investment management business at amounts that reflect the consideration to which it expects to be entitled in exchange for providing services to its customer. Investment management revenue primarily consists of fees based on a percentage of assets under management; fees based on the performance of managed assets; and administrative fees.

Because of the uncertainty of when incentive fees will be collected due to market conditions and investment performance, incentive fees are fully constrained and not recorded until received and the probability of significant reversal of the fees is eliminated in accordance with the respective investment management agreements. As of June 30, 2020, the Company had $8.5 million in cumulative earned but constrained incentive fee revenue. To the extent such constrained incentive fees are collected in the future, they could result in significant increases to future investment management revenue.

Real Estate Revenue

Consistent with the leases of durable medical equipment, the Company recognizes rental revenue on a straight-line basis over the non-cancelable term of the lease. Based on management's assessment, we expect to receive all contractual amounts owed.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Valuation allowances are established when necessary in order to reduce deferred tax assets to the amounts expected to be recovered.

The Company has established a full valuation allowance for its deferred tax assets that are not recoverable from taxable temporary differences due to historical net operating losses. To the extent that the Company generates taxable income in the future, the reversal of valuation allowances could generate significant tax benefits to future operations. As of June 30, 2020, the Company has a valuation allowance of $325.9 million.

The calculation of the Company's tax positions involves dealing with uncertainties in the application of complex tax regulations in several different state tax jurisdictions. The Company is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include inquiries regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. The Company records estimated reserves for exposures associated with positions that it takes on its income tax returns that do not meet the more likely than not standards.

Results of Operations

The following discussion is reflective of our three business operating segments: durable medical equipment, investment management and real estate. General corporate represents unallocated costs and activity to arrive at consolidated operations. Activity not allocated to the segments include, but are not limited to, certain investment and financing activities, professional fees, costs associated with being a public company, acquisition costs and costs associated with executive and corporate management departments, including compensation, benefits, rent and insurance. Durable medical equipment commenced operations in September 2018. Correspondingly, the results of operations for the period ended June 30, 2020 for that segment is not comparable to the corresponding periods ended June 30, 2019.

The following table provides the results of our consolidated operations for the years ended June 30, 2020 and 2019:

	For the years ended June 30,		
	2020	Percent Change	2019
Revenue:			
Total revenue	$ 64,098	25%	$ 51,180
Operating costs and expenses:			
Cost of goods sold	(15,055)	31%	(11,463)
Cost of rentals	(9,105)	57%	(5,798)
Other selling, general and administrative	(35,034)	1%	(34,540)
Depreciation and amortization	(4,237)	15%	(3,683)
Total operating expenses	(63,431)		(55,484)
Operating income (loss)	667		(4,304)
Other income (expense):			
Interest expense	(7,195)	15%	(6,250)
Other income (expense)	(6,555)	(536)%	1,504
Total other expense, net	(13,750)		(4,746)
Total pre-tax income (loss) from continuing operations	$ (13,083)		$ (9,050)

Revenues

Revenues for the year ended June 30, 2020 included $55.7 million from the durable medical equipment business, $3.3 million from the investment management business and $5.1 million from the real estate business, while revenues for the year ended June 30, 2019 included $41.9 million from the durable medical equipment business, $3.8 million from the investment management business and $5.5 million from the real estate business. The increase in total revenue for the year ended June 30, 2020 as compared to the year ended June 30, 2019 is primarily attributable to the prior period not including a full year of durable medical equipment segment operations due to acquisition of the business in the first quarter of fiscal year 2019.

Operating costs and expenses

The increase in operating expenses for the year ended June 30, 2020 as compared to the year ended June 30, 2019 is primarily attributable to the additional costs associated with the durable medical equipment business, including cost of goods sold and cost of rentals, as well as the general and administrative costs of the durable medical equipment business, depreciation on fixed assets and amortization of the intangible assets associated with the durable medical equipment business. The increased costs are consistent with increases in topline sales, along with additional expenses incurred to enhance the scalability of the durable medical equipment business.

Other income (expense)

Interest expense increased for the year ended June 30, 2020 as compared to the year ended June 30, 2019 due to increased borrowings related to our acquisition of the durable medical equipment businesses in the first quarter of fiscal year 2019 and the issuance of the 5.0% Convertible Senior PIK Notes due 2030 (the **Convertible Notes**) which were issued in February 2020. These increases were partially offset by the redemption of the 10% preferred stock of DME Holdings, Inc. in June 2019 resulting in no related interest expensed in the current year.

Other income (expense) consists of dividend income and net unrealized loss on our investment in GECC. The year over year net expense is primarily attributable to the net realized loss on our investment in GECC which is discussed under "—General Corporate" below.

Durable Medical Equipment

The key metrics of our durable medical equipment business include:

- Patients and setup growth – which drives revenue growth and takes advantage of scalable operations
- Earnings before interest, taxes, depreciation and amortization (**EBITDA**)

The following table provides the results of our durable medical equipment business for the year ended June 30, 2020 and the period from its inception in September 2018 to June 30, 2019 (the **DME inception period**).

(in thousands)	For the year ended June 30, 2020	Percent Change	For the period September 7, 2018 to June 30, 2019
Revenue:			
Total revenue	$ 55,662	33%	$ 41,880
Operating costs and expenses:			
Cost of goods sold	(15,055)	31%	(11,463)
Cost of rentals	(9,105)	57%	(5,798)
Transaction costs	-	(100)%	(551)
Other selling, general and administrative	(26,080)	29%	(20,260)
Depreciation and amortization	(1,878)	42%	(1,323)
Total operating expenses	(52,118)		(39,395)
Operating income (loss)	3,544		2,485
Other income (expense):			
Interest expense	(3,655)	7%	(3,415)
Other income (expense)	5	(103)%	(177)
Total other expense, net	(3,650)		(3,592)
Total pre-tax income (loss) from continuing operations	$ (106)		$ (1,107)

Durable Medical Equipment Revenue

Durable medical equipment revenues include revenue from the sale of medical equipment, sleep study services and medical equipment rentals. For the year ended June 30, 2020, revenues from the sale of medical equipment and sleep study services were $28.9 million and $5.3 million, respectively, compared to $22.4 million and $4.9 million, respectively during the DME inception period. The increases are primarily attributable to the acquisition of the durable medical equipment businesses in September 2018 resulting in a shorter comparable period in the DME inception period.

Revenue from medical equipment rentals was $21.5 million for the year ended June 30, 2020 as compared to $14.6 million during the DME inception period. The increase is primarily attributable to the shorter comparable DME inception period, as well as incremental revenue from increases in patient setups and the acquisition of Midwest Respiratory Care, Inc. (**Midwest**) on June 12, 2019.

Due to the COVID-19 pandemic, we have seen a decline in our sleep study services related to increased patient cancellations of attended sleep studies beginning in March 2020. Though this did not have a material impact on total revenues for the year ended June 30, 2020, we expect this decline in patient referrals to continue into future periods as some local governments have issued advisories or regulations limiting certain non-essential business operations.

In addition, a portion of our equipment sales and rentals are dependent on the availability and accessibility of primary physicians to patients. If patients are unable to access their physicians, it may negatively impact our referrals for new patient set-ups.

Durable Medical Equipment Costs and Expenses

Cost of goods sold includes inventory costs for medical equipment sold and direct costs associated with running sleep study services, including staff compensation to perform the studies and the purchase of supplies used in the studies. Cost of rentals includes depreciation on medical equipment held for lease and costs related to maintenance expenses. The increases in these costs for the year ended June 30, 2020 as compared to the DME inception period are primarily due to the increases in the related revenues and sales volumes.

General and administrative expenses primarily consist of payroll related costs, facility expenses, including lease costs, and professional fees. For the year ended June 30, 2020 and for the DME inception period, payroll related costs were $20.2 million and $14.4 million, respectively, facility expenses were $2.0 million and $1.5 million, respectively, and professional fees were $2.0 million and $0.1 million, respectively. In addition to the shorter comparable DME inception period, the increases in payroll related costs is due to growth in the business and additional employee hires. The increase in professional fees is largely attributable to consulting costs and investments in technology to integrate the durable medical equipment business into the Company and prepare for future growth and scalability. The increase is offset by $5.1 million of government stimulus received for purposes of keeping workers employed during the COVID-19 crisis and covering the incremental costs of serving patients during the pandemic.

Transaction costs decreased for the year ended June 30, 2020 as compared to the DME inception period as they primarily relate to one-time expenses incurred in the period of acquisition.

Depreciation and amortization includes the depreciation of fixed assets, excluding depreciation on the equipment held for rental, which is included in the cost of rentals, and amortization of the intangible assets resulting from the acquisition of the durable medical equipment businesses. In addition to the shorter comparable DME inception period, the increase in depreciation and amortization was primarily driven by increases in leasehold improvements and sleep study equipment in existing locations as well as the acquisition of Midwest.

In addition to the operating costs and expenses, we recognized interest expense of $3.7 million and 3.4 million for the year ended June 30, 2020 and for the DME inception period, respectively. The increase is primarily related to the shorter comparable DME inception period.

Other income (expense) for the DME inception period ended June 30, 2019 includes dividend income of $0.7 million and realized loss of $0.9 million for the portion of the investment in GECC which had been restricted in connection with the Great Elm DME Holdings, Inc. (**DME Holdings**) preferred stock issued at inception of the durable medical equipment business in September 2018 (see Note 15 - Non-Controlling Interests and Preferred Stock of Subsidiary in the accompanying Notes to the Consolidated Financial Statements). This preferred stock was redeemed in June 2019 and the restricted investments in GECC held by DME Holdings were returned to the parent, Great Elm Capital Group, Inc. As such, no related activity occurred during the year ended June 30, 2020.

Investment Management

The key metrics of our investment management business include:

- Assets under management — which provides the basis on which our management fees and performance milestones for vesting of certain equity awards are based
- Investment performance — on which our incentive fees (if any) are based and on which we are measured against our competition

The following table provides the results of our investment management business:

	For the years ended June 30,		
(in thousands)	**2020**	**Percent Change**	**2019**
Revenue:			
Total revenue	$ 3,332	(13)%	$ 3,841
Operating costs and expenses:			
Stock-based compensation	34	(107)%	(521)
Consulting agreement	(283)	(63)%	(763)
Other general and administrative	(1,855)	(32)%	(2,741)
Depreciation and amortization	(636)	1%	(631)
Total operating expenses	(2,740)		(4,656)
Operating income (loss)	592		(815)
Other income (expense):			
Interest expense	(157)	(13)%	(180)
Other income (expense)	-	-%	-
Total other expense, net	(157)		(180)
Total pre-tax income (loss) from continuing operations	$ 435		$ (995)

Investment Management Revenue

Investment management revenues include management fees and administration fees related to the management of GECC.

For the years ended June 30, 2020 and 2019, we recognized $2.8 million and $3.0 million, respectively, of management fee revenue and $0.5 million and $0.9 million, respectively, of administration fee revenue. The decrease in management fee revenue for the year ended June 30, 2020 as compared to the year ended June 30, 2019 is attributable to decreases in the average assets on which such fees are calculated, most notably during the fourth quarter of fiscal year 2020 as a result of the impact of COVID-19 on the portfolio managed. Administration fees decreased for the year ended June 30, 2020 as compared to the year ended June 30, 2019 primarily due to lower allocations of overhead costs as a result of internal restructuring in January 2019.

Investment Management Costs and Expenses

Stock-based compensation costs decreased for the year ended June 30, 2020 as compared to the year ended June 30, 2019 in connection with updated estimates related to performance-based awards.

GECM had a consulting agreement with a third party to provide services in exchange for 26% of the fees earned from the management of GECC, excluding incentive fees. The consulting agreement expired in November 2019 resulting in decreased fees for year ended June 30, 2020 as compared to the fees for the year ended June 30, 2019.

Other general and administrative costs consist primarily of professional fees, facilities and other overhead costs, and payroll and related costs, excluding stock-based compensation. The decrease in general and administrative costs for the year ended June 30, 2020 as compared to the year ended June 30, 2019 is primarily attributable to the decreased allocation of overhead costs, including payroll-related costs. These decreases were the result of efficiencies gained through restructuring in the prior year resulting in lower costs overall, as well as the increased allocation of such overhead costs to the general corporate segment in connection with the acquisition of the durable medical equipment business during the year ended June 30, 2019.

Real Estate

The key metrics of our real estate business include rental revenues, depreciation on rental properties and interest expense on the related debt.

The following table provides the results of our real estate business:

	For the years ended June 30,		
(in thousands)	**2020**	**Percent Change**	**2019**
Revenue:			
Total revenue	$ 5,104	(7)%	$ 5,459
Operating costs and expenses:			
General and administrative	(544)	(38)%	(884)
Depreciation and amortization	(1,722)	(0)%	(1,729)
Total operating expenses	(2,266)		(2,613)
Operating income (loss)	2,838		2,846
Other income (expense):			
Interest expense	(2,619)	(1)%	(2,655)
Other income (expense)	-	-%	-
Total other expense, net	(2,619)		(2,655)
Total pre-tax income (loss) from continuing operations	$ 219		$ 191

Real Estate Revenue

For the years ended June 30, 2020 and 2019, we recognized $5.1 million and $5.5 million of rental revenue in connection with our recently acquired Class A office buildings in Fort Myers, Florida. The decrease in revenue is attributable to the adoption of updated lease accounting guidance, which excludes from revenue and the corresponding real estate expenses and lessor costs paid directly to third parties by the lessee.

Real Estate Costs and Expenses

Our real estate business' costs primarily consist of management fees, insurance and state sales tax, depreciation of real estate assets and the amortization of the in-place lease intangible assets. Our costs and expenses have generally remained consistent year over year with the exception of the impact of adopting the updated lease accounting guidance which resulted in excluding certain expenses paid directly to third parties by the lessee.

General Corporate

The following table provides the results of our general corporate business:

(in thousands)	For the years ended June 30, 2020	Percent Change	2019
Revenue:			
Total revenue	$ 159	100%	$ 123
Operating costs and expenses:			
Stock-based compensation	(582)	27%	(457)
Transaction costs	(863)	(45)%	(1,582)
Other general and administrative	(5,020)	(27)%	(6,904)
Depreciation and amortization	(1)	-%	-
Total operating expenses	(6,466)		(8,943)
Operating income (loss)	(6,307)		(8,820)
Other income (expense):			
Interest expense	(764)	-%	-
Other income (expense)	(6,560)	(490)%	1,682
Total other income (expense), net	(7,324)		1,682
Total pre-tax income (loss) from continuing operations	$ (13,631)		$ (7,138)

General Corporate Revenue

For the years ended June 30, 2020 and 2019, all revenue was derived from fees earned by DME Manager, a subsidiary in our general corporate segment, which provides consulting services to DME Inc., a subsidiary in our durable medical equipment segment. Both DME Manager and DME Inc. were formed in connection with the acquisition of the durable medical equipment businesses in September 2018 and there was no corresponding activity prior to this acquisition.

General Corporate Costs and Expenses

Our general and administrative costs primarily consisted of professional fees, payroll and facility costs for our finance, legal and other administrative functions as well as professional fees and payroll costs in connection with our diligence efforts towards identifying asset and business acquisition opportunities. For the years ended June 30, 2020 and 2019, professional fees in relation to the diligence of such opportunities were $0.9 million and $1.6 million, respectively. Such professional fees for the year ended June 30, 2019 were higher than the current year due to the significant acquisition of our durable medical equipment business in September 2018.

The decrease in other general and administrative costs for the year ended June 30, 2020 as compared to the prior year was primarily driven by the change in fair value of contingent consideration related to the acquisition of the durable medical equipment business. The fair value of contingent consideration decreased by $1.1 million for the year ended June 30, 2020, whereas the fair value of contingent consideration increased by $0.5 million for the year ended June 30, 2019, resulting in a year over year net change of $1.6 million. Other key drivers of the decrease in other general and administrative costs for the year ended June 30, 2020 as compared to the prior year include reductions in professional fees of approximately $0.1 million and overhead costs of $0.1 million as a result of efficiencies gained through restructuring in the prior year.

Other Income (Expense)

Other income and expense primarily consisted of dividend income and unrealized gains or losses on the Company's investment in GECC and interest income earned on cash balances. Dividend income for the years ended June 30, 2020 and 2019 was $2.1 million and $1.7 million, respectively. During the year ended June 30, 2019, a portion of the Company's investment in GECC had been allocated to the durable medical equipment segment due to collateral requirements of the related party qualified preferred stock issued by DME Holdings in connection with the acquisition of the durable medical equipment businesses resulting in dividend income on those shares allocated to the durable medical equipment segment for that period. The preferred stock were fully redeemed during the year ended June 30, 2019, and all shares allocated to the durable medical equipment were reallocated back to the general corporate segment. As a result, all dividend income earned during the year ended June 30, 2020 has been allocated to the general corporate segment.

We recognized unrealized losses of $8.7 million and $0.2 million, respectively, for the years ended June 30, 2020 and 2019. We mark-to-market our investment in GECC by reference to the closing price of GECC common stock on Nasdaq as of each period end.

Income Taxes

We do not expect that we will owe any federal taxes for the year ended June 30, 2020. In the aggregate, we did not owe any federal taxes for the year ended June 30, 2019, however, we are required to provide intra period taxes allocated between continuing operations and discontinued operations. During 2019, the Company recognized an income tax benefit with respect to discontinued operations of $1.3 million related to intra period allocations. In addition, the Company recognized an income tax benefit with respect to deferred tax liabilities of $0.9 million acquired in the durable medical equipment acquisition. State and local taxes were approximately $0.1 and $0.1 million for the year ended June 30, 2020 and 2019, respectively.

Summary of Discontinued Operations

On June 30, 2016, the Company sold two of its previously wholly-owned subsidiaries (the **Divestiture**) engaged in the patent licensing business for an aggregate purchase price of up to $40 million. The purchaser paid the Company $30 million, plus certain adjustments, upon the closing of the Divestiture, and had made claims that it had incurred indemnifiable losses in excess of the remaining $10 million due under the purchase and sale agreement.

On January 21, 2019, we entered into a mutual release and settlement agreement with the purchaser resulting in the release of any indemnifiable liabilities and an incremental cash receipt of $1.5 million. Prior to the execution of this settlement, the Company had determined that a loss related to final settlement with the purchaser was not realizable or estimable, and therefore had not accrued for any losses; however, the recognition of a portion of proceeds received associated with the former patent licensing business had been deferred pending finalization of all contingencies. The settlement resulted in a $5.0 million gain in discontinued operations during the year ended June 30, 2019, consisting of the extinguishment of related liabilities of $3.6 million and the receipt of cash of $1.5 million from the purchaser, partially offset by legal fees of $0.1 million. The net income from discontinued operations includes these gains, offset by a tax provision of $1.3 million for the year ended June 30, 2019.

The following table provides a reconciliation of the Company's discontinued operations:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Discontinued operations:		
Net revenue	$ -	$ 1,500
Extinguishment of liabilities related to discontinued operations	-	3,608
General and administrative expenses	-	(87)
Pretax gain (loss) from discontinued operations	**-**	**5,021**
Income tax benefit (expense)	-	(1,285)
Net gain (loss) from discontinued operations	**$ -**	**$ 3,736**

Net Revenues

As a result of the settlement during the year ended June 30, 2019, we recognized $1.5 million in net revenues for the period. There were no revenues related to discontinued operations for the year ended June 30, 2020.

Extinguishment of Liabilities

As a result of the settlement during the year ended June 30, 2019, $3.6 million of liabilities related to the discontinued operations were extinguished.

General and Administrative Expenses

During the year ended June 30, 2019 the general and administrative expenses of our discontinued operations related primarily to the work associated with settling claims on the representations and warranties in connection with the Divestiture. There were no expenses related to discontinued operations for the year ended June 30, 2020.

Liquidity and Capital Resources

The following table presents selected financial information and statistics:

	As of June 30,			
(in thousands)	2020		2019	
Current Assets	$	61,328	$	42,400
Current Liabilities		25,514		18,068
Working Capital	$	35,814	$	24,332
Long Term Liabilities	$	101,361	$	95,664

	For the years ended June 30,			
(in thousands)	2020		2019	
Cash provided by (used in) operating activities	$	13,391	$	2,691
Cash provided by (used in) investing activities		(6,632)		(54,903)
Cash provided by (used in) financing activities		21,776		21,502
Net increase (decrease) in cash and cash equivalents	$	28,535	$	(30,710)

Working Capital and Cash Flows

As of June 30, 2020, we had a cash balance of $41.4 million, including restricted cash of $0.8 million. We also owned 2,043,434 shares of GECC common stock with an estimated fair value of $8.7 million as of June 30, 2020.

We intend to make acquisitions that will likely result in our investment of all of our liquid financial resources, the issuance of equity securities and the incurrence of indebtedness. If we are unsuccessful at raising additional capital resources, through either debt or equity, it is unlikely we will be able execute our strategic growth plan. See "Item 1A. Risk Factors."

Cash Provided by or Used in Operating Activities. Cash flows provided by operating activities totaled $13.4 million and $2.7 million for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, net cash provided by operating activities consisted primarily of the net loss of $13.1 million offset by non-cash activity, including $12.5 million in depreciation and amortization and $8.7 million in unrealized loss on our investment in GECC. The net loss of $13.1 million is net of $5.1 million of CARES Act stimulus income. Changes in operating assets and liabilities resulted in net cash provided by operating activities of $3.9 million which was primarily driven by increases in deferred revenue. The increase in deferred revenue is primarily related to the receipt of $4.4 million in CMS payments.

For the year ended June 30, 2019, net cash provided by operating activities for continuing operations consisted primarily of the net loss of $3.1 million and gain on discontinued operations of $3.7 million offset by non-cash activity, including $9.2 million of depreciation and amortization. Changes in operating assets and liabilities resulted in net cash used in operating activities of $3.0 million, primarily consisting of an increase in accounts receivable of $2.8 million and decrease in operating leases of $1.1 million offset by increases in related party payables of $0.8 million. These changes in operating assets and liabilities are primarily related to operational changes as a result of the acquisition of our durable medical equipment businesses during the year.

Cash Used in Investing Activities. Cash flows used in investing activities totaled $6.6 million and $54.9 million for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, net cash used in investing activities primarily consists of $8.1 million in purchases of equipment held for rental which was partially offset by proceeds from the sale of equipment held for rental.

For the year ended June 30, 2019 investing activities primarily consist of $48.1 million spent in the acquisitions of our durable medical equipment businesses in September 2018 and June 2019, as well as the purchase of $6.8 million in equipment held for rental and another $0.8 million in fixed assets related to the durable medical equipment business.

Cash Provided by Financing Activities. Cash flows provided by financing activities totaled $21.8 million and $21.5 million for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, cash inflows of $30.0 million were provided by the issuance of Convertible Notes with additional inflows related to proceeds from equipment financing and our revolving line of credit. These inflows partially offset by principal payments on our long term debt, related party notes payable, revolving line of credit and equipment financing.

For the year ended June 30, 2019, cash inflows of approximately $19.9 million and $6.6 million were provided by net proceeds on the note payable from a seller and a revolving line of credit, respectively, established with the acquisition of the durable medical equipment business, including additional draws made during the year. Additionally, $1.6 million was provided by proceeds from equipment financing arrangements and $1.4 million was provided by the exercise of warrants in July 2018. These inflows were partially offset by principal payments of $2.8 million on our long term debt and related party notes payable, as well as $5.1 million paid to redeem the preferred stock of a subsidiary during the year ended June 30, 2019.

Borrowings

As of June 30, 2020, the Company had $30.5 million face value in Convertible Notes outstanding. The Convertible Notes are held by a consortium of investors, including related parties. The Convertible Notes accrue interest at 5.0% per annum, payable semiannually in arrears on June 30 and December 31, in cash or in-kind at the option of the Company.

The Convertible Notes are due on February 26, 2030 but are convertible at the option of the holders at a conversion price of $3.4722 per share, subject to the terms therein, prior to maturity into shares of our common stock. Upon conversion of any note, the Company will pay or deliver, as the case may be, to the noteholder, in respect of each $1,000 principal amount of notes being converted, shares of common stock equal to the conversion rate in effect on the conversion date, together with cash, if applicable, in lieu of delivering any fractional share of common stock.

As of June 30, 2020, we had a note due to a non-controlling interest holder of DME Inc., Corbel Capital Partners SBIC, L.P., totaling $25.1 million that accrues interest at a rate of three-month LIBOR plus 10.0% (at June 30, 2020, the effective interest rate was 10.30%) through maturity on August 31, 2023 (the **Corbel Facility**). The Corbel Facility requires quarterly interest payments along with principal payments of $0.3 million plus an additional amount based on excess cash flows, if any, generated by the durable medical equipment business operations. The Corbel Facility is secured by all of the assets of the durable medical equipment business and the Company is required to meet certain financial covenants.

The Company has the option to prepay the borrowings outstanding under the Corbel Facility in whole or in part subject to certain prepayment penalties ranging from 1.0% - 5.0% of the early payment of the principal, based on the time that the Corbel Facility has been outstanding through the first five years of the loan.

DME Inc. is required to pay to Corbel, as agent of the Corbel Facility, a quarterly monitoring fee of $25,000 per quarter while the borrowings remain outstanding. In addition, if the borrowing is repaid with proceeds of debt in full or in part at any time within the first three years from the date of issuance, the borrower shall pay an additional fee to the agent, ranging from 2.10% to 3.50% depending on the date of repayment based on the period outstanding, of the aggregate repaid principal amount.

As of June 30, 2020, we had a credit facility due to Pacific Mercantile Bank totaling $3.9 million that accrues interest at the prime rate plus 0.40% (at June 30, 2020, the effective rate was 3.65%) through maturity on August 30, 2020 (the **DME Revolver**). The DME Revolver allows for borrowings up to $10 million. The DME Revolver requires monthly interest payments. The DME Revolver is secured by all of the assets of the durable medical equipment business and the Company is required to meet certain financial covenants.

The Corbel Facility and DME Revolver each include covenants that restrict DME Inc. business operations to its current business, limit additional indebtedness, liens, asset dispositions and investments, require compliance and maintenance of licenses and government approvals and other customary conditions. Events of default include the failure to pay amounts when due, bankruptcy, or violation of covenants, including a change in control of DME Inc. DME Inc. must also comply with a fixed-charge coverage and leverage ratio financial covenants, which are based in part on the DME Inc. EBITDA levels. The Company was in compliance with all material covenants and restrictions at June 30, 2020.

As of June 30, 2020, we had a related party note due to MAST Capital (the **GP Corp. Note**) totaling $3.1 million that accrues interest at a variable rate of three-month LIBOR plus 3.0%, as adjusted for each 90-day period (at June 30, 2020, the effective rate was 3.30%) through maturity on November 3, 2026. The GP Corp. Note requires minimum annual principal payments of $0.08 million and quarterly interest-only payments. The GP Corp. Note is secured by the profit sharing agreement between GECM and GECC GP Corp. (the **Profit Sharing Agreement**) that transfers profits generated by our management of GECC, with no recourse to any of our other assets, entities or operations.

The GP Corp. Note is non-recourse to any of the Company's operations or net assets not related to GECM's management services to GECC. The GP Corp. Note may be prepaid at par value at any time with prior written notice to the holders of the GP Corp. Note. Additionally, GECC GP Corp. is required to prepay the GP Corp. Note upon certain material liquidation transactions including any termination of the Profit Sharing Agreement.

As of June 30, 2020, we had a senior note due to Wells Fargo Bank Northwest, National totaling $50.0 million that accrues interest at a rate of 3.49% through maturity on March 15, 2030 (the **Senior Note**). The Senior Note requires monthly principal and interest payments through the maturity date. The Senior Note is secured by a first lien mortgage on the Property and an Assignment of Leases and Rents, with no recourse to any of our assets, entities or operations.

The principal and interest due on the Senior Note may be prepaid at the option of the borrower, based on an amount determined by discounting the remaining principal and interest payments at a rate equal to an applicable premium in excess of a rate corresponding to the specified U.S. Treasury security over the remaining average life of the Senior Note.

As of June 30, 2020, we had a subordinated note due to Wells Fargo Bank Northwest, National totaling $3.8 million that accrues interest at a rate of 15.00% through maturity on March 15, 2030 (the **Subordinated Note**). The Subordinated Note is a capital appreciation note, whereby the monthly interest is capitalized to the principal balance and due at maturity. The Subordinated Note is secured by a second lien mortgage on the Property, and an Assignment of Leases and Rents, with no recourse to any of our assets, entities or operations.

The principal and interest due on the Subordinated Note may be prepaid at the option of the borrower, based on an amount determined by discounting the remaining principal and interest payments at a rate equal to an applicable premium in excess of a rate corresponding to the specified U.S. Treasury security over the remaining average life of the Subordinated Note.

The note agreements for both the Senior Note and the Subordinated Note include negative covenants that restrict the Company's majority-owned subsidiary, CRIC IT Fort Myers LLC's (the **Property Owner**) business operations to ownership and lease of the Property, limit additional indebtedness, require maintenance of insurance and other customary requirements related to the Property. Events of default include non-payment of amounts when due, inability to pay indebtedness or material change in the business operations or financial condition of the Property Owner or the lease tenant that in the lender's reasonable determination would reasonably be expected to materially impair the value of the Property, prevent timely repayment of the notes or performance of any material obligations under the note and related agreements. The payments under the notes are also guaranteed on a full and several basis by the non-controlling interest holder of the Property Owner. Both the Senior Note and Subordinated Note are non-recourse to the Company, but are secured by the Property, the rights associated with the leases and the stock owned by the Company in the Property Owner.

Beginning in April 2019, DME Inc's operating subsidiaries also utilize equipment financing debt to fund certain inventory and equipment purchases from suppliers. These equipment financing debt agreements are entered into with 3rd party banks and are generally payable in equal installments over terms of one to three years, depending on the nature of the underlying purchases being financed. The debt is secured by the inventory and equipment, as applicable, of the operating subsidiaries entering into the agreements, and the long-term agreements have implicit interest rates between 7 – 8%. During the years ended June 30, 2020 and 2019, the Company financed $3.6 million and $1.6 million, respectively, in inventory and equipment through such financing agreements.

Restrictions on Subsidiary Dividends

In the GP Corp. Note agreement, GECC GP Corp. agreed not to declare any dividends until the GP Corp. Note is satisfied. In the Senior Note and Subordinated Note, the Property Owner is restricted from paying any dividends until such notes are satisfied. The ability of DME Inc. to pay dividends is subject to compliance with the restricted payment covenants under the Corbel Facility and DME Revolver.

Off-Balance Sheet Obligations

As of June 30, 2020, we did not invest in any off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose us to any liability that is not reflected in our consolidated financial statements.

New Accounting Pronouncements

See Note 2 – Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item appears beginning on page F-1 of this Annual Report on Form 10-K and is incorporated in this Item 8 by reference.

Per Rule 3-09 of Regulation S-X, the audited financial statements of GECC for the years ended December 31, 2019 and 2018 included in GECC's registration statement on Form N-2 (File No. 333-239839), as amended, filed with the SEC on August 27, 2020 are incorporated herein by reference. We include the financial statements of GECC because our investment in GECC met the test of significance under Rule 3-09 in Regulation S-X. The management of GECC is responsible for the form and content of GECC's financial statements. Certain officers of GECC are also officers of GEC. Mr. Reed is our Chief Executive Officer as well as the Chief Executive Officer of GECC and Mr. Kleinman is our President and Chief Operating Officer as well as the Chief Compliance Officer of GECC. GECM serves as the investment advisor to GECC.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (the **Exchange Act**) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective as of June 30, 2020.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for preparation of the accompanying consolidated financial statements in accordance with US GAAP.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13(a)-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting is supported by written policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2020 as required by the Exchange Act. In making this assessment, we used the criteria set forth in the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**). Based on management's evaluation under the framework, management concluded that Great Elm Capital Group, Inc.'s internal control over financial reporting was effective as of June 30, 2020.

Changes in Internal Control Over Financial Reporting

Remediation of Previously Reported Material Weaknesses

As disclosed in our Annual Report on Form 10-K, Item 9A. for the fiscal year ended June 30, 2019, our management concluded that our internal controls over financial reporting were not effective at June 30, 2019. As of that date, material weaknesses were identified in the principals associated with each component of the COSO framework.

Over the course of fiscal year 2020, we have completed remediation actions to address the material weaknesses in internal control over financial reporting, including:

- Control Environment – We evaluated the sufficiency, experience, and training of our internal personnel at our durable medical equipment subsidiaries and hired additional qualified personnel or used external resources to address identified needs. In addition, we enhanced the oversight controls performed by Corporate management over the durable medical equipment business.

- Risk Assessment – We engaged a new outside firm to assist management in performing a comprehensive risk assessment, including: (i) identifying, assessing, and communicating appropriate objectives, (ii) identifying and analyzing risks to achieve these objectives, and (iii) identifying and assessing changes in the business that could impact our system of internal controls.

- Control Activities – This outside firm also assisted management in assessing control activities, including identifying control gaps impacting the Company's businesses, enhancing the design and implementation of internal controls, and testing the operating effectiveness of these controls.

- Information and Communication – We integrated information systems within the durable medical equipment business and implemented technology solutions to reduce manual processes and facilitate the design and implementation of an effective system of controls. These improvements also enhanced the quality and accuracy of financial information provided pursuant to objectives, responsibilities and functions of internal control.

- Monitoring Activities – We implemented additional corporate monitoring activities over the Company's internal controls over financial reporting to determine whether the components of internal control were present and functioning appropriately.

Based upon the actions taken during fiscal year 2020, of which testing of design, implementation and operating effectiveness were completed in the fourth fiscal quarter of 2020, we have concluded that the material weaknesses have been remediated as of June 30, 2020.

Other than the changes discussed above, there has been no change in our internal control over financial reporting during the fiscal quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our Board currently has eight members. Directors are typically elected at each Annual Stockholders' Meeting for terms expiring at the next Annual Stockholders' Meeting. The following table sets forth information with respect to persons who are currently serving as directors of the Company.

Director	Age	Audit Committee	Nominating & Corporate Governance Committee	Compensation Committee
Thomas S. Harbin III	46	✓		
James H. Hugar	74	Chair	✓	
Peter A. Reed	40			
Jason W. Reese	54			
Eric J. Scheyer	55		✓	✓
Jeffrey S. Serota	54			

We entered into agreements (the **MAST Fund Agreements**) with private investment funds (the **MAST Funds**) pursuant to which the MAST Funds have the right to nominate two directors in accordance with the terms of such MAST Fund Agreements. The MAST Funds have nominated the following two individuals as directors, both of whom currently are directors:

Director	Age	Audit Committee	Nominating & Corporate Governance Committee	Compensation Committee
Matthew A. Drapkin	47		Chair	✓
James P. Parmelee	54	✓		Chair

Our Board determined that each non-employee director, except Messrs. Reese and Serota, is an independent director. Our Board determines the independence of our directors by applying independence principles and standards established by Nasdaq. Based on these standards, our Board has determined that Messrs. Reese and Serota are not independent, Mr. Reese due to his position as our Executive Co-Chairman and Mr. Serota due to his position with Corbel Capital Partners.

Information about the Directors

Biographical information regarding each director and his qualifications to serve as a director is set forth on the succeeding pages. The year shown as election as a director is the year that the director was first elected as one of our directors. Unless otherwise indicated, each director has held his principal occupation or other positions with the same or predecessor organizations for at least the last five years. There are currently no family relationships among any directors or executive officers.

Thomas S. Harbin III is 46 years old and has been a member of our Board since October 2017. Mr. Harbin co-founded Source Capital, LLC (**Source Capital**) in 2002 and currently serves as its Managing Partner. Source Capital, through its affiliates and several committed funds, invests in both private equity and private debt transactions primarily in support of growing US-based companies in the lower-middle market. Mr. Harbin worked previously with J.H. Whitney & Co., a Connecticut-based private equity firm with over $5 billion in assets under management. He was the Head of Business Development for PowerBand Communications, a Whitney portfolio company located in Tokyo, Japan. Mr. Harbin also spent time in the Leveraged Finance group of Goldman, Sachs & Co. in New York. Mr. Harbin received a BA with distinction in Economics from the University of Virginia. Mr. Harbin is also a member of the Board of Trustees for the Nature Conservancy of Georgia and the Piedmont Healthcare Foundation.

Mr. Harbin brings to our Board investment expertise and extensive experience, including in leadership roles, in the private capital markets.

James H. Hugar is 74 years old and has been a member of our Board since March 2020. Mr. Hugar was previously a member of the board of directors of Vitesse Semiconductor Corporation from 2009 until its acquisition in April 2015. Mr. Hugar was also on the board of advisors of American Relocation & Logistics, Inc., a privately-held company, until its sale in December, 2017. Mr. Hugar retired from Deloitte & Touche LLP where he was an audit partner from 1982 to 2008, specializing in the financial service industry. Prior to his retirement, he served as the partner-in-charge of the Southern California Investment Company and Broker/Dealer Practice Unit. Mr. Hugar holds a BS degree in Accounting from Pennsylvania State University and a MSBA degree from the University of California, Los Angeles and is a Certified Public Accountant.

Mr. Hugar brings to our Board extensive financial and accounting experience.

Peter A. Reed is 40 years old and since September 2017 has been our Chief Executive Officer. Mr. Reed has been a member of our Board since May 2015. Mr. Reed is Chief Investment Officer of GECM, and President, Chief Executive Officer, and Chairman of the board of directors of GECC. Mr. Reed is also currently a member of the board of directors of GECM, GECC GP Corp., Great Elm FM Acquisition, Inc., Great Elm FM Holdings, Inc., DME Holdings and DME Inc. From 2017 through 2019, Mr. Reed served on the board of directors of Avanti Communications Group PLC, a UK-based satellite provider. Until September 2017, Mr. Reed was Portfolio Manager and Partner at MAST Capital Management, LLC (**MAST Capital**), a Boston-based registered investment advisor. Prior to joining MAST Capital in 2004, Mr. Reed was an investment banking analyst at Brown, Gibbons, Lang & Company where he worked on mergers and acquisitions, in-court and out-of-court financial restructurings, and debt and equity private placements for middle market companies.

Mr. Reed brings to our Board knowledge of the investment management business, capital markets and corporate restructuring.

Jason W. Reese is 54 years old and has been Executive Co-Chairman of our Board since February 2020. Mr. Reese is the Co-Founder, Chairman and Chief Executive Officer of Imperial Capital Asset Management, LLC (**ICAM**) and the Co-Founder and Executive Committee Member of Imperial Capital, LLC, both founded in 1997. ICAM is a registered investment advisor which has managed various hedge funds, investment partnerships, a private REIT and a private equity fund. Imperial Capital, LLC is a registered broker-dealer, headquartered in Los Angeles. Prior to co-founding ICAM and Imperial Capital, LLC, Mr. Reese was a principal with Gordon Investment Corporation, a merchant banking firm in New York and Dallas, where he focused on investing in distressed real estate transactions, high yield securities and leveraged buyouts. Prior to his time with Gordon, Mr. Reese worked in the Corporate Finance Group at PaineWebber in New York. Mr. Reese is currently on the board of directors of City Ventures, LLC, a California-based private home builder. Mr. Reese graduated with honors from Yale University with a B.S. in Electrical Engineering.

Mr. Reese brings to our Board investment expertise and extensive experience in capital markets.

Eric J. Scheyer is 55 years old and has been a member of our Board since February 2020. Mr. Scheyer is currently the chief executive officer and on the board of directors of Star Peak Energy Transition Corp., a special purpose acquisition company. Mr. Scheyer is a partner at Magnetar Capital, member of the Magnetar Management Committee and Magnetar Investment Committee and head of the Energy and Infrastructure group. Prior to joining Magnetar in 2005, Mr. Scheyer spent two years as a consultant at Caxton Associates. Prior to Caxton, Mr. Scheyer was a principal of Decorel Incorporated where he served as President of Decorel S.A. de C.V. and Executive Vice President of Decorel Inc. until the sale of the company to Newell Rubbermaid. Mr. Scheyer began his career at Donaldson, Lufkin & Jenrette focusing on the oil and gas sector. Previously, Mr. Scheyer served on the board of managers of Lightfoot Capital Partners GP LLC and the board of directors of Arc Logistics Partners LP. Mr. Scheyer holds a Bachelor of Arts in History from Trinity College in Hartford, Connecticut.

Mr. Scheyer brings to our Board investment expertise and extensive experience in capital markets.

Jeffrey S. Serota is 54 years old, has been a member of our Board since November 2016 and currently serves as Co-Chairman of the Board. Mr. Serota is currently a Vice Chairman at Corbel Capital Partners, an alternative lower middle-market debt manager. Mr. Serota served as a Senior Partner and Senior Advisor at Ares Management LLC (**Ares**) from 1997 to 2013. While at Ares, Mr. Serota led investments in an array of security types and industries. Transaction structures included buyouts, recapitalizations, structured equity, minority interest, and distressed-for-control, among others. As part of his role as a Senior Partner at Ares, Mr. Serota acted as an interim Chief Executive Officer for certain portfolio company investments of Ares, led fundraising efforts for private equity investment funds, participated in numerous private and public companies as a member of the board of directors, and assisted in the management of the private equity efforts at Ares. Before Ares, Mr. Serota served as a Vice President in the investment banking department at Bear, Stearns & Co. Inc. Prior to Bear Stearns, Mr. Serota was employed at Dabney/Resnick, Inc., where he specialized in merchant banking and capital raising activities for middle-market companies and had primary responsibility for Dabney/Resnick's bridge financing activities. Mr. Serota was also employed at Salomon Brothers Inc., where he focused on mergers and acquisitions and merchant banking transactions.

Mr. Serota is currently a director of Goodrich Petroleum Corporation. Mr. Serota was previously Chairman of the Board of CIFC Corp., a $15 billion asset management firm specializing in non-investment grade credit products. Mr. Serota also served as the Chairman of SandRidge Energy, Inc. from June 2013 until October 2016 and as one of its independent director from March 2007 to October 2016. Mr. Serota has also served on numerous public and private company boards over his career. Public company boards included: Exco Resources, Lyondell Basell Inc., WCA Waste Corp. and Douglas Dynamics, Inc.

Mr. Serota brings to our Board over 30 years of experience as a principal investor, financial services professional, and operating executive.

Matthew A. Drapkin is 47 years old and has been a member of our Board since April 2017. Mr. Drapkin is Chief Executive Officer & Portfolio Manager of Northern Right, a value-oriented, alternative asset manager focused on constructive activist investing in small-to-mid cap, public companies.

Mr. Drapkin is currently on the board of directors of PRGX Global, a global provider of recovery audit services to retail and commercial clients and serves as Executive Chairman of Boardroom Alpha, Inc., an analytics company. Mr. Drapkin previously served on the board of directors of Intevac, a publicly-traded provider of equipment solutions to the hard-disk drive industry and high-sensitivity imaging products, primarily for the defense market, as Chairman of the Board of Ruby Tuesday, a restaurant operator, Lead Independent Director of Hot Topic, a specialty retailer, and a director of Xura (formerly known as Comverse), a provider of telecommunications businesses solutions, Glu Mobile, a mobile gaming company, Plato Learning, a provider of curriculum management, and Alloy, a diversified media company.

Before joining Northern Right in December 2009, Mr. Drapkin had extensive investment experience, including his work as Head of Research, Special Situations, and Private Equity at ENSO Capital, a New York-based hedge fund, and Senior VP of Corporate Development at MacAndrews & Forbes, where he participated in more than $3 billion of transactions, including Scientific Games, Deluxe Entertainment Services, AM General, and Scantron. Prior to MacAndrews & Forbes, Mr. Drapkin served as General Manager of two of Condé Nast publications' wholly-owned Internet sites, Epicurious.com and Concierge.com, and headed Conde Nast's Internet venture investment effort. Mr. Drapkin began his career as an investment banker at Goldman, Sachs and Co where he advised companies on corporate finance and M&A matters. He holds a J.D. from Columbia Law School, an M.B.A. from Columbia Business School, and a B.A. in American History from Princeton University.

Mr. Drapkin was elected to our Board as a result of the MAST Funds' exercise of their rights to appoint two members of our Board under the MAST Fund Agreements.

James P. Parmelee is 54 years old and has been a member of our Board since June 2017. Mr. Parmelee is a managing director of Hamilton Robinson Capital Partners, a private equity firm that invests in middle-market specialty manufacturing, industrial technology and business services companies in the U.S. and Canada. Mr. Parmelee currently serves on the board of directors of PNE LLC based in Longview, WA, GrayMatter Systems based in Pittsburgh, PA and Tanknology, based in Austin, TX.

Mr. Parmelee is a former member of the board of directors of The Meet Group based in New Hope, PA. Previously, Mr. Parmelee was a Partner in Peak Ten Management, a long/short equity fund backed by Tiger Management LLC focused on investing in the global information technology sector. Mr. Parmelee was responsible for the firm's investments in the software, IT infrastructure and Internet verticals. Prior to joining Peak Ten Management, Mr. Parmelee was a partner in Union Square Advisors LLC, a strategic advisory firm. Mr. Parmelee led the firm's global IT infrastructure practice providing strategic M&A advisory services to the firm's clients. From 1992 to 2004, Mr. Parmelee was a senior equity research analyst responsible for coverage of the data networking and telecommunications equipment sectors, primarily at Credit Suisse First Boston where he was most recently a Managing Director and served as the Global Coordinator of Technology Research for the firm.

Mr. Parmelee was elected to our Board as a result of the MAST Funds' exercise of their rights to appoint two members of our Board under the MAST Fund Agreements.

Executive Officers

Name	Age	Position
Peter A. Reed	40	Chief Executive Officer
Brent J. Pearson	39	Chief Financial Officer & Chief Accounting Officer
Adam M. Kleinman	45	President and Chief Operating Officer

Peter A. Reed. For biographical information for Mr. Reed, see the section above titled "***Information about the Directors.***"

Brent J. Pearson has been our Chief Financial Officer since September 2019, and previously served as our interim Chief Financial Officer from February 2019 to September 2019. Mr. Pearson has also served as our Chief Accounting Officer since October 2018. Prior to joining GEC, Mr. Pearson was a Senior Manager in the audit practice at Deloitte & Touche LLP where he held various positions of increasing responsibility from 2005-2018. Mr. Pearson received a Masters in Accounting and a Bachelor of Science from Boston College and is a Certified Public Accountant.

Adam M. Kleinman has been our President and Chief Operating Officer since March 21, 2018. Mr. Kleinman is GECC's Chief Compliance Officer and GECM's Chief Operating Officer, Chief Compliance Officer and General Counsel. Mr. Kleinman is also currently a member of the board of directors of GECM, GECC GP Corp., Great Elm FM Acquisition, Inc., Great Elm FM Holdings, Inc., DME Holdings and Avanti Communications Group PLC, a UK-based satellite provider. Mr. Kleinman was a Partner, Chief Operating Officer and General Counsel of MAST Capital from 2009 to September 2017. Prior to joining MAST Capital, Mr. Kleinman was an associate in the Banking and Leverage Finance group at Bingham McCutchen LLP, where he represented financial institutions, hedge funds and corporate borrowers in a broad range of commercial finance transactions, including syndicated debt financings, asset-based credit facilities and domestic and international debt workouts and restructurings. Mr. Kleinman graduated Phi Beta Kappa form Haverford College in 1997 with a BA in History and received his JD from the University of Virginia School of Law in 2004.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Directors, executive officers and greater than 10% shareholders are required by regulations of the SEC to furnish us with copies of all Section 16(a) reports that they file. Such reports are filed on Forms 3, 4 and 5 under the Exchange Act. Based solely on our review of the copies of such forms received by us, we believe that, during the fiscal year ended June 30, 2020, all such persons complied on a timely basis with the filing requirements of Section 16(a) with the exception of the following inadvertent late filings: one Form 4 filing on December 12, 2019 by each of Matthew A. Drapkin, Thomas S. Harbin, James P. Parmelee and Jeffrey S. Serota, each with respect to one award of restricted shares and one Form 4 filing on April 28, 2020 by each of James H. Hugar, Eric Scheyer, and jointly by Jason W. Reese, ICAM and Long Ball, each with respect to one award of restricted shares.

Code of Conduct

Our Code of Conduct applies to our directors and employees (including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer). Our Code of Conduct provides our written policies and procedures for the review of any activities by a director, executive officer or employee or members of their immediate families which create or appear to create an actual or potential conflict between the individual's interests and our interests. Our Audit Committee is responsible for interpreting our Code of Conduct, reviewing reports of alleged breaches of such Code of Conduct and granting waivers of or approving amendments of such Code of Conduct. Our Audit Committee is responsible for reviewing past or proposed transactions between us and related persons. We expect that any amendment to the code, or any waivers of its requirements, will be disclosed on our website. The identification of our website does not include or incorporate by reference the information on our website into this report.

Our Code of Conduct requires all of our employees, executive officers and directors to avoid any activity or personal interest that creates or appears to create a conflict of interest with us, and requires all of our personnel to disclose any such activity or interest to management. Our directors and executive officers are required to obtain the prior written approval of our Audit Committee, or its designated member, following the full disclosure of all facts and circumstances before making any investment, accepting any position or benefits, or participating in any transaction or business arrangement that creates or appears to create a conflict of interest. All of our other employees are required to make such disclosure to, and receive the prior written approval of, those individuals who are delegated such responsibility through policies and procedures adopted by us.

CORPORATE GOVERNANCE

Our business and affairs are managed and all corporate powers are exercised under the direction of our Board. Our Board establishes fundamental corporate policies and oversees our performance and our Chief Executive Officer and the other officers to whom our Board has delegated authority to manage day-to-day business operations.

Our Board has committees assist our Board in carrying out its responsibilities. Each operates under a written charter adopted by our Board.

Our standing committee charters, including our Audit, Compensation, and Nominating and Corporate Governance Committee charters, and Code of Conduct are posted on our website at www.greatelmcap.com. Paper copies may be obtained upon request by writing to: Corporate Secretary, Great Elm Capital Group, Inc., 800 South Street, Suite 230, Waltham, MA 02453.

Board of Directors

Functions

In addition to its general oversight role, our Board performs a number of specific functions, including:

- Hiring and firing our Chief Executive Officer and overseeing his or her performance and that of other senior management in the operation of the Corporation;
- Planning for management succession;
- Guiding corporate strategy;
- Reviewing and monitoring strategic, financial and operating plans and budgets and their development and implementation by management;
- Assessing and monitoring risks and risk-management strategies;
- Suggesting, reviewing and approving significant corporate actions;
- Reviewing and monitoring processes designed to maintain our integrity, including financial reporting, compliance with legal and regulatory obligations, and relationships with stockholders, employees, customers, suppliers and others; and

- Selecting director nominees, appointing board committee members, forming board committees and overseeing effective corporate governance.

Leadership Structure

Our Board retains the flexibility to determine on a case-by-case basis whether the positions of Chief Executive Officer and Chairman of the Board (or Co-Chairman of the Board) should be combined or separated and whether an independent director should serve as Chairman or Co-Chairman. This flexibility permits our Board to organize its functions and conduct its business in a manner it deems most effective in then prevailing circumstances. Our Board has determined that its leadership structure is appropriate in light of our current management framework.

Currently, we have two non-independent Co-Chairmen, whose roles include:

- To act as the principal liaison between the independent directors and the Chief Executive Officer;
- To review and approve all board and committee agendas and approve information sent to our Board, providing input to management on the scope and quality of such information;
- To consult with the Chief Executive Officer and committee chairs regarding the topics and schedules of the meetings of our Board and its committees and approve such schedules to assure that there is sufficient time for discussion of all agenda items;
- To call a special meeting of our Board or the independent directors at any time, at any place and for any purpose;
- To be available for consultation and direct communication with GEC's major stockholders;
- To consult with the Nominating and Corporate Governance Committee as part of the committee's review of director nominations and recommendations of director candidates;
- To consult with directors regarding acceptance of memberships on other boards to assure that multiple board service does not conflict or otherwise interfere with such directors' service to GEC;
- Led by the Compensation Committee and together with the Chief Executive Officer, to report annually to our Board on succession planning, including policies and principles for executive officer selection;
- To organize, convene and preside over executive sessions of the independent directors and promptly communicate approved messages and directives to the Chief Executive Officer; and
- To perform such other duties as may be assigned from time-to-time by the independent directors.

The position and role of Chairman (or Co-Chairman) is intended to provide board leadership. It is also intended to expand lines of communication between our Board and members of management. It is not intended to reduce the free and open access and communications that each independent board member has with other board members and members of management.

Messrs. Reese and Serota currently serve as Co-Chairmen of the Board.

Our Board believes that its independence and oversight of management is maintained effectively through this flexible leadership structure, our Board composition and sound corporate governance policies and practices.

Director Share Ownership Guidelines

Our Board has not established director share ownership guidelines. We prohibit shorting our stock by our directors and executive officers.

Board and Committee Meetings; Executive Sessions; Annual Stockholders' Meetings

At regularly scheduled board and committee meetings, directors review and discuss management reports regarding our performance, prospects and plans, as well as significant opportunities and immediate issues facing us. At least once a year, our Board also reviews management's long-term strategic and financial plans.

The Chief Executive Officer proposes the agenda and schedule for each board meeting to the Co-Chairmen of the Board, who then review and modify or approve it. Committee agendas and schedules are set by or in consultation with the committee chair and with the approval of the Co-Chairmen of the Board. Directors are encouraged to propose agenda items, and any director also may raise at any meeting subjects that are not on the agenda. Information and other materials important to understanding the business to be conducted at Board and its committee meetings, to the extent available, are distributed in writing to the directors in advance of the meeting. Additional information may be presented at the meeting. An executive session of independent members of the Board is held at each regular board meeting, and any director may call for an executive session at any Board meeting. The Co-Chairmen of the Board preside over executive sessions.

During the fiscal year ended June 30, 2020, our Board held 4 meetings and committees of our Board held 7 meetings. Directors, on an aggregate basis, attended 94% of the combined number of these meetings.

Evaluation of Board and Director Performance

The Nominating and Corporate Governance Committee annually reviews and evaluates the performance of our Board. The committee assesses our Board's contribution as a whole and identifies areas in which our Board or senior management believes a better contribution may be made. The purpose of the review is to increase the effectiveness of our Board, and the results are reviewed with our Board and its committees.

Our Board annually reviews the individual performance and qualifications of each director who may wish to be considered for nomination to an additional term. The evaluations are reviewed by the Nominating and Corporate Governance Committee, which makes recommendations to our Board regarding nominees for election as directors.

Risk Oversight

Our Board is responsible for the general oversight of risks that affect us. Our Board receives regular reports on our operations from our Chief Executive Officer, as well as other members of management. Our Board reviews these reports and makes inquiries in their business judgment.

Our Board also fulfills its oversight role through the operations of its various committees, including our Audit Committee. Our Board receives periodic reports on each committee's activities. Our Audit Committee has responsibility for risk oversight in connection with its review of our financial reports filed with the SEC. Our Audit Committee receives reports from our Chief Financial Officer and our independent auditors in connection with the review of our quarterly and annual financial statements regarding significant financial transactions, accounting and reporting matters, critical accounting estimates and management's exercise of judgment in accounting matters. When reporting on such matters, our independent auditors also provide their assessment of management's report and conclusions.

Succession Planning and Management Development

Our Compensation Committee oversees and regularly evaluates leadership succession planning practices and results. Our Compensation Committee reports annually to our Board on succession planning, including policies and principles for executive officer selection.

Board Access to Senior Management, Independent Accountants and Counsel

Directors have complete access to our independent registered public accounting firm, senior management and other employees. They also have complete access to counsel, advisors and experts of their choice with respect to any issues relating to our Board's discharge of its duties.

Retirement Policy

We have not established a board retirement policy.

Committees of our Board of Directors

Audit Committee

Our Audit Committee reviews our internal accounting procedures and considers and reports to our Board with respect to other auditing and accounting matters, including the selection of our independent auditors, the scope of annual audits, fees to be paid to our independent auditors and the performance of our independent auditors. Our Audit Committee relies on the expertise and knowledge of management and the independent auditors in carrying out its oversight responsibilities. On a routine basis, our Audit Committee meets separately with our independent auditors and invites select employees who work under the Chief Financial Officer to participate in its meetings. Our Audit Committee charter requires that each of the members of our Audit Committee is independent, as defined under SEC rules and Nasdaq listing standards, and that at least one member of our Audit Committee has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, including having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities. The responsibilities and activities of our Audit Committee are described in greater detail in our Audit Committee charter.

Our Board determined that each member of our Audit Committee met the independence and financial knowledge requirements under the Audit Committee charter, the SEC rules, and the Nasdaq listing standards. Our Board of Directors also determined that Mr. Hugar qualifies as an "audit committee financial expert" in accordance with SEC rules, based upon his experience and understanding with respect to accounting and auditing matters. Our Audit Committee held 4 meetings during the fiscal year ended June 30, 2020.

Compensation Committee

The Compensation Committee of our Board acts on behalf of our Board to review, adopt and oversee our compensation and employee benefit programs and practices, including, but not limited to:

- establishment of corporate goals and objectives relevant to the compensation of our named executive officers (as defined below) and our other executive officers and evaluation of performance in light of these stated objectives;
- evaluation of the performance of the named executive officers and determination and approval of, and, in the case of our Chief Executive Officer, recommendation to our Board for approval, the compensation and other terms of employment, including long-term incentive compensation, severance and change-in-control arrangements, of our named executive officers;
- appointment, retention, compensation, termination and oversight of the work of any independent experts, consultants and other advisers, review and approval of the fees and retention terms for such experts, consultants and other advisers and consideration at least annually of the independence of such consultants;
- review and administration of our general compensation plans and other employee benefit plans, including incentive-based compensation and equity compensation plans and other similar plans and programs; and
- review with management the Compensation Discussion and Analysis (or other applicable executive compensation disclosure), including the determination of whether to recommend that it be included in the proxy statement. In fulfilling its responsibilities, our Compensation Committee is entitled to delegate to a subcommittee for any purpose it deems appropriate, including delegation to a subcommittee of our Board consisting of one or more members of our Board the authority to make awards to non-executive officers under the equity-based plans, in accordance with guidelines and policies set by our Compensation Committee.

For executive officers other than our Chief Executive Officer, our Compensation Committee considers evaluations and recommendations submitted to our Compensation Committee by our Chief Executive Officer on which compensation determinations are then made. In the case of our Chief Executive Officer, the evaluation of his or her performance is conducted by our Compensation Committee, which determines whether, and if so in what manner, to recommend to the full Board any adjustments to his or her compensation as well as awards to be granted. Our Compensation Committee does not determine non-employee director compensation.

Our Board has determined that each of the members of our Compensation Committee is independent as defined by the Nasdaq rules. In addition, each member of our Compensation Committee is an “outside director” as defined in Section 162(m) of the Code and is a “non-employee” director as defined under Section 16 of the Exchange Act. The Compensation Committee met 2 times during the fiscal year ended June 30, 2020. Our Compensation Committee operates under a written charter adopted by our Board.

The charter of our Compensation Committee provides that any independent compensation consultant engaged by our Compensation Committee works for our Compensation Committee, not our management, with respect to executive and director compensation matters.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is responsible for identifying, reviewing and evaluating individuals to serve as our directors, advising our Board with respect to its composition, procedures and committees, evaluating incumbent directors, and assessing the performance of management. Our Nominating and Corporate Governance Committee also oversees the development of our corporate governance matters. The responsibilities and activities of our Nominating and Corporate Governance Committee are described in greater detail in the Nominating and Corporate Governance Committee charter.

Our Nominating and Corporate Governance Committee is committed to a diversified board, seeking members from various professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for the highest personal and professional integrity. However, our Nominating and Corporate Governance Committee does not have a policy with respect to diversity considerations in the selection of director nominees. Our Nominating and Corporate Governance Committee evaluates nominees to our Board, which evaluation applies to both new director candidates as well as incumbent directors, in the context of the current composition of our Board, the operating requirements of the Corporation and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers the criteria for director qualifications set by our Board, as well as diversity, age, skills, and such other factors as it deems appropriate to maintain a balance of knowledge, experience, effectiveness and capability. In the case of incumbent directors whose terms of office are set to expire, our Nominating and Corporate Governance Committee typically reviews such directors’ overall service during their term, including:

- the number of meetings attended;
- the level of participation;
- the quality of performance; and
- any other relationships and transactions that might impair such directors’ independence.

In the case of new director candidates, our Nominating and Corporate Governance Committee also determines whether the nominee must be independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. Our Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. Our Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of our Board. Our Nominating and Corporate Governance Committee arranges for as many members of the Nominating and Corporate Governance Committee as it determines advisable to interview each potential candidate it is considering recommending to our Board. Our Nominating and Corporate Governance Committee meets to discuss and consider such candidates’ qualifications and then selects a nominee for recommendation to our Board by majority vote.

Our Nominating and Corporate Governance Committee believes that a candidate for director should have certain minimum qualifications. Our Nominating and Corporate Governance Committee will generally consider such factors as:

- possessing relevant expertise upon which to be able to offer advice and guidance to management, including public company board experience and international business experience;
- the ability to read and understand basic financial statements;

- having sufficient time to devote to our affairs;
- a reputation for personal integrity and ethics;
- demonstrated excellence in his or her field;
- the ability to work effectively with the other members of our Board;
- having the ability to exercise sound business judgment; and
- the commitment to rigorously represent the long-term interests of the stockholders.

Notwithstanding the foregoing, our Nominating and Corporate Governance Committee reserves the right to modify these factors from time to time, taking into account the then current needs of our Board in an effort to maintain a balance of knowledge, experience and capability.

Our Nominating and Corporate Governance Committee considers and evaluates any candidate who is properly recommended by stockholders, identified by members of our Board or our executive officers, or, at the discretion of our Nominating and Corporate Governance Committee, an independent search firm.

Our Nominating and Corporate Governance Committee held 1 meeting during the fiscal year ended June 30, 2020.

Communications with the Board

Stockholders and other interested parties may contact any member (or all members) of our Board (including, without limitation, the non-management directors as a group), any committee of our Board or the Chair of any such committee by mail. All such correspondence may be sent addressed to our Board, any committee or any individual director, c/o Corporate Secretary, Great Elm Capital Group, Inc., 800 South Street, Suite 230, Waltham, MA 02453.

All stockholder communications will be opened and reviewed by the Corporate Secretary for the sole purpose of determining whether the contents represent a message to the directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to our Board or any group or committee of directors, the Corporate Secretary will make sufficient copies and send one copy to each director who is a member of the group or committee to which the envelope is addressed.

Insider Trading Policy — Hedging

Our insider trading policy provides that all directors, officers and employees of the Company and GECM and the executive officers and certain employees with access to financial information of Great Elm DME, Inc. (Covered Persons) and certain of their related persons may not engage in any hedging or monetization transactions, such as zero-cost collars and forward sale contracts, with respect to Company securities, including those granted to, or held directly or indirectly by, such Covered Persons. Further, such persons may not trade in options, warrants, puts and calls or similar instruments on Company securities or sell Company securities “short.”

Item 11. Executive Compensation.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(4)	Stock Awards ($)	Option Awards ($)(5)	Non-Equity Incentive Plan Compensation ($)(6)	All Other Compensation ($)(7)	Total ($)
Peter A. Reed(1)	2020	250,000		100,255	81,080		8,400	439,735
Chief Executive Officer	2019	250,000	100,000	-	-	-	8,250	358,250
Brent J. Pearson(2)	2020	250,000	75,000		46,786		7,362	379,148
Chief Financial Officer & Chief Accounting Officer	2019	145,018	35,417	-	129,028	-	5,413	314,876
Adam M. Kleinman(3)	2020	250,000		100,255	81,080		8,400	439,735
President & Chief Operating Officer	2019	250,000	100,000	-	-	-	8,250	358,250

(1) Mr. Reed became our Chief Executive Officer on September 18, 2017.

(2) Mr. Pearson has served as our Chief Accounting Officer since October 29, 2018, was appointed our Chief Financial Officer in September 2019 and previously served as Interim Chief Financial Officer from February 2019 until September 2019.

(3) Mr. Kleinman became our President and Chief Operating Officer on March 21, 2018. $51,987 of Mr. Kleinman's compensation in the fiscal year ended June 30, 2020 was reimbursed by GECC.

(4) Incentive amounts payable under the GECM Performance Bonus Plan for the performance period ended June 30, 2020 to Mr. Reed and Mr. Kleinman, if any, are discretionary, however they are not calculable at this time. Such incentive amounts are currently expected to be determined as of December 31, 2020.

(5) The amounts in this column reflect the aggregate grant date fair value of option awards calculated in accordance with FASB ASC Topic 718.

(6) Incentive amounts payable under the GECM Performance Bonus Plan for the performance period ended September 30, 2018 to Mr. Reed and Mr. Kleinman are not calculable at this time, as they still remain subject to collection of the underlying revenue by GECM. Such incentive amounts are currently expected to be determined as of June 30, 2021.

(7) The amounts listed for Peter A. Reed, Brent J. Pearson and Adam M. Kleinman (our **named executive officers**) reflect the amount of the Company's 401(k) match.

Employment Agreements/Arrangements with our Named Executive Officers

Peter A. Reed

On September 18, 2017, we entered into an employment agreement with Mr. Reed. Beginning September 1, 2017, his base compensation is set at $250,000 per year. Pursuant to his employment agreement and equity award agreements, Mr. Reed is entitled to $800,000 in severance, reimbursement of COBRA premiums for one year post-termination, and certain accelerated vesting of equity awards with an aggregate value of $573,888 as of June 30, 2020, if he is terminated without cause or quits with good reason.

Mr. Reed also owns 3,977 shares of GECC GP Corp. that are subject to repurchase at book value upon termination of his employment for cause.

Brent J. Pearson

On May 9, 2019, we entered into an amended and restated offer letter with Mr. Pearson, pursuant to which Mr. Pearson receives a base salary of $250,000 per year for his role as Chief Financial Officer (increased from his base salary of $225,000 per year while he served as interim Chief Financial Officer of the Company) and a target annual bonus of $75,000 (increased from his target bonus of $50,000 while he served as interim Chief Financial Officer of the Company). The offer letter provides for a severance payment equal to 100% of his annual base salary ($250,000).

Adam M. Kleinman

On March 21, 2018, we entered into an amended and restated offer letter with Mr. Kleinman, pursuant to which Mr. Kleinman receives a base salary of $250,000 per year for his role as our President and Chief Operating Officer. Pursuant to his offer letter and equity award agreements, Mr. Kleinman is entitled to a severance payment equal to $550,000, reimbursement of COBRA premiums for one year post-termination, and certain accelerated vesting of his equity awards with an aggregate value of $573,888 as of June 30, 2020, if he is terminated without cause or quits with good reason.

Mr. Kleinman owns 3,977 shares of GECC GP Corp. that are subject to repurchase at book value upon termination of his employment for cause.

Cash Bonuses

Mr. Reed and Mr. Kleinman participate in the GECM Performance Bonus Plan, originally effective as of September 18, 2017 and as amended through February 6, 2019, pursuant to which they are eligible to receive cash payments if GECM achieves certain performance metrics within the designated performance period. The GECM Performance Bonus Plan was amended and restated on February 6, 2019 to allow GECM's board of directors to set the cash performance goals for the 2019 fiscal year (and future fiscal years) based on EBITDA targets or other performance metrics.

Mr. Pearson does not participate in the GECM Performance Bonus Plan but participates in a discretionary bonus plan and received a $75,000 bonus for the fiscal year ended June 30, 2020. The main factors considered in approving this bonus for the fiscal year ended June 30, 2020 were overall Company performance and Mr. Pearson's individual performance.

Equity-Based Compensation

In the fiscal year ended June 30, 2020, each of our named executive officers was granted options to purchase our common stock as set forth in the table below. The options vest as follows: 20% on the first anniversary of the grant date and 2.0833% per month thereafter.

Name	Grant Date	Number of Options	Exercise Price
Peter Reed	August 6, 2019	57,143	$ 4.52
Brent Pearson	July 30, 2019	20,000	$ 4.16
Adam Kleinman	August 6, 2019	57,143	$ 4.52

In addition, each of Mr. Reed and Mr. Kleinman was granted 25,381 restricted share awards on August 6, 2019. These share awards vest as follows: 20% on the first anniversary of the grant date and 2.0833% per month thereafter.

Outstanding Equity Awards at 2020 Fiscal Year-End Table

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Peter A. Reed	461,165 (1)	-	3.60	9/18/2022	246,304 (10)	573,888
	117,150	95,850 (2)	3.60	9/18/2027		
	-	57,143 (3)	4.52	8/6/2024		
Brent J. Pearson	12,000	28,000 (4)	3.43	11/7/2028		
	4,000	16,000 (5)	4.12	5/14/2029		
	-	20,000 (6)	4.16	7/30/2029		
Adam M. Kleinman	194,175 (7)	-	3.60	9/18/2022	246,304 (11)	573,888
	117,150	95,850 (8)	3.60	9/18/2027		
	-	57,143 (9)	4.52	8/6/2024		

(1) Mr. Reed was granted 461,165 options on September 18, 2017. These options are fully vested and exercisable.

(2) Mr. Reed was granted 213,000 options on September 18, 2017. These options vest as follows: 20% on the first anniversary of the grant date and 1.6667% per month thereafter.

(3) Mr. Reed was granted 57,143 options on August 6, 2019. These options vest as follows: 20% on the first anniversary of the grant date and 2.0833% per month thereafter.

(4) Mr. Pearson was granted 40,000 options on November 7, 2018. These options vest as follows: 20% on the first anniversary of the grant date and 5% per quarter thereafter.

(5) Mr. Pearson was granted 20,000 options on May 14, 2019. These options vest as follows: 20% on the first anniversary of the grant date and 5% per quarter thereafter.

(6) Mr. Pearson was granted 20,000 options on July 30, 2019. These options vest as follows: 20% on the first anniversary of the grant date and 5% per quarter thereafter.

(7) Mr. Kleinman was granted 194,175 options on September 18, 2017. These options are fully vested and exercisable.

(8) Mr. Kleinman was granted 213,000 options on September 18, 2017. These options vest as follows: 20% on the first anniversary of the grant date and 1.6667% per month thereafter.

(9) Mr. Kleinman was granted 57,143 options on August 6, 2019. These options vest as follows: 20% on the first anniversary of the grant date and 2.0833% per month thereafter.

(10) Mr. Reed was granted 220,923 performance shares on November 3, 2016. These performance shares vest as follows: 20% on the first anniversary of grant date and 5% per quarter thereafter, subject to achievement of performance targets. Mr. Reed was also granted 25,381 restricted share awards on August 6, 2019. These share awards vest as follows: 20% on the first anniversary of the grant date and 2.0833% per month thereafter.

(11) Mr. Kleinman was granted 220,923 performance shares on November 3, 2016. These performance shares vest as follows: 20% on the first anniversary of grant date and 5% per quarter thereafter, subject to achievement of performance targets. Mr. Kleinman was also granted 25,381 restricted share awards on August 6, 2019. These share awards vest as follows: 20% on the first anniversary of the grant date and 2.0833% per month thereafter.

Compensation of Our Board

We reimburse our non-employee directors for all reasonable out-of-pocket expenses incurred in the performance of their duties as directors. Employee directors are not compensated for board services in addition to their regular employee compensation. For the fiscal year ended June 30, 2020, our non-employees director compensation program for payment of a retainer and committee fees was as follows:

- $65,000 in cash as an annual retainer.
- $20,000 in cash for service as Audit Committee chairperson.
- $10,000 in cash for service as Compensation Committee chairperson.
- $10,000 in cash for service as Nominating and Corporate Governance chairperson.
- $10,000 in cash for each committee on which a director does not serve as chairperson.
- Annual grant of restricted stock units having a value of $65,000 measured by a 30-day trailing average from the date of grant, subject to monthly vesting over one year from the grant date, pro-rated for partial periods of service during the fiscal year.
- Effective January 2018, we implemented a $110,000 additional annual cash retainer for service as the Chairman of the Board.

Additionally, beginning in with the fiscal quarter ended June 30, 2020, we allowed our non-employee directors to elect to receive their cash retainers in fully vested shares of common stock.

Director Compensation — Fiscal Year Ended June 30, 2020

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Matthew A. Drapkin	63,750	83,164 (6)	-	146,915
James P. Parmelee	85,000	61,915	-	146,915
Peter A. Reed	-	-	-	-
Jeffrey S. Serota	175,000	61,915	-	236,915
Mark A. Snell (2)	78,750	40,529	-	119,279
Hugh Steven Wilson (3)	50,000	40,529	-	90,529
Thomas S. Harbin III	66,250	80,664 (6)	-	146,915
James H. Hugar (4)	23,750	65,000	-	88,750
Jason Reese (5)	16,530	108,748 (6)	-	125,278
Eric Scheyer (5)	8,028	86,250 (6)	-	94,278

(1) Represents the aggregate grant date fair value of RSU awards as of the date of the award (as described above) calculated in accordance with FASB ASC Topic 718 and, in certain cases, fully vested shares of common stock as further described below.

(2) Mr. Snell resigned from the Board on March 31, 2020. As such, Mr. Snell's compensation has been pro-rated for the year.

(3) Mr. Wilson resigned from the Board on February 25, 2020. As such, Mr. Wilson's compensation has been pro-rated for the year.

(4) Mr. Hugar was appointed to the Board on March 31, 2020. As such, Mr. Hugar's compensation has been pro-rated for the year.

(5) Messrs. Reese and Scheyer were appointed to the Board on February 26, 2020. As such, Messrs. Reese and Scheyer's compensation has been pro-rated for the year.

(6) Represents RSU awards issued as part of the annual grant of restricted stock, as well as fully vested shares of common stock the director elected to receive in lieu of a portion of the applicable cash retainer.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

Plan Category (as of June 30, 2020)	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,474,979	$ 3.69	1,856,022
Equity compensation plans not approved by security holders	-	-	-

Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of September 1, 2020, certain information regarding the beneficial ownership of our common stock by:

- each of the directors and named executive officers for the fiscal year ended June 30, 2020;
- all of our current executive officers and directors as a group; and
- each person known by us to be beneficial owners of 5% or more of our outstanding common stock.

Except as indicated in the footnotes to this table and under applicable community property laws, to our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of common stock. For the purposes of calculating percent ownership, as of September 1, 2020, 25,560,160 shares of common stock were issued and outstanding, and, for any individual who beneficially owns shares represented by options exercisable within sixty days of September 1, 2020, these shares are treated as if outstanding for that person, but not for any other person.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Directors and Named Executive Officers		
Matthew A. Drapkin(2)(12)	4,238,199	15.5%
Thomas S. Harbin III(3)	89,376	*
James H. Hugar(4)	36,517	*
Adam M. Kleinman(5)	680,753	2.6%
James P. Parmelee(6)	74,221	*
Brent J. Pearson(7)	33,000	*
Peter A. Reed(8)	1,393,451	5.3%
Jason W. Reese(9)(15)	4,259,817	15.5%
Eric J. Scheyer(10)	236,090	*
Jeffrey S. Serota(11)	70,869	*
All current executive officers and directors as a group (10 persons)	11,112,293	36.6%
5% Stockholders		
Entities affiliated with Northern Right Capital Management, L.P., 9 Old Kings Hwy S., 4th Floor, Darien, CT 06820(12)	4,087,555	15.0%
Entities affiliated with MAST Capital Management, LLC, 31 St. James Avenue, 6th Floor, Boston, MA 02116(13)	2,064,584	8.1%
Entities affiliated with Cove Street Capital, LLC, 2101 El Segundo Boulevard, Suite 302, El Segundo, CA 90245(14)	1,774,788	6.9%
Long Ball Partners LLC, 10100 Santa Monica Blvd., Suite 2400 Los Angeles, California 90067(15)	4,204,524	15.3%
Entities affiliated with PC Elfun LLC, 630 Davis Street, Suite 201, Evanston, IL 60201(16)	2,563,767	9.1%

* Less than 1% of the outstanding shares of our common stock.

(1) This table is based upon information supplied by each officer and director, Schedules 13D and 13G, if any, filed with the SEC and additional information supplied to us in connection with the Convertible Notes. Unless otherwise indicated in the table, the address for each person named above is c/o Great Elm Capital Group, Inc., 800 South Street, Suite 230, Waltham, MA 02453.

(2) Includes 73,251 shares issuable upon the conversion of the Convertible Notes, 75,852 shares of vested restricted stock and 1,541 shares of unvested restricted stock directly held by Mr. Drapkin.

(3) Includes 63,454 shares of vested restricted stock and 1,541 shares of unvested restricted stock.

(4) Includes 18,306 shares of vested restricted stock and 18,211 shares of unvested restricted stock.

(5) Includes 342,191 vested stock options, 173,095 shares of vested restricted stock and 73,209 shares of unvested restricted stock.

(6) Includes 62,680 shares of vested restricted stock and 1,541 shares of unvested restricted stock.

(7) Includes 24,000 vested stock options.

(8) Includes 609,181 vested stock options, 173,095 shares of vested restricted stock and 73,209 shares of unvested restricted stock.

(9) Includes 40,584 shares of vested restricted stock and 14,709 shares of unvested restricted stock directly held by Mr. Reese.

(10) Includes 190,453 shares issuable upon conversion of the Convertible Notes, 30,928 shares of vested restricted stock and 14,709 shares of unvested restricted stock. Mr. Scheyer disclaims beneficial ownership of certain securities issuable upon conversion of the Convertible Notes, except to the extent of his pecuniary interest therein.

(11) Includes 69,328 shares of vested restricted stock and 1,541 shares of unvested restricted stock.

(12) Based on information furnished in a Schedule 13D/A filed with the SEC on March 2, 2020, jointly by Northern Right, Northern Right Capital (QP), L.P. (**Northern Right QP**), NRC Partners I, LP (**NRC**), BC Advisors, LLC (**BCA**) and Matthew A. Drapkin. Northern Right reported sole voting and dispositive power over 2,202,005 shares of our common stock, which includes 936,005 shares of our common stock issuable upon the conversion of the Convertible Notes to the separate managed accounts on behalf of investment advisory clients (**Managed Accounts**) and reported shared voting and dispositive power of 1,856,795 shares of our common stock currently held by Northern Right QP and NRC, which includes 720,003 shares of our common stock issuable upon conversion of the Convertible Notes to Northern Right and NRC. Northern Right QP reported sole voting and dispositive power over 1,424,793 shares of our common stock, which includes 288,001 shares of our common stock issuable upon the conversion of the Convertible Notes. NRC reported sole voting and dispositive power over 432,000 shares of our common stock, which includes 432,000 shares of our common stock issuable upon the conversion of the Convertible Notes. BCA and Mr. Drapkin reported shared voting and dispositive power over 4,058,800 shares of our common stock, which includes 1,656,008 shares of our common stock issuable upon conversion of the Convertible Notes. In addition to the information furnished in the aforementioned Schedule 13D/A filed with the SEC on March 2, 2020, on July 1, 2020, we issued additional Convertible Notes as interest payments on our Convertible Notes (**Additional Convertible Notes**). The 4,087,555 shares listed in the table above includes an additional 28,755 shares of our common stock issuable upon the conversion of the Additional Convertible Notes.

(13) Based solely on information furnished in a Schedule 13D/A filed with the SEC on May 20, 2019, jointly by MAST Capital and David J. Steinberg. MAST Capital reported beneficial ownership of 2,000,000 shares of our common stock (as to which it has shared voting and dispositive power). Mr. Steinberg reported beneficial ownership of 2,064,584 shares of our common stock, with shared voting and dispositive power over 2,000,000 of such shares and sole voting and dispositive power over 64,584 of such shares. On September 18, 2017, we entered into a warrant agreement with MAST Capital under which MAST Capital or its designees could acquire up to 420,000 shares of our common stock. On July 17, 2018, MAST Capital exercised its warrant in full. On July 23, 2018, such 420,000 shares were issued to Mast Admiral Master Fund LP.

(14) Based solely on information furnished in a Schedule 13G/A filed with the SEC on February 13, 2020, jointly by Cove Street Capital, LLC and Jeffrey Bronchick in which Cove Street Capital, LLC reported beneficial ownership of 1,739,398 shares (as to which it has shared voting and dispositive power). Mr. Bronchick reported beneficial ownership of 1,774,788 shares, which included 35,390 shares as to which he has sole voting and dispositive power and 1,739,398 shares as to which he has shared voting and dispositive power.

(15) Based on information furnished in a Schedule 13D/A filed with the SEC on March 3, 2020, jointly by Long Ball Partners, LLC (**Long Ball**), ICAM, the managing member and investment manager of Long Ball, and Jason Reese, the Chairman and Chief Executive Officer of ICAM and portfolio manager of Long Ball. Each of Long Ball, ICAM and Mr. Reese reported beneficial ownership of 4,163,098 shares of our common stock (as to which each claims sole voting and dispositive power), which includes 1,843,211 shares of our common stock issuable upon the conversion of the Convertible Notes. Based on information furnished in Form 4s filed with the SEC on May 26, 2020 and June 1, 2020, jointly by Long Ball, ICAM and Mr. Reese, the 4,204,524 shares of our common stock listed in the table above, includes an aggregate of 9,425 shares of our common stock purchased after the Schedule 13D/A filed with the SEC on March 3, 2020. In addition to the information furnished in the aforementioned Schedule 13D/A filed with the SEC on March 3, 2020, on July 1, 2020, we issued Additional Convertible Notes. The 4,204,524 shares of our common stock listed in the table above includes an additional 32,001 shares of our common stock issuable upon the conversion of the Additional Convertible Notes. The above also includes 2,329,312 shares held in a margin account.

(16) Based on information furnished in a Schedule 13G filed with the SEC on March 5, 2020, jointly by PC Elfun LLC, Pine Crest Capital LLC, Michael Hughes and Daniel J. Hopkins in which each reported beneficial ownership of 2,520,016 shares of our common stock (as to which each claims shared voting and dispositive power), which includes 2,520,016 shares of our common stock issuable upon the conversion of the Convertible Notes. In addition to the information furnished in the aforementioned Schedule 13G filed with the SEC on March 5, 2020, on July 1, 2020, we issued Additional Convertible Notes. The 2,563,767 shares of our common stock listed in the table above includes an additional 43,751 shares of our common stock issuable upon the conversion of the Additional Convertible Notes.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain Relationships and Related Transactions

SEC rules require us to disclose certain transactions involving more than $120,000 in which we are a participant and any of our directors, nominees as directors or executive officers, or any member of their immediate families, has or will have a direct or indirect material interest. The charter of our Audit Committee requires the committee to review and approve or ratify any such “related person transaction” that is required to be disclosed. Except as disclosed in this report, there were no transactions or proposed transactions requiring review during fiscal 2020.

On September 7, 2018, we, through our wholly-owned subsidiary DME Holdings, acquired an 80.1% equity interest in DME Inc., an entity formed to acquire and combine Valley Healthcare Holding, LLC and Northwest Medical, Inc. In connection with the acquisition, DME Holdings, Corbel Capital Partners SBIC, L.P., NWMI Manager LLC and Valley Healthcare Holdings, LLC entered into a transaction agreement. The Chairman of our Board, Jeffrey S. Serota, serves as Vice Chairman to Corbel Capital Partners, an affiliate of Corbel Capital Partners SBIC, L.P. Corbel Capital Partners SBIC, L.P. contributed partial funding of the $63.6 million transaction purchase price pursuant to a term loan in an aggregate principal amount of $25 million. As part of the consideration for the transaction, Corbel Capital Partners SBIC, L.P. received a 9.95% non-controlling interest in DME Inc. as well as $5.0 million of preferred stock in DME Holdings. During the year ended June 30, 2019, this preferred stock was redeemed at its face value. In addition, the transaction agreement provided for up to $1.0 million in contingent consideration payments to Corbel Capital Partners SBIC, L.P. During the year ended June 30, 2019, we paid $0.3 million in partial satisfaction of this obligation.

On June 12, 2019, we, through our majority-owned subsidiary, DME Inc., acquired certain assets and liabilities of Midwest Respiratory Care, Inc. In conjunction with the acquisition, Corbel Capital Partners SBIC, L.P. contributed partial funding of the $6.3 million transaction purchase price consisting of $0.3 million in equity and additional term loans in an aggregate principal amount of $3.5 million.

On February 26, 2020, we issued $30 million aggregate principal amount of the Convertible Notes. Funds managed by ICAM and Northern Right, significant stockholders of the Company, and Mr. Scheyer’s affiliated trusts, each purchased the Notes.

Director Independence

Our Board determines the independence of our directors by applying the independence principles and standards established by Nasdaq. These provide that a director is independent only if our Board affirmatively determines that the director has no direct or indirect material relationship with the Corporation that would interfere with the exercise of independent judgment in carrying out their responsibilities as a director. They also identify various relationships that preclude a determination of director independence. Material relationships may include commercial, industrial, consulting, legal, accounting, charitable, family and other business, professional and personal relationships.

Applying these standards, our Board annually reviews the independence of our directors and director nominees. In its most recent review, our Board considered, among other things, the absence of any employment relationships between the Corporation and its current directors and nominees (other than Peter A. Reed) and their immediate family members; the absence of any of the other specific relationships that would preclude a determination of independence under the Nasdaq independence rules; the absence of any affiliation of our directors and their immediate family members with our independent registered public accounting firm, compensation consultants, legal counsel, and investment bankers; and the absence of any transactions with directors and members of their families that would require disclosure in our proxy statement under SEC rules regarding related person transactions (other than as described herein).

Based upon this review, our Board has affirmatively determined that each of our non-employee directors, except for Messrs. Reese and Serota, is independent. The independent directors are:

Matthew A. Drapkin	James H. Hugar	Eric J. Scheyer
Thomas S. Harbin III	James P. Parmelee	

Item 14. Principal Accountant Fees and Services.

The following table presents aggregate fees billed to us for services rendered by Grant Thornton and Deloitte for the fiscal years ended June 30, 2020 and June 30, 2019, respectively.

(in thousands)	Year Ended June 30, 2020	2019
Audit Fees:		
Audit services, statutory audits, quarterly reviews and 1933 Act filings	$ 765	$ 1,650
Audit-Related Fees:		
Accounting Consultation	-	-
Tax Fees:		
Income tax compliance and consulting	-	-
All Other Fees: (including financial information systems design and implementation)	-	-
Total fees	$ 765	$ 1,650

Audit Committee Pre-Approval Policies and Procedures. Among its other duties, our Audit Committee is responsible for appointing, setting compensation for and overseeing the work of the independent auditor. Our Audit Committee has established a policy regarding pre-approval of all audit and non-audit services provided by the independent auditor. On an ongoing basis, management communicates specific projects and categories of service for which the advance approval of our Audit Committee is requested. Our Audit Committee reviews these requests and advises management if the committee approves the engagement of the independent auditor. On a periodic basis, management reports to our Audit Committee regarding the actual spending for such projects and services compared to the approved amounts. All services performed by Grant Thornton and Deloitte for fiscal years 2020 and 2019, respectively, were approved in accordance with our Audit Committee's pre-approval guidelines.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Financial Statements

The information required by this Item appears beginning on page F-1 of this Annual Report on Form 10-K and is incorporated in this Item 15 by reference.

Financial Statement Schedules

Schedules, except for Schedule III on page S-1, are omitted because they are not required or are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Exhibits

The exhibit index attached hereto is incorporated by reference. We will furnish any exhibit upon request made to our Corporate Secretary, 800 South Street, Suite 230, Waltham, MA 02453. We charge $0.50 per page to cover expenses of copying and mailing.

Item 16. Form 10-K Summary.

We have elected not to provide a Form 10-K summary.

EXHIBIT INDEX

Unless otherwise indicated, all references are to filings by Great Elm Capital Group, Inc. (the **Registrant**) with the Securities and Exchange Commission under File No. 001-16073

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of June 23, 2016 by and between Great Elm Capital Corp. and Full Circle Capital Corporation (incorporated by reference to the Pre-Commencement Solicitation fled on June 27, 2016 by Great Elm Capital Corp. (File No. 814-01211))
2.2	Asset Purchase Agreement, dated as of November 3, 2016, by and between GECC GP Corp. and MAST Capital Management LLC (incorporated by reference to Exhibit 10.4 to the Form 8-K filed on November 9, 2016)
2.3	Contract of Purchase and Sale, dated as of March 6, 2018, by and between IT Fort Myers Holdings LLC and Great Elm FM Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Form 8-K filed on March 6, 2018)
2.4	Transaction Agreement, dated as of September 7, 2018, by and among Corbel Capital Partners SBIC, L.P., NWMI Manager LLC, Valley Healthcare Holding, LLC and Great Elm DME Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Form 8-K filed on September 11, 2018)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on November 15, 2013)
3.2	Certificate of Ownership and Merger merging Unwired Planet, Inc. with and into Openwave Systems Inc. (incorporated by reference to Exhibit 3.3 to the Form 10-Q filed on May 10, 2012)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on January 5, 2016)
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on January 11, 2016)
3.5	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on June 16, 2016)
3.6	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on October 17, 2017)
3.7	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Form 8-K filed on November 15, 2013)
4.1	Amended and Restated Form of the Registrant's common stock certificate (incorporated by reference to Exhibit 4.1 to the Form 10-Q filed on May 15, 2018)
4.2	Amended and Restated Certificate of Designations of Series A Junior Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 3.1 to the Form 8-A filed on January 29, 2018)
4.3	Stockholders' Rights Agreement, dated as of January 28, 2018, between the Registrant and Computershare Trust Company, N.A., as Rights Agent (incorporated by reference to Exhibit 4.1 to the Form 8-A filed on January 29, 2018)
4.4	Form of 5.0% Convertible Senior PIK Notes due 2030 (incorporated by reference to Exhibit 4.1 of the Form 8-K filed on March 2, 2020)
4.5	Registration Rights Agreement, dated as of February 26, 2020, by and between the Registrant and certain accredited investors party thereto (incorporated by reference to Exhibit 4.2 of the Form 8-K filed on March 2, 2020)
4.6	Description of Securities
10.1	Investment Management Agreement, dated as of September 27, 2016, by and between Great Elm Capital Corp. and Great Elm Capital Management, Inc. (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on November 7, 2016 by Great Elm Capital Corp. (File No. 814-01211))

Exhibit No.	Description
10.2	Administration Agreement, dated as of September 27, 2016, by and between Great Elm Capital Corp. and Great Elm Capital Management, Inc. (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on November 7, 2016 by Great Elm Capital Corp. (File No. 814-01211))
10.3	Profit Sharing Agreement, dated as of November 3, 2016, by and between Great Elm Capital Management, Inc. and GECC GP Corp. (incorporated by reference to Exhibit 10.6 to the Form 8-K filed on November 9, 2016)
10.4	Senior Secured Note, dated November 3, 2016, by GECC GP Corp. in favor of MAST Capital Management LLC (incorporated by reference to Exhibit 10.7 to the Form 8-K filed on November 9, 2016)
10.5	Form of Performance Stock Award (incorporated by reference to Exhibit 10.8 to the Form 8-K filed on November 9, 2016) (1)
10.6	Form of Indemnity Agreement for Officers and Directors (incorporated by reference to Exhibit 10.16 to Form 10-K filed on September 28, 2001) (1)
10.7	Form of US Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed on May 12, 2004) (1)
10.8	Second Amended and Restated 2006 Stock Incentive Plan, amended and restated effective November 12, 2013 (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed on February 7, 2014) (1)
10.9	Form of 2006 Stock Incentive Plan Restricted Stock Unit Grant Notice (incorporated by reference to Exhibit 10.9 to the Form 10-Q filed on February 8, 2012) (1)
10.10	Second Amended and Restated 1999 Directors' Equity Compensation Plan, amended and restated effective September 13, 2013 and November 12, 2013 (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed on February 7, 2014) (1)
10.11	Form of Notice of Stock Option Grant and Form of Stock Option Agreement under the Registrant's Amended and Restated 1999 Directors' Equity Compensation Plan (incorporated by reference to Exhibit 99.2 to the Form S-8 filed on December 4, 2009 (File No. 333-163480) (1)
10.12	Form of Notice of Restricted Stock Bonus Grant and Form of Restricted Stock Bonus Agreement under the Registrant's Amended and Restated 1999 Directors' Equity Compensation Plan (incorporated by reference to Exhibit 99.3 to the Form S-8 filed on December 4, 2009 (File No. 333-163480)) (1)
10.13	Amended and Restated 2016 Long-Term Incentive Compensation Plan (incorporated by reference to Annex A to the Proxy Statement filed on September 20, 2018) (1)
10.14	2016 Employee Stock Purchase Plan (incorporated by reference to Annex E to the Proxy Statement filed on May 25, 2016) (1)
10.15	Registration Rights Agreement, dated as of September 13, 2016, by and among the Registrant and the holders named therein (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on September 14, 2016)
10.16	Offer Letter, dated September 18, 2017, from the Registrant to Peter A. Reed (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on September 20, 2017) (1)
10.17	Form of Amended and Restated Notice of Performance Stock Award (incorporated by reference to Exhibit 10.5 to the Form 8-K filed on September 20, 2017) (1)
10.18	Amended and Restated Great Elm Capital Management Performance Bonus Plan, dated February 6, 2019, (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on February 8, 2019) (1)
10.19	Amended and Restated Senior Secured Note, dated September 18, 2017, by and between GECC GP Corp. and MAST Capital Management, LLC (incorporated by reference to Exhibit 10.7 to the Form 8-K filed on September 20, 2017)

Exhibit No.	Description
10.20	Share Registration Agreement, dated September 18, 2017, by and between the Registrant and MAST Capital Management, LLC (incorporated by reference to Exhibit 10.9 to the Form 8-K filed on September 20, 2017)
10.21	Share Registration Agreement, dated September 18, 2017, by and between the Registrant and Northern Right Capital Management, L.P. (incorporated by reference to Exhibit 10.11 to the Form 8-K filed on September 20, 2017)
10.22	Letter Agreement, dated September 18, 2017, by and between Great Elm Capital Management, Inc. and GECC GP Corp. (incorporated by reference to Exhibit 10.12 to the Form 8-K filed on September 20, 2017)
10.23	Offer Letter, dated March 31, 2018, by and between the Registrant and Adam M. Kleinman (incorporated by reference to Exhibit 10.41 to the Form 10-K filed on September 13, 2018) (1)
10.24	Offer Letter, dated May 9, 2019, by and between the Registrant and Brent J. Pearson (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed on May 10, 2019) (1)
10.25	Securities Purchase Agreement, date as of February 26, 2020, by and between the Registrant and certain accredited investors party thereto (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 2, 2020)
16.1	Letter from Deloitte & Touche LLP, dated November 18, 2019 (incorporated by reference to Exhibit 16.1 to the Form 8-K filed on November 18, 2019)
21.1	Subsidiaries of the Registrant.
23.1	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
23.3	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certifications of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Audited financial statements of Great Elm Capital Corp. (incorporated by reference to the registration statement on Form N-2 filed on August 27, 2020 by Great Elm Capital Corp. (File No. 333-239839))
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized as of September 17, 2020.

GREAT ELM CAPITAL GROUP, INC.

By:	/s/ Peter A. Reed
Name:	Peter A. Reed
Title:	Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of September 17, 2020.

Signature	Title
/s/ Peter A. Reed Peter A. Reed	Chief Executive Officer and Director *(Principal Executive Officer)*
/s/ Brent J. Pearson Brent J. Pearson	Chief Financial Officer & Chief Accounting Officer *(Principal Financial and Accounting Officer)*
/s/ Matthew A. Drapkin Matthew A. Drapkin	Director
/s/ Thomas S. Harbin III Thomas S. Harbin III	Director
/s/ James H. Hugar James H. Hugar	Director
/s/ James P. Parmelee James P. Parmelee	Director
/s/ Jason W. Reese Jason W. Reese	Director
/s/ Eric J. Scheyer Eric J. Scheyer	Director
/s/ Jeffrey S. Serota Jeffrey S. Serota	Director

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at June 30, 2020 and 2019	F-4
Consolidated Statements of Operations for the years ended June 30, 2020 and 2019	F-5
Consolidated Statements of Stockholders' Equity and Contingently Redeemable Non-Controlling Interest for the years ended June 30, 2020 and 2019	F-6
Consolidated Statements of Cash Flows years for the years ended June 30, 2020 and 2019	F-7
Notes to the Consolidated Financial Statements	F-9
Schedule III Real Estate and Accumulated Depreciation	S-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Great Elm Capital Group, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Great Elm Capital Group, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of June 30, 2020, the related consolidated statements of operations, stockholders' equity and contingently redeemable non-controlling interest, and cash flows for the year ended June 30, 2020, and the related notes and financial statement schedule included under Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020, and the results of its operations and its cash flows for the year ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Grant Thornton LLP

We have served as the Company's auditor since 2020.

Boston, Massachusetts
September 17, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Great Elm Capital Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Great Elm Capital Group, Inc. and subsidiaries (the "Company") as of June 30, 2019, and the related consolidated statements of operations, stockholders' equity and contingently redeemable non-controlling interest, and cash flows for the year ended June 30, 2019, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019, and the results of its operations and its cash flows for the year ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
September 27, 2019

We began serving as the Company's auditor in 2017. In fiscal year 2020 we became the predecessor auditor.

GREAT ELM CAPITAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
Dollar amounts in thousands, except per share amounts

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	$ 40,519	$ 12,122
Restricted cash	846	708
Accounts receivable	7,991	8,832
Related party receivables	1,059	1,421
Investments, at fair value (cost $30,279 and $30,000, respectively)	8,705	17,110
Inventories	1,470	1,336
Prepaid and other current assets	738	871
Total current assets	61,328	42,400
Real estate assets, net	53,188	54,411
Property and equipment, net	1,410	1,367
Equipment held for rental, net	7,483	9,140
Identifiable intangible assets, net	15,129	17,576
Goodwill	50,010	50,397
Right of use assets	5,392	6,239
Other assets	1,505	1,196
Total assets	$ 195,445	$ 182,726
LIABILITIES, NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,007	$ 5,158
Accrued expenses and other liabilities	3,565	3,072
Deferred revenue	5,652	879
Related party payables	-	1,940
Current portion of lease liabilities	1,617	1,423
Current portion of long term debt	6,221	2,159
Current portion of related party notes payable	1,418	2,066
Current portion of equipment financing debt	2,034	1,371
Total current liabilities	25,514	18,068
Lease liabilities, net of current portion	4,060	5,110
Long term debt, net of current portion	52,781	61,635
Related party notes payable, net of current portion	26,485	28,302
Convertible Notes (face value $30,521, including $13,277 held by related parties)	17,444	-
Equipment financing debt, net of current portion	196	104
Other liabilities	395	513
Total liabilities	126,875	113,732
Commitments and Contingencies (Note 18)		
Contingently redeemable non-controlling interest	3,890	3,912
Stockholders' equity		
Preferred stock, $0.001 par value; 5,000 authorized and zero outstanding	-	-
Common stock, $0.001 par value; 350,000,000 shares authorized and 26,217,380 shares issued and 25,529,534 outstanding at June 30, 2020; and 26,086,086 shares issued and 25,352,989 outstanding at June 30, 2019	26	25
Additional paid-in-capital	3,318,117	3,305,415
Accumulated deficit	(3,257,349)	(3,244,374)
Total Great Elm Capital Group, Inc. stockholders' equity	60,794	61,066
Non-controlling interests	3,886	4,016
Total stockholders' equity	64,680	65,082
Total liabilities, non-controlling interest and stockholders' equity	$ 195,445	$ 182,726

The accompanying notes are an integral part of these consolidated financial statements.

GREAT ELM CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Dollar amounts in thousands, except per share data

	For the years ended June 30,	
	2020	2019
Revenues:		
Durable medical equipment sales and services revenue	$ 34,213	$ 27,298
Durable medical equipment rental income	21,449	14,582
Investment management revenues	3,332	3,841
Real estate rental income	5,104	5,459
Total revenues	64,098	51,180
Operating costs and expenses:		
Cost of durable medical equipment sold and services	15,055	11,463
Cost of durable medical equipment rentals (includes depreciation expense of $8,267 and $5,550, respectively)	9,105	5,798
Durable medical equipment other operating expenses (net of CARES Act stimulus of $5,069 and $0, respectively)	25,921	20,127
Investment management expenses	2,104	4,025
Real estate expenses	544	884
Depreciation and amortization	4,237	3,683
Selling, general and administrative	6,465	9,504
Total operating costs and expenses	63,431	55,484
Operating income (loss)	667	(4,304)
Dividends and interest income	2,124	2,565
Unrealized loss on investment in GECC	(8,684)	(1,062)
Interest expense	(7,195)	(6,250)
Other income, net	5	1
Loss from continuing operations, before income taxes	(13,083)	(9,050)
Income tax (expense)/ benefit	(44)	2,182
Loss from continuing operations	(13,127)	(6,868)
Discontinued operations:		
Income from discontinued operations, net of tax	-	3,736
Net loss	$ (13,127)	$ (3,132)
Less: net loss attributable to non-controlling interest	(152)	(224)
Net loss attributable to Great Elm Capital Group	$ (12,975)	$ (2,908)
Basic income (loss) per share		
Continuing operations	$ (0.51)	$ (0.26)
Discontinued operations	-	0.15
Net income (loss)	$ (0.51)	$ (0.11)
Diluted income (loss) per share from:		
Continuing operations	$ (0.51)	$ (0.26)
Discontinued operations	-	0.15
Net income (loss)	$ (0.51)	$ (0.11)
Weighted average shares outstanding		
Basic	25,418	25,210
Diluted	25,418	25,210

The accompanying notes are an integral part of these consolidated financial statements.

GREAT ELM CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND CONTINGENTLY REDEEMABLE NON-CONTROLLING INTEREST

Dollar and share amounts in thousands	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Great Elm Capital Group Inc. Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity	Contingently Redeemable Non-controlling Interest
BALANCE, June 30, 2018	24,719	$ 25	$ 3,302,886	$ (3,238,547)	$ 64,364	$ 222	$ 64,586	$ -
Net loss	-	-	-	(2,908)	(2,908)	(171)	(3,079)	(53)
Adoption of accounting standard (Note 2)	-	-	-	(2,919)	(2,919)	-	(2,919)	-
Acquisition of Great Elm DME, Inc.	-	-	-	-	-	3,632	3,632	3,632
Acquisition of Midwest Respiratory Care, Inc.	-	-	-	-	-	333	333	333
Issuance of common stock related to warrants exercise	420	0	1,409	-	1,409	-	1,409	-
Issuance of common stock related to vesting of restricted stock	171	0	0	-	0	-	0	-
Issuance of common stock related to stock options exercise	44	0	142	-	142		142	
Stock-based compensation	-	-	978	-	978	-	978	-
BALANCE, June 30, 2019	25,353	25	3,305,415	(3,244,374)	61,066	4,016	65,082	3,912
Net loss	-	-	-	(12,975)	(12,975)	(130)	(13,105)	(22)
Issuance of common stock related to restricted stock	177	1	-	-	1	-	1	-
Issuance of convertible notes	-	-	12,154	-	12,154	-	12,154	-
Stock-based compensation	-	-	548	-	548	-	548	-
BALANCE, June 30, 2020	25,530	$ 26	$ 3,318,117	$ (3,257,349)	$ 60,794	$ 3,886	$ 64,680	$ 3,890

The accompanying notes are an integral part of these consolidated financial statements.

GREAT ELM CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollar amounts in thousands

	For the years ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	$ (13,127)	$ (3,132)
Net income from discontinued operations	-	(3,736)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,504	9,233
Stock-based compensation	548	978
Unrealized loss on investments	8,684	1,062
Stock dividends received from GECC	(279)	-
Non-cash interest and amortization of debt issuance costs	1,718	877
Deferred tax benefit related to continuing operations	36	(2,266)
Other non-cash expense, net	1,453	1,170
Gain on sale of equipment held for rental	(932)	(399)
Change in fair value of contingent consideration	(1,135)	469
Changes in operating assets and liabilities:		
Related party receivable	362	(83)
Accounts receivable	841	(2,811)
Inventories	(134)	62
Prepaid assets, deposits, and other assets	(681)	(225)
Operating leases	(1,462)	(1,075)
Related party payable	(805)	804
Deferred revenues	4,773	879
Accounts payable, accrued liabilities and other liabilities	1,027	(529)
Net cash provided by operating activities - continuing operations	13,391	1,278
Net cash provided by operating activities - discontinued operations	-	1,413
Net cash provided by operating activities	13,391	2,691
Cash flows from investing activities:		
Proceeds from settlement with seller	355	-
Acquisition of business, net of cash acquired	-	(48,124)
Purchases of equipment held for rental	(8,110)	(6,848)
Proceeds from sale of equipment held for rental	1,800	878
Purchases of property and equipment	(737)	(809)
Proceeds from sale of property and equipment	60	-
Net cash used in investing activities - continuing operations	(6,632)	(54,903)
Net cash used in investing activities - discontinued operations	-	-
Net cash used in investing activities	(6,632)	(54,903)

GREAT ELM CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*
Dollar amounts in thousands

	For the years ended June 30,	
	2020	2019
Cash flows from financing activities:		
Proceeds on revolving line of credit	2,550	6,625
Principal payments on revolving line of credit	(6,050)	-
Principal payments on long term debt	(2,159)	(2,069)
Principal payments on note payable to seller	(2,552)	-
Principal payments on related party notes payable	-	(768)
Proceeds from related party notes payable	-	19,855
Principal payments on equipment financing	(2,857)	(167)
Proceeds from equipment financing	3,612	1,643
Proceeds from convertible notes	30,000	-
Debt financing costs	(768)	(488)
Redemption of preferred stock of subsidiary	-	(5,052)
Contingent consideration payment	-	(295)
Proceeds from issuance of common stock, gross	-	1,551
Proceeds from funding by non-controlling interest	-	667
Net cash provided by financing activities - continuing operations	21,776	21,502
Net cash provided by financing activities - discontinued operations	-	-
Net cash provided by financing activities	21,776	21,502
Net increase (decrease) in cash, cash equivalents and restricted cash	28,535	(30,710)
Cash, cash equivalents and restricted cash at beginning of year	12,830	43,540
Cash, cash equivalents and restricted cash at end of year	$ 41,365	$ 12,830
Cash paid for interest	$ 3,540	$ 4,537
Non-cash investing and financing activities		
Deferred financing costs incurred but not yet paid	$ 397	$ -
Assumption of borrowings in connection with acquisition	-	9,275
Issuance of non-controlling interests in subsidiary in connection with acquisition	-	7,264
Preferred stock issued to seller in acquisition	-	5,266
Preferred stock cancelled and forfeited	-	215
Contingent consideration issued in connection with acquisition	-	961
Lease liabilities and right of use assets arising from operating leases	607	1,445

The following table reconciles the amounts shown for cash and cash equivalents and restricted cash in the consolidated balance sheets to the amounts shown for cash, cash equivalents and restricted cash in the consolidated statements of cash flows.

	June 30, 2020	June 30, 2019
Cash and cash equivalents	40,519	12,122
Restricted cash	846	708
Cash, cash equivalents and restricted cash	41,365	12,830

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

Great Elm Capital Group, Inc. (referred to as the **Company**) is a holding company incorporated in Delaware. The Company currently has three business operating segments: durable medical equipment, investment management and real estate, with general corporate representing unallocated costs and activity to arrive at consolidated operations. The Company is pursuing business development opportunities in durable medical equipment, investment management, real estate and other industries.

On September 27, 2016, the Company's wholly-owned SEC-registered investment advisor subsidiary Great Elm Capital Management, Inc., a Delaware corporation (**GECM**), entered into an investment management agreement (the **IMA**) with Great Elm Capital Corp., a publicly-traded business development company incorporated in Maryland (**GECC**).

On November 3, 2016, Full Circle Capital Corporation merged with and into GECC (the **Merger**), and GECM hired the employees of MAST Capital Management, LLC, a Delaware limited liability company (**MAST Capital**), to manage the assets of GECC. Certain funds managed by MAST Capital own approximately 7.8% of the Company's common stock. Through the Company's 80.1% owned subsidiary, GECC GP Corp. (**GP Corp.**), the Company acquired assets and assumed related liabilities associated with the on-going operations of GECM. Approximately 5% of the 19.9% non-controlling interest of GP Corp. is owned by MAST Capital, and its affiliates and officers.

On September 7, 2018, the Company, through its majority-owned subsidiary, Great Elm DME Holdings, Inc. (**DME Holdings**), acquired an 80.1% equity interest in Great Elm DME, Inc. (**DME Inc.**) an entity formed to acquire and combine two companies Valley Healthcare Holding, LLC (**Valley**) and Northwest Medical, LLC. (**Northwest**), which both specialize in the distribution of respiratory care equipment, including primarily positive air pressure equipment and supplies, ventilators and oxygen equipment and operate in Arizona, Nebraska Oregon, Washington and Alaska. On June 12, 2019, the Company expanded its durable medical equipment business through the acquisition of certain assets and liabilities of Midwest Respiratory Care, Inc. (**Midwest**).

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Wholly-owned subsidiaries include Great Elm Capital Management, Inc. (**GECM**), Great Elm Opportunities GP, Inc., Great Elm FM Acquisition, Inc., DME Holdings and Great Elm DME Manager, LLC. Majority-owned subsidiaries include GP Corp., Great Elm FM Holdings, Inc., CRIC IT Fort Myers, LLC and DME Inc. and its seven wholly-owned subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America (**US GAAP**) requires the Company to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates all of these estimates and assumptions. The most important of these estimates and assumptions relate to revenue recognition, recognition of rental income, the valuation of excess and obsolete inventories, depreciable lives of equipment, impairment of long lived tangible and intangible assets, valuation allowance for deferred tax assets, fair value measurements including stock-based compensation and contingent consideration, estimates associated with the application of acquisition accounting, and the value of lease liabilities and corresponding right to use assets. Although these and other estimates and assumptions are based on the best available information, actual results could be different from these estimates.

Deferred revenue of $879 was previously reported within accrued expenses and other liabilities on the consolidated balance sheets on the Form 10-K for the year ended June 30, 2019. This has been reclassified to deferred revenue in the consolidated balance sheets to conform to current period presentation.

Principles of Consolidation

The Company consolidates the assets, liabilities, and operating results of its wholly-owned subsidiaries, majority-owned subsidiaries, and subsidiaries in which we hold a controlling financial interest as of the financial statement date. In most cases, a controlling financial interest often reflects ownership of a majority of the voting interests. We consolidate a variable interest entity (**VIE**) when we possess both the power to direct the activities of the VIE that most significantly impacts its economic performance and we are either obligated to absorb the losses that could potentially be significant to the VIE or we hold the right to receive benefits from the VIE that could potentially be significant to the VIE.

All intercompany accounts and transactions have been eliminated in consolidation.

Non-controlling interests in the Company's subsidiaries are reported as a component of equity, separate from the parent company's equity or outside of permanent equity for non-controlling interests that are contingently redeemable. See Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary. Results of operations attributable to the non-controlling interests are included in the Company's consolidated statements of operations and consolidated statements of comprehensive income (loss).

Segments

The Company has three business operating segments: durable medical equipment, investment management and real estate, with general corporate representing unallocated costs and activity to arrive at consolidated operations. The Company regularly reviews each segment for purposes of allocating resources and assessing performance.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with original maturities of 90 days or less at the date of purchase. Cash equivalents consist primarily of exchange-traded money market funds. The Company is exposed to credit risk in the event of default by the financial institutions or the issuers of these investments to the extent the amounts on deposit or invested are in excess of amounts that are insured.

The Company's restricted cash consists of rental income received in advance and a portion of prior period rental income that is reserved for capital and certain operating expenses in connection with the Company's real estate assets.

Accounts Receivable

Substantially all of the accounts receivable balance relates to the durable medical equipment business. Accounts receivable are customer obligations due under normal sales and rental terms and represent the amount estimated to be collected from the patient customers and, if applicable, the third-party private insurance provider or government program (collectively, **Payors**), based on the contractual agreements. The Company does not require collateral in connection with its customer transactions and aside from verifying insurance coverage, does not perform credit checks on patient customers. Revenue and accounts receivable have been constrained to the extent that billed amounts exceed the amounts estimated to be collected. The constrained transaction price relates primarily to expected billing adjustments with the Payors and patient customers. Management's evaluation of variable consideration takes into account such factors as past experience, information about specific receivables, Payors and patient customers. The revenue reserves related to constraints on variable consideration were $4.8 million and $3.4 million as of June 30, 2020 and 2019, respectively. The Company recognized a reduction to revenue of $4.7 million and $1.7 million related to such constraints during the years ended June 30, 2020 and 2019. See Note 3 – Revenue.

The assessment of variable consideration to be constrained is based on estimates, and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in earnings in the periods in which they become known. There were no material adjustments to revenues made in the year ended June 30, 2020 relating to prior periods. Changes in variable consideration are recorded as a component of net revenues.

The Company generally does not allow returns from providers for reasons not covered under the manufacturer's standard warranty. Therefore, there is no provision for sales return reserves. The Company does not have significant bad debt experience with Payors, and therefore the allowance for doubtful accounts is immaterial.

As of June 30, 2020 the Company had unbilled receivables of approximately $0.5 million that relate to transactions where the Company has the ultimate right to invoice a Payor under the terms of the arrangement, but are not currently billed and are therefore contract assets. Such contract assets are included in accounts receivable in the consolidated balance sheets.

Investments and Restricted Investments

Investments and restricted investments consist of shares in Great Elm Capital Corp. (**GECC**), which is carried at fair value. Restricted investments would represent a portion of the Company's investment in GECC, which has been contributed as part of a required capitalization for an outstanding obligation. As of June 30, 2020, there were no outstanding obligations which would require the restriction of any investment. See Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under US GAAP. See Note 8 – Fair Value Measurements.

Property, Equipment, Real Estate Assets and Rental Equipment

The Company records property and equipment acquired at cost. The costs of property acquired from asset acquisitions or business combinations is recorded at fair value at the date of acquisition based on its estimated replacement costs.

Within the durable medical equipment businesses, the Company capitalizes the cost of equipment predominantly leased out to patient customers within equipment held for rental, net. These purchases are classified as cash outflows from investing activities when they are paid. The Company capitalizes the cost of equipment predominantly sold to patient customers within inventories. These purchases are classified as cash outflows from operating activities when they are paid. A portion of equipment recorded within equipment held for rental, net, could ultimately be sold. A portion of equipment recorded within inventories could ultimately be leased. Management is not able to accurately project the ultimate use of equipment, which in many cases is determined by Payor reimbursement terms, and has therefore adopted the above stated policy.

Management has estimated the useful lives of equipment leased to customers where title ultimately transfers to customers (e.g., capped rentals, typically 13 months with title transfer) based upon an analysis of ultimate disposition of rental equipment, some of which is returned to the Company and either re-leased or sold.

The Company recognizes depreciation in amounts sufficient to match the cost of depreciable assets to operations over their estimated service lives, which considers the term of lease for any leased assets. The Company capitalizes expenditures for improvements that significantly extend the useful life of an asset. The Company charges expenditures for maintenance and repairs to operations in the periods incurred. When assets are sold, the asset and accumulated depreciation are eliminated, and a gain or loss is recognized in operating income.

Depreciation is recognized using the straight-line method over their estimated useful lives as follows:

Description	Life in Years
Real Estate Assets	
Buildings	55
Site improvements	16
Tenant improvements	12
Property and Equipment	
Leasehold improvements	lesser of 7 years or life of the lease
Vehicles	5
Sleep study equipment	5
Furniture and fixtures	1 to 5
Computer equipment and software	3
Rental Equipment	
Medical equipment for lease	1 to 5

Inventories

Inventories, which principally consist of durable medical equipment and related supplies that are predominantly sold, are stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. The Company reduces the carrying value of inventories for items that are potentially excess, obsolete, or slow-moving based on changes in customer demand, technology developments or other economic factors. The Company bases its provisions for excess, expired and obsolete inventory primarily on purchasing activity and usage. A significant change in the timing or level of demand for our products as compared with forecasted amounts may result in recording additional provisions for excess, expired and obsolete inventory in the future. As the Company purchases all of its inventories, all inventories are categorized as finished goods. There were no significant write-offs during the year ended June 30, 2020.

Goodwill and Other Identifiable Intangible Assets

Goodwill represents the excess of fair value over identifiable tangible and intangible net assets acquired in business combinations. Goodwill is not amortized for GAAP purposes. Instead goodwill is reviewed for impairment at least annually, or on an interim basis between annual tests when events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. We perform our annual impairment test on the first day of the fiscal fourth quarter, or as required when impairment triggering events are identified.

The Company amortizes its identifiable intangible assets over their estimated useful lives using a discounted cash flow attribution or straight-line methods as determined appropriate for each identifiable intangible asset. The Company amortizes its identifiable intangible assets over periods ranging from five to fifteen years.

Long-lived Assets

Long-lived assets include real estate assets, property and equipment, intangible assets and the right to use asset. These assets are evaluated for potential impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable based on undiscounted cash flows. If an impairment is indicated, the Company records the impaired asset at fair value and records a charge to operations.

Leases and Right of Use Assets

We determine if an arrangement is a lease at inception. As of June 30, 2020, all of our leases are operating leases. Operating leases are included in right of use assets (**ROU**), current portion of lease liabilities and lease liabilities net of current portion in the consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide a readily determinable implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. The ROU assets also include any lease payments made and adjustments recorded in acquisition accounting. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, primarily consisting of common area maintenance charges, and have elected the practical expedient to account for lease and non-lease components together as a single lease component.

At June 30, 2020, the majority of our lease liabilities and ROU assets were acquired with the durable medical equipment businesses as discussed in Note 4 – Acquisitions.

Cost of Durable Medical Equipment Sold and Services

Cost of durable medical equipment sold and services is comprised of costs included in inventory for medical equipment sold and direct costs associated with providing sleep study services, including staff to perform the studies and supplies used in the studies.

Cost of Durable Medical Equipment Rentals

Cost of rentals includes depreciation on medical equipment held for lease and related maintenance expenses.

Durable Medical Equipment Other Operating Expenses

The Company classifies direct expenses of its durable medical equipment segment, including payroll, facilities and equipment costs, professional fees and other administrative costs, in durable medical equipment other operating expenses in the accompanying consolidated statements of operations.

Investment Management Expenses

The Company classifies all direct expenses of its investment management segment including: payroll, stock-compensation, and related taxes and benefits; facilities costs; and consulting; in investment management expenses in the accompanying consolidated statements of operations. The Company had a three year contractual arrangement through November 2019 with a third party to provide services in exchange for 26% of the fees earned from the management of GECC, excluding incentive fees. This arrangement was not renewed upon expiration.

Real Estate Expenses

The Company classifies all direct expenses of its real estate segment including: insurance, property management fees and other operating expenses in real estate expense in the accompanying consolidated statements of operations. Under the terms of the lease, the Company may recover from the tenant certain expenses including: insurance and other operating expenses. The recovery of these expenses is recognized in rental income in the accompanying consolidated statements of operations, in the same periods as the expenses are incurred.

Depreciation and Amortization

The Company has separately presented depreciation and amortization expense, except for depreciation expense which is included in cost of durable medical equipment rentals as described above. Such depreciation and amortization expense is based on the estimated useful lives of the underlying assets.

Stock-based Compensation

Stock-based compensation costs for eligible employees and directors are measured at fair value on the date of grant and are expensed over the requisite service period using a straight-line attribution method for the entire award that are subject to only service vesting conditions. Awards with both performance and service requirements are expensed using a graded vesting attribution method over the requisite service periods.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary in order to reduce deferred tax assets to the amounts more likely than not to be recovered.

The Company has established a valuation allowance for its deferred tax assets that are not recoverable from taxable temporary differences because the Company is unable to conclude that future utilization of a portion of its net operating loss carryforwards and other deferred tax assets is more likely than not.

The calculation of the Company's tax positions involves dealing with uncertainties in the application of complex tax regulations for federal and several different state tax jurisdictions. The Company is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include inquiries regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. The Company does not recognize income tax benefits for positions that it takes on its income tax returns that do not meet the more likely than not standard on its technical merits.

Business Combinations

Business combinations are accounted for at fair value. Acquisition costs are expensed as incurred and recorded in selling, general and administrative expenses; previously held equity interests are valued at fair value upon the acquisition of a controlling interest; restructuring costs associated with a business combination are expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date affect income tax expense. Measurement period adjustments are made in the period in which the amounts are determined and the current period income effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date. All changes that do not qualify as measurement period adjustments are also included in current period earnings. The accounting for business combinations requires estimates and judgment as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair value for assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill, require acceleration of the amortization expense of finite-lived intangible assets, or the recognition of additional consideration which would be expensed. The fair value of contingent consideration is remeasured each period based on relevant information and changes to the fair value are included in the operating results for the period within general and administrative expense.

Net Income (Loss) Per Share

The following table presents the calculation of basic and diluted earnings (loss) per share:

(in thousands except per share amounts)	For the years ended June 30, 2020	2019
Loss from continuing operations	$ (13,127)	$ (6,868)
Income from discontinued operations, net of tax	-	3,736
Net loss	$ (13,127)	$ (3,132)
Less: net loss attributable to non-controlling interest	(152)	(224)
Net loss attributable to Great Elm Capital Group	$ (12,975)	$ (2,908)
Weighted average shares basic and diluted:		
Weighted average shares of common stock outstanding	25,418	25,210
Weighted average shares used in computing income (loss) per share	25,418	25,210
Basic and diluted income (loss) per share from:		
Loss from continuing operations	$ (0.51)	$ (0.26)
Income from discontinued operations	-	0.15
Net loss	$ (0.51)	$ (0.11)

When calculating earnings per share, we are required to adjust for the dilutive effect of common stock equivalents. As of June 30, 2020 the Company had 12,206,044 potential shares of common stock, including 8,790,049 shares of common stock issuable upon the conversion of the Company's convertible notes, that are not included in the diluted net income (loss) per share calculation because to do so would be anti-dilutive. As of June 30, 2019, the Company had 3,438,353 potential shares of common stock that are not included in the diluted net income (loss) per share calculation because to do so would be anti-dilutive.

As of June 30, 2020 and 2019, the Company had an aggregate of 732,909 issued shares that are subject to forfeiture by the employee at a nominal price if service and performance milestones are not met. The Company does not account for such shares as being outstanding for accounting purposes since they are unvested and subject to forfeiture.

Restrictions on Subsidiary Dividends

In the GP Corp. Note Agreement, GP Corp. agreed not to declare any dividends until the GP Corp. Note is satisfied. In the Senior Note and Subordinated Note, CRIC IT Fort Myers, LLC is restricted from paying any dividends until the Notes are satisfied. The ability of DME Inc. to pay dividends is subject to compliance with the restricted payment covenants under the Corbel Facility and DME Revolver.

Concentration of Risk

The Company's net investment revenue and receivables from continuing operations are attributable to the management of one investment vehicle, GECC. GECC is a related party based on the Company owning approximately 19.6% of its outstanding common stock as of June 30, 2020. See Note 5 – Related Party Transactions.

The Company's real estate rental revenue from continuing operations is derived from one tenant.

The Company's durable medical equipment revenue and related accounts receivable are concentrated with third-party Payors. The following table summarizes customer concentrations as a percentage of revenues:

	For the years ended June 30, 2020	2019
Government Payor A	30%	28%
Government Payor B	*	11%
Third-party Payor C	11%	*

* Not a significant concentration.

The following table summarizes customer concentrations as a percentage of accounts receivable:

	As of June 30,	
	2020	2019
Government Payor A	23%	20%
Government Payor B	*	16%
Third-party Payor C	10%	12%

* Not a significant concentration.

Recently Issued Accounting Standards

Fair Value Measurements In August 2018, the *Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, resulting in various disclosures related to fair value measurements being eliminated, modified or supplemented. ASU 2018-13 is effective for interim and annual periods beginning after December 15, 2019, with an option to early adopt any eliminated or modified disclosures, and to delay adoption of the additional disclosures, until the effective date. The Company early adopted the eliminated and modified disclosures of ASU 2018-13 during the three months ended September 30, 2018 and, as a result, updated its financial statement disclosures accordingly. A modified narrative description of measurement uncertainty for level 3 fair value measurements was applied prospectively, with all other amendments applied retrospectively. The Company has deferred adoption of the supplemental disclosures until the effective date. The supplemental disclosures relate to level 3 fair value measurements, and the impact to our financial statements upon adoption is not expected to be significant as we do not have significant level 3 fair value measurements.

Current Expected Credit Losses In June 2016, the *FASB* issued *ASU 2016-13*, *Financial Instruments – Credit Losses (Topic 326)*, which changes the impairment model for financial instruments, including trade receivables from an incurred loss method to a new forward looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical experience, current information and reasonable and supportable forecasts. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating the potential impact that the adoption of this ASU will have on its consolidated financial statements.

Reference Rate Reform In March 2020, the *FASB* issued *ASU 2020-04*, *Reference Rate Reform (Topic 848): facilitation of the Effects of Reference Rate Reform on Financial Reporting,* in response to the United Kingdom Financial Conduct Authority which announced the desire to phase out the use of London Interbank Offered Rate **(LIBOR)** by the end of 2021. The provisions provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform on financial reporting due to the cessation of LIBOR if certain criteria are met. If LIBOR ceases to exist, we may need to renegotiate outstanding notes payable outstanding which extend beyond 2021 with the respective counterparties. Adoption of the provisions in ASU 2020-04 are optional and effective from March 12, 2020 through December 31, 2022. The Company is considering the optionality of ASU 2020-04 and is evaluating the potential impact that the adoption of this ASU will have on its consolidated financial statements.

Accounting for Convertible Instruments In August 2020, the *FASB* issued *ASU 2020-06*, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by eliminating certain separation models. Under ASU 2020-06, a convertible debt instrument will generally be reported as a single liability at its amortized cost with no separate accounting for embedded conversion features. Consequently, the interest rate of convertible debt instruments will be closer to the coupon interest rate. In addition, ASU 2020-06 eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The guidance in this ASU are effective for fiscal years beginning after December 31, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Revenue

The revenues from each major source of revenue are summarized in the following table:

	For the years ended June 30,			
(in thousands)	2020		2019	
Product and Services Revenue				
Investment Management				
Management Fees	$	2,793	$	2,956
Administration Fees		539		885
		3,332		3,841
Durable Medical Equipment				
Equipment Sales		28,934		22,400
Service Revenues		5,279		4,898
		34,213		27,298
Total product and services revenue	**$**	**37,545**	**$**	**31,139**
Rental Revenues				
Real Estate				
Rental Income		5,104		5,459
Durable Medical Equipment				
Medical Equipment Rental Income		21,449		14,582
Total rental revenue		**26,553**		**20,041**
Total	**$**	**64,098**	**$**	**51,180**

Revenue Accounting Under Topic 606

In determining the appropriate amount of revenue to be recognized under FASB Accounting Standards Codification Topic 606, *Revenues,* (**Topic 606**), the Company performed the following steps: (i) identified the promised goods or services in the contract; (ii) determined whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measured the transaction price, including the constraint on variable consideration; (iv) allocated the transaction price to the performance obligations; and (v) recognized revenue when (or as) the Company satisfies each performance obligation.

Durable Medical Equipment Revenue

Equipment Sales and Services Revenues

The Company sells durable medical equipment, replacement parts and supplies to customers and recognizes revenue at the point control is transferred through delivery to the customer. Each piece of equipment, part or supply is distinct and separately priced thus they each represent a single performance obligation. The revenue is allocated amongst the performance obligations based upon the relative standalone selling price method, however, items are typically all delivered or supplied together. The customer and, if applicable, the Payors are generally charged at the time that the product is sold, although separate layers of insurance coverage may need to be invoiced before final billings may occur.

The Company also provides sleep study services to customers and recognizes revenue when the results of the sleep study are complete as that is when the performance obligation is met.

The transaction price on both equipment sales and sleep studies is the amount that the Company expects to receive in exchange for the goods and services provided. Due to the nature of the durable medical equipment business, billing adjustments customarily occur during the collections process when explanations of benefits are received by Payors, and as amounts are deferred to secondary Payors or to patient responsibility. As such, we constrain the transaction price for the difference between the amounts billed and what we believe we will collect from Payors and from patients. The transaction price therefore is predominantly based on contractual payment rates determined by the Payors. The Company does not generally contract with uninsured customers. We determine our estimates of billing adjustments based upon contractual agreements, our policies and historical experience. While the rates are fixed for the product or service with the customer and the Payors, such amounts typically include co-payments, co-insurance and deductibles, which vary in amounts, from the patient customer. The Company includes in the transaction price only the amount that the Company expects to be entitled, which is substantially all of the Payor billings at contractual rates. The transaction price is initially constrained by the amount of customer co-payments we estimate will not be collected.

Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenue and accounts receivable. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain Payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application or claim denial. The Company constrains revenue for these estimated adjustments. During the year ended June 30, 2020, the Company recorded changes in estimates relating to prior periods of $0.3 million of incremental revenue constraints.

The payment terms and conditions of customer contracts vary by customer type and the products and services offered.

The Company may provide shipping services prior to the point of delivery and has concluded that the services represent a fulfilment activity and not a performance obligation. Returns and refunds are not accepted on either equipment sales or sleep study services. The Company does not offer warranties to customers in excess of the manufacturer's warranty. Any taxes due upon sale of the products or services are not recognized as revenue. The Company does not incur contract acquisition costs. The Company generally does not have any partially or unfilled performance obligations related to contracts with customers. However, during the quarter ended June 30, 2020, the Company applied for and received $4.4 million in advanced payments from the Centers for Medicare and Medicaid Services (CMS) under their Accelerated and Advance Payment Program, which was expanded to increase cash flow to providers of services and suppliers impacted by the 2019 Novel Coronavirus (COVID-19) pandemic. These advanced payments will begin to be recouped against the Company's future Medicare and Medicaid claims. These amounts are included within deferred revenue on the consolidated balance sheet. The Company has no other contract liabilities as of June 30, 2020 or 2019.

Included in sales and services revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not yet billed to the Payor. The estimate of net unbilled sales and service revenue recognized is based on historical trends and estimates of future collectability. As of June 30, 2020 and 2019, net unbilled sales and service revenue is approximately $0.3 million and $0.5 million, respectively, and is included in accounts receivable.

Investment Management Revenue

The Company recognizes revenue from its investment management business at amounts that reflect the consideration to which it expects to be entitled in exchange for providing services to its customer. Investment management revenue primarily consists of fees based on a percentage of assets under management, fees based on the performance of managed assets, and administrative fees. Fees are based on agreements with each investment products and may be terminated at any time by either party subject to the specific terms of each respective agreement.

Management Fees

The Company earns management fees based on the investment management agreement GECM has with GECC. The performance obligation is satisfied over time as the services are rendered, since GECC simultaneously receives and consumes the benefits provided as GECM performs services. Under GECC's investment management agreement with GECM, the base management fee from GECC is calculated at an annual rate of 1.50% of GECC's average adjusted gross assets. The base management fee is calculated based on the average value of GECC's gross assets, excluding cash and cash equivalents, at the end of the two most recently completed calendar quarters, and is recognized over time as the services are provided. Management fees are billed quarterly in arrears.

Incentive Fees

The Company earns incentive fees based on the investment management agreements GECM has with GECC and separately managed accounts. Where an investment management agreement includes both management fees and incentive fees, the performance obligation is considered to be a single obligation for both fees. Incentive fees are variable consideration associated with the GECC investment management agreement. Incentive fees are earned based on investment performance during the period, subject to the achievement of minimum return levels or high-water marks, in accordance with the terms of the respective investment management agreements. Incentive fees range from 5.0% to 20.0% of the performance-based metric specified within each agreement. Because of the uncertainty of when incentive fees will be collected due to market conditions and investment performance, incentive fees are fully constrained and not recorded until received and the probability of significant reversal of the fees is eliminated in accordance with the respective investment management agreements. As of June 30, 2020, there is $8.5 million in incentive fees which have been earned per the terms of the investment management agreements but not recorded as they are still subject to the constraints described above.

Administration Fees

The Company earns administration fees based on the administration agreement GECM has with GECC whereby GECC reimburses GECM for costs incurred in performing administrative functions for GECC. This revenue is recognized over time as the services are performed. Administrative fees are billed quarterly in arrears, which is consistent with the timing of the delivery of services and reflect agreed upon rates for the services provided. The services are accounted for as a single performance obligation that is a series of distinct services with substantially the same pattern of transfer as the services are provided on a daily basis.

Revenue Accounting Under Topic 842

Durable Medical Equipment Revenue

Equipment Rental Revenue

Under FASB Accounting Standards Codification Topic 842, *Leases,* (**Topic 842**) rental income from operating leases is recognized on a straight-line basis, based on contractual lease terms with fixed and determinable increases over the non-cancellable term of the related lease when collectability is reasonably assured. The Company leases durable medical equipment to customers for a fixed monthly amount on a month-to-month basis. The contractual length of the lease term varies based on the type of equipment that is rented to the customer, but generally is from 10 to 36-months. In the case of capped rental agreements, title to the equipment transfers to the customer at the end of the contractual rental period. The customer has the right to cancel the lease at any time during the rental period for a subsequent month's rental and payments are generally billed in advance on a month-to-month basis. Under Topic 842, rental income from operating leases is recognized on a month-to-month basis, based on contractual lease terms when collectability is reasonably assured. Certain customer co-payments are included in revenue to the extent they are considered probable of payment.

The lease term begins on the date products are delivered to patients and are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including Medicare, private payors, and Medicaid. Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain Payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application or claim denial. There were no material changes in estimates recorded in the year ended June 30, 2020, relating to prior periods.

Although invoicing typically occurs at the beginning of the monthly rental period, we recognize revenue from rentals on a daily basis. Since rental agreements can commence at any time during a given month, we defer revenue related to the remaining monthly rental period as of period end. Deferred revenue related to rentals was $1.3 million and $0.9 million as of June 30, 2020 and 2019, respectively.

Included in rental revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not yet billed to the Payor. Net unbilled rental revenue is recognized to the extent payment is probable. As of June 30, 2020 and 2019, net unbilled rental revenue is approximately $0.2 million and $0.2 million, respectively, and is included in accounts receivable.

Real Estate Revenue

Rental Revenue

Consistent with the leases of durable medical equipment, the Company recognizes rental revenue on a straight-line basis over the non-cancelable term of the lease. Under the terms of the lease, the Company may recover from the tenant certain expenses, including: insurance and other operating expenses. For all expenses that are paid by the Company and reimbursed by the tenant, the recovery of these expenses is recognized in rental income in the accompanying consolidated statements of operations, in the same periods as the expenses are incurred. These expenses recognized in both revenue and expense may fluctuate from period to period based on actual expense amounts.

4. Acquisitions

Durable Medical Equipment Acquisitions

Initial Acquisition of Durable Medical Equipment Businesses

On September 7, 2018, through its subsidiary, DME Holdings, the Company acquired an 80.1% interest in DME Inc., an entity formed to acquire and combine two previously unrelated durable medical equipment distribution companies, Valley and Northwest, which both specialize in the distribution of sleep and respiratory care equipment, including positive air pressure equipment and supplies, ventilators, and oxygen equipment. The medical distribution companies operate in Alaska, Arizona, Nebraska, Oregon and Washington. Operating results of the acquired businesses have been included in the consolidated statements of operations since September 1, 2018 as the impact of including the period prior to September 7, 2018 was immaterial to the condensed consolidated financial statements.

On the date of Acquisition, the Company allocated the consideration given to the individual assets acquired and the liabilities assumed based on a preliminary estimate of their fair values. The assessment of fair value initially reported, as of June 30, 2019, was preliminary as the Company had not finalized its fair value estimates.

During the three months ended September 30, 2019, the Company obtained and considered additional information related to the assets acquired and liabilities assumed, and recorded measurement period adjustments to the allocation of the purchase price noted below.

The acquisition date fair value of the consideration transferred is summarized in the following table:

(in thousands)		Amount
Cash	$	25,321
Net working capital adjustment		(254)
Increase in note payable to seller(1)		16,500
Debt assumed		9,275
Preferred stock in DME Holdings		5,266
Contingent consideration		961
Total Consideration	$	57,069

(1) Included in related party note payable on the consolidated balance sheet.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

(in thousands)		As Previously Reported(1)		Adjustment		As Adjusted
Accounts receivable	$	6,021	$	-	$	6,021
Inventories		1,405		-		1,405
Other assets		503		-		503
Fixed assets		852		-		852
Equipment held for rent		7,947		-		7,947
Goodwill		44,741		36		44,777
Tradename		8,800		-		8,800
Non-compete agreements		1,260		(80)		1,180
Right of use asset		4,205		-		4,205
Current liabilities		(5,955)		-		(5,955)
Operating lease liabilities		(4,285)		-		(4,285)
Deferred tax liabilities		(1,160)		44		(1,116)
Non-controlling interest		(7,265)		-		(7,265)
Net Assets Acquired	$	57,069	$	-	$	57,069

(1) As reported in our Form 10-K for the year ended June 30, 2019.

The outstanding balances of the note payable to seller, debt assumed on the revolving credit facility, and the preferred stock in DME Holdings approximated fair value based upon current rates and terms available for similar instruments.

The trade name was determined to have a fair value of $8.8 million. The valuation of the trade name was based on a relief from royalty method. The key assumptions in applying the relief from royalty approach are as follows: royalty rate of 3.0% and a discount rate of 14%.

The non-compete agreements were determined to have a fair value of $1.2 million. The valuation of the non-compete agreements was based on a lost profits method. The key assumptions in applying the lost profits method are as follows; probability adjusted EBITDA of the acquired businesses and a discount rate of 14%.

Of the $10.0 million of acquired identifiable intangible assets, $8.8 million was assigned to tradenames and $1.2 million was assigned to non-compete assets, which are associated with the former sellers of the businesses. All tradenames acquired have an expected life of 10 years over which they will be amortized on a straight-line basis, which matches the pattern of economic use of these assets. The non-compete agreements have a weighted-average expected life of 4.2 years. All non-compete agreements will be amortized on a straight-line basis, which approximates the pattern of economic use. Neither tradenames nor the non-compete agreements have renewal terms or are expected to have any net realizable value at the end of their useful lives.

The contingent consideration arrangement requires the Company to pay up to $2.4 million of additional consideration to the acquired companies' former shareholders if certain earnings before interest, taxes, depreciation and amortization (**EBITDA**) thresholds, as adjusted per the terms of the purchase agreement, are achieved for the 12 months ended December 31, 2018 and 2019. Under the Transaction Agreement, payment of the contingent consideration for any period is subject to satisfaction of the applicable EBITDA, as adjusted threshold. The fair value of the contingent consideration arrangement at the acquisition date was $1.0 million. The Company estimated the fair value of the contingent consideration using a Monte Carlo simulation model. The key assumptions in applying the Monte Carlo simulation model as follows: 33.5% volatility and weighted-average cost of capital of 14%, and related EBITDA forecasts of the acquired businesses. The contingent consideration is included within the current portion of related party payables in the consolidated balance sheets.

These fair value measurements are based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC Topic 820, *Fair Value Measurement*.

Upon a subsequent sale of DME Inc., certain members of the DME Inc. management team will be entitled to a contingent bonus based on a percentage of the proceeds of the sale less the Company's invested capital in DME Inc.

The $44.8 million of goodwill was assigned to the durable medical equipment segment and is attributable primarily to expected synergies and the assembled workforce of the acquired businesses. Approximately $29.4 million of the goodwill is expected to be deductible for income tax purposes.

The fair value of the 19.9% non-controlling interest in acquired companies is estimated to be $7.3 million. The fair value of the non-controlling interest was estimated based on the purchase price paid by the Company for its 80.1% of the acquired business since the non-controlling interest holders hold equity in DME Inc., which allows the holders to share in at least the same benefits inured from the acquisition as the Company.

The $1.1 million of deferred tax liabilities relates primarily to identifiable intangible assets fair valued in purchase accounting that have no tax basis, as well as temporary differences of other acquired assets and liabilities. The corresponding reduction of the valuation allowance of the Company of $0.9 million directly attributable to the transaction was recognized as a benefit to the income tax provision in the year ended June 30, 2019.

The Company recognized $2.1 million of acquisition costs that were expensed in the year ended June 30, 2019. These costs are included in general and administrative expenses in the accompanying consolidated statement of operations. The Company also incurred $0.5 million in costs associated with issuing debt to finance the cost of the acquired businesses, which are debt issuance costs that are amortized over the term of the debt using the effective interest rate method.

Supplemental Pro Forma Information (unaudited)

The pro forma results presented below were prepared pursuant to the requirements of ASC Topic 805, *Business Combinations,* and give effect to the acquisition as if it had been consummated on July 1, 2017. The pro forma results have been prepared for comparative purposes only and do not necessarily represent what revenue or results of operations would have been had the acquisition been completed on July 1, 2017. In addition, these results are not intended to be a projection of future operating results and do not reflect synergies that might be achieved by the Company.

(in thousands)		**For the year ended June 30, 2019**
Revenues	$	59,529
Net loss		(2,946)
Net loss attributable to Great Elm Capital Group		(2,397)

These pro forma results presented include adjustments to historical operating results include the following activity related to the acquisition: (a) interest expenses incurred on the debt paid down and borrowed upon closing; (b) dividends on preferred stock in subsidiary; (c) amortization of intangible assets acquired; and (d) reclassification of non-recurring transaction costs to the prior period.

Acquisition of Midwest Respiratory Care, Inc. Assets and Liabilities

In June 2019, through its majority-owned subsidiary, DME Inc., the Company acquired certain assets and liabilities of Midwest related to its durable medical equipment business which specializes in the distribution of sleep and respiratory care equipment, including positive air pressure equipment and supplies, ventilators, and oxygen equipment. The medical distribution business operates in Nebraska, Kansas and Iowa. The acquisition is accounted for as a business combination. The Company expects to achieve synergies and costs reductions through integrating these operations into our existing durable medical equipment operations. Operating results of the acquired businesses have been included in the consolidated statements of operations since June 12, 2019.

On the date of Acquisition, the Company allocated the consideration given to the individual assets acquired and the liabilities assumed based on a preliminary estimate of their fair values. The assessment of fair value initially reported, as of June 30, 2019, was preliminary as the Company had not finalized its fair value estimates.

During the year ended June 30, 2020, the Company obtained and considered additional information related to the assets acquired and liabilities assumed including the final negotiation of escrow holdbacks with the seller, which resulted in the return to $0.4 million of consideration to the Company. In consideration of this additional information, the Company recorded measurement period adjustments to the allocation of the purchase price noted below.

The acquisition date fair value of the cash consideration transferred was $6.0 million, of which $3.4 million was funded by additional debt under our existing Corbel Facility and $0.7 million was contributed by the non-controlling interests in DME Inc. on a pro rata basis with the Company.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

(in thousands)	**As Previously Reported(1)**	**Adjustment**	**As Adjusted**
Inventories	$ 7	$ -	$ 7
Other assets	1	-	1
Fixed assets	52	-	52
Equipment held for rent	447	69	516
Goodwill	5,656	(423)	5,233
Non-compete agreements	180	-	180
Right of use asset	238	-	238
Operating lease liabilities	(238)	-	(238)
Net Assets Acquired	$ 6,343	$ (354)	$ 5,989

(1) As reported in our Form 10-K for the year ended June 30, 2019.

The non-compete agreements are associated with the sellers of the business and were determined to have a fair value of $0.2 million. The agreements have a weighted-average expected life of 5 years and will be amortized on a straight-line basis, which approximates the pattern of economic use. The non-compete agreements have no renewal terms and are not expected to have any net realizable value at the end of their useful lives. The valuation of the non-compete agreements was based on a lost profits method. The key assumptions in applying the lost profits method are as follows; probability adjusted EBITDA of the acquired business and a discount rate of 27%.

These fair value measurements are based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC Topic 820, *Fair Value Measurement*.

The $5.2 million of goodwill was assigned to the durable medical equipment segment and is attributable primarily to expected synergies and the assembled workforce of the acquired business. None of the goodwill is expected to be deductible for income tax purposes.

Supplemental Pro Forma Information (unaudited)

The pro forma results presented below were prepared pursuant to the requirements of ASC Topic 805, *Business Combinations,* and give effect to the acquisition as if it had been consummated on July 1, 2017. The pro forma results have been prepared for comparative purposes only and do not necessarily represent what revenue or results of operations would have been had the acquisition been completed on July 1, 2017. In addition, these results are not intended to be a projection of future operating results and do not reflect synergies that might be achieved by the Company.

(in thousands)	**For the year ended June 30, 2019**
Revenues	$ 54,520
Net loss	(2,165)
Net loss attributable to Great Elm Capital Group	(2,113)

These pro forma results presented include adjustments to historical operating results include the following activity related to the acquisition: (a) interest expense and debt financing costs incurred on the debt borrowed upon closing; (b) amortization of intangible assets acquired; and (c) reclassification of non-recurring transaction costs to the prior period.

5. Related Party Transactions

Related party transactions are measured in part by the amount of consideration paid or received as established and agreed by the parties. Consideration paid for such services in each case is the negotiated value.

Durable Medical Equipment

In connection with the acquisition of the durable medical equipment businesses in September 2018, DME Inc. and its subsidiaries entered into a term loan agreement with Corbel Capital Partners SBIC, L.P. (**Corbel**) (the **Corbel Facility**). Jeffrey S. Serota, a member of the Company's Board of Directors, serves as Vice Chairman to Corbel Capital Partners. Corbel previously held an interest in Northwest and was one of the sellers in our acquisition of the business. As a result of the acquisition, at June 30, 2020 Corbel received preferred stock of DME Holdings and a non-controlling interest in DME Inc. Pursuant to the Corbel Facility, Corbel was paid a structuring fee, will be paid an ongoing quarterly monitoring fee, and may be paid a deferred structuring fee if the loans are subject to early repayment. See Note 11 - Borrowings for additional information on the Corbel Facility and Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary.

In connection with the acquisition of the durable medical equipment businesses, the Company issued non-controlling interests in DME Inc. to the former owners, including Corbel discussed above. See Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary. Additionally, the Company has a contingent liability to the sellers for $0.0 million as of June 30, 2020. During the year ended June 30, 2019, the Company made payments of $0.3 million to the sellers as part of the contingent consideration. During the year ended June 30, 2020, the were no payments made as part of the contingent consideration and the fair value of the outstanding contingent consideration was reduced to zero. See Note 8 – Fair Value Measurements for additional details.

As a result of measurement period adjustments to the net working capital discussed in Note 4 – Acquisitions, $0.2 million in shares of preferred stock in DME Holdings were cancelled and forfeited and the remaining difference between the adjustment and the value of the preferred stock cancelled and forfeited was paid by the sellers to DME Holdings. During the year ended June 30, 2019, the Company redeemed $5.1 million in shares of preferred stock in DME Holdings from Corbel.

Investment Management

The Company's wholly-owned subsidiary, GECM, has agreements to provide administrative services and manage the investment portfolio for GECC and other investment products. Under these agreements, GECM receives administrative fees, management fees based on the managed assets (other than cash and cash equivalents) and incentive fees based on the performance of those assets. See Note 3 – Revenue for additional discussions of the fee arrangements.

All of the Company's investment management revenue recognized for the periods presented was generated from the management and administration of GECC. Additionally, the Company receives dividends from its investment in GECC and earns unrealized profits and losses based on the mark-to-market performance of GECC. See Note 8 – Fair Value Measurements.

The Company pays certain expenses on behalf of the managed investment products which are expected to be reimbursed. Such amounts are included in related party receivables on the balance sheet.

The following tables summarize activity and outstanding balances between the managed investment products and the Company.

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Change in unrealized loss on investment in GECC	$ (8,684)	$ (1,062)
GECC dividend income	2,068	2,431

	As of As of June 30,	
(in thousands)	**2020**	**2019(1)**
Dividends receivable from GECC	$ 170	$ 206
Investment management revenues receivable	746	1,067
Receivable for reimbursable expenses paid	158	147

(1) Amounts related to receivable for reimbursable expenses paid were previously reported within investment management revenues receivable in the prior year. These have been reclassified to receivable for reimbursable expenses paid to conform to our current year presentation.

Outstanding receivables are included in related party receivables in the consolidated balance sheets.

The Company owns approximately 19.6% of the outstanding shares of GECC, and the Company's Chief Executive Officer is also the Chief Executive Officer of GECC and Chief Investment Officer of GECM, in addition to being a member of the board of directors of the Company and chairman of the board of GECC. The Company's President and Chief Operating Officer is also the Chief Operating Officer, Chief Compliance Officer and General Counsel of GECM and the Chief Compliance Officer of GECC.

GECM has a profit sharing agreement with the Company's majority-owned subsidiary GP Corp. (**Profit Sharing Agreement**). Under the Profit Sharing Agreement, GECM's profit from GECC is paid to GP Corp. Since its inception in November 2016, GECM has operated at a cumulative loss through June 30, 2020; correspondingly, no profits were available to GP Corp. under the Profit Sharing agreement. Certain employees of the Company have a non-controlling interest in GP Corp. See Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary.

The Company's wholly-owned subsidiary, Great Elm Opportunities GP, Inc. (**GEOGP**) serves as the general partner of Great Elm Opportunities Fund I, LP (**GEOF**). As the general partner, GEOGP provides administrative services and manages the investment portfolio of GEOF. Based on the performance of GEOF's investment portfolio, GEOGP may be entitled to certain incentive allocations. GEOF began investing in July 2018 and through June 30, 2020 no incentive allocations have been made to GEOGP.

MAST Capital Management, LLC (**MAST Capital**) is the beneficial owner of approximately 7.8% of the Company's outstanding common stock as of June 30, 2020 and holds the GP Corp. Note. See Note 11 - Borrowings for additional discussion of the GP Corp. Note.

Real Estate

In connection with the acquisition of the real estate business in March 2018, the Company issued the former owner a 19.9% interest in Great Elm FM Holdings, Inc. (**GE FM Holdings**). See Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary.

6. Fixed Assets

The Company's fixed assets consist of its leased real estate assets, medical equipment held for rental, furniture and fixtures, and leasehold improvements used in its operations. The following tables detail the Company's fixed assets:

(in thousands)	June 30, 2020	June 30, 2019
Real Estate Assets		
Buildings	$ 43,355	$ 43,355
Land and site improvements	9,170	9,170
Tenant improvements	3,500	3,500
	56,025	56,025
Accumulated depreciation	(2,837)	(1,614)
Net carrying amount	$ 53,188	$ 54,411
Property and Equipment		
Leasehold improvements	$ 858	$ 774
Vehicles	237	239
Computer equipment and software	277	187
Furniture and fixtures	417	331
Sleep study equipment	589	232
	2,378	1,763
Accumulated depreciation	(968)	(396)
Net carrying amount	$ 1,410	$ 1,367
Medical Equipment Held for Rental		
Medical equipment held for rental	$ 13,828	$ 13,294
Accumulated depreciation	(6,345)	(4,154)
Net carrying amount	$ 7,483	$ 9,140

The following table reconciles depreciation expense included in the following lines of the consolidated statements of operations to total depreciation expense for each period presented.

	For the years ended June 30,	
(in thousands)	2020	2019
Depreciation and amortization	$ 1,870	$ 1,619
Cost of durable medical equipment rentals	8,267	5,550
Total depreciation expense	$ 10,137	$ 7,169

7. Lessor Operating Leases

Medical Equipment Leases

Through its majority-owned subsidiary DME Inc., and the subsidiaries of DME Inc., the Company owns medical equipment which is leased to customers. The Company's customers consist primarily of patients through their clinical providers including medical centers, clinics and hospices and the Company has lease arrangements with these patients. In addition, the arrangements between the Company and its customers are impacted by arrangements between the Company and Payors. The Payors may cover a portion or all of the rental payments under the agreements between the Company and its customers. The patient is responsible for any residual co-payments.

The lease terms may be for a pre-determined time period, generally 10 months to 36 months; however, the customer may cancel the lease at any time and for any reason without penalty and therefore, the Company treats all leases as month-to-month leases. Upon termination of the lease, the equipment, if not aged beyond its useful life, may be refurbished and subsequently sold or leased to another customer. As the leases are month-to-month, there are no future lease receivables under the terms of the current leases.

Real Estate Leases

The Company's majority-owned subsidiary CRIC IT Fort Myers LLC (**Property Owner**) owns a fee simple interest in two Class A office buildings, Gartner I and Gartner II (collectively, the **Property**). The Property is fully leased, on a triple net basis, to Gartner, Inc. (**Gartner**) until March 31, 2030, which may be extended at the option of Gartner in accordance with the terms of the lease. The Gartner I lease contains two five-year extensions and the Gartner II lease contains three five-year extensions (collectively, the **Leases**). Under the terms of the Leases, the renewal rates are equal to 95% of the then fair market rent, and the tenant does not have a purchase option at the end of the lease term. The leases require Gartner to make a base monthly lease payment of approximately $0.4 million as calculated on a straight-line basis over the remaining expected lease term plus additional rent payments for additional costs. Additional rental payments are due for Property Owner costs, such as property taxes, management fees, and insurance costs, as incurred. See Note 3 – Revenue for additional discussion of rental revenues.

The Property is subject to mortgage, security agreement and assignment of leases and rents with the senior and subordinated lenders, which is further described in Note 11 - Borrowings. The Property Owner has assigned all rights, title and interest in and to the Property and the Leases to the senior and subordinated lenders and all amounts received are paid to a trust which funds the operating costs associated with the Property. The Company does not have rights to these rent payments while the borrowings remain outstanding.

The Company expects to derive value from the residual value at the end of the existing lease term by further leasing the assets or through a sale transaction.

Rental income from real estate leases is summarized in the following table:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Revenues from base rents	$ 4,605	$ 4,603
Revenues from additional rental payments	499	856
Total rental revenues	$ 5,104	$ 5,459

The following table summarizes the base rents for the remaining lease term:

(in thousands)	Base Rent Payments
For the year ending June 30, 2021	4,213
For the year ending June 30, 2022	4,312
For the year ending June 30, 2023	4,419
For the year ending June 30, 2024	4,529
For the year ending June 30, 2025	4,648
Thereafter	24,025
Total base rent	$ 46,146

8. Fair Value Measurements

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

US GAAP provides a framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

- *Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3:* Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

All financial assets or liabilities that are measured at fair value on a recurring and non-recurring basis have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

The assets and liabilities measured at fair value on a recurring and non-recurring basis are summarized in the tables below:

	Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in GECC	$ 8,705	$ -	$ -	$ 8,705
Total assets	$ 8,705	$ -	$ -	$ 8,705
Liabilities:				
Contingent consideration liability	$ -	$ -	$ -	$ -
Total liabilities	$ -	$ -	$ -	$ -

(in thousands)	Fair Value as of June 30, 2019 Level 1	Level 2	Level 3	Total
Assets:				
Investment in GECC	$ 17,110	$ -	$ -	$ 17,110
Total assets	$ 17,110	$ -	$ -	$ 17,110
Liabilities:				
Contingent consideration liability	$ -	$ -	$ 1,135	$ 1,135
Total liabilities	$ -	$ -	$ 1,135	$ 1,135

The following is a reconciliation of changes in contingent consideration, a Level 3 liability:

(in thousands)	For the years ended June 30, 2020	2019
Beginning Balance	$ 1,135	$ -
Additions	-	961
Payments	-	(295)
Change in fair value	(1,135)	469
Ending Balance	$ -	$ 1,135

Contingent consideration is included within the current portion of related party payables in the consolidated balance sheets. The contingent consideration arrangement required the Company to pay up to $2.4 million of additional consideration to the acquired companies' former shareholders if certain EBITDA thresholds, as adjusted per the terms of the purchase agreement, were achieved for the 12 months ended December 31, 2018 and 2019. The Company estimated the fair value of the contingent consideration using a Monte Carlo simulation model. The key assumptions in applying the Monte Carlo simulation model as of September 7, 2018 were as follows: 33.5% volatility and weighted average cost of capital of 14% and related EBITDA forecasts of the acquired businesses for the years ended December 31, 2018 and 2019. As of September 30, 2019, the end of the measurement period, a fair value of $1.0 million was calculated as of the acquisition date.

In June 2019, in conjunction with the Midwest acquisition, there was an amendment to the Transaction Agreement which adjusted certain terms of the related EBITDA target calculation for the 12 months ended December 31, 2019, making it easier to achieve. As part of this amendment, a payment of $0.3 million was made to certain former shareholders. The fair value of the remaining contingent consideration was updated to $1.1 million as of June 30, 2019. The Company determined that the EBITDA achieved, as adjusted per terms of the contract, for the 12 months ended December 31, 2018 and 2019 was below the earnout threshold for payout. As such, during the year ended June 30, 2020, the fair value of the contingent consideration was updated to zero, resulting in a $1.1 million benefit which is included in sales, general and administrative expenses. The finalization of the earnout is subject to agreement with the acquired companies' former shareholders.

The Company owns approximately 19.6% (or 2,043,434 shares) of the outstanding shares of GECC and values its ownership based on the NASDAQ-listed market price of GECC common stock (a Level 1 input in accordance with the US GAAP fair value hierarchy).

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2020 and 2019.

See Note 11 - Borrowings for additional discussion related to the fair value of notes payable. The carrying value of all other financial assets and liabilities approximate their fair values.

9. Goodwill and Other Intangible Assets

The Company’s investment management and real estate segments include identifiable intangible assets acquired through acquisitions in 2016 and 2018, respectively. In connection with the acquisition of the durable medical equipment businesses in September 2018 and the subsequent acquisition of Midwest in June 2019, the Company has also recognized goodwill and identifiable intangible assets associated with the tradenames and non-compete agreements. See Note 4 – Acquisitions for additional details. Intangible assets are amortized using applicable discounted cash flow attribution and straight-line methods over their useful lives.

Goodwill of $50.0 million presented on the consolidated balance sheet consists only of the goodwill acquired as part of the acquisitions of the durable medical equipment businesses in September 2018 and June 2019.

The changes in the carrying value of goodwill are as follows:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Beginning Balance	$ 50,397	$ -
Acquisitions	-	50,397
Purchase accounting adjustment	(387)	-
Ending Balance	$ 50,010	$ 50,397

The Company’s annual impairment assessment date for goodwill is April 1. However, during the quarter ended March 31, 2020, the Company observed significant global market volatility attributable in part to the impacts of the COVID-19 pandemic. The market deterioration of the Company’s stock price and other potential impairment triggering events were identified requiring an impairment analysis to be performed on the Company’s goodwill and certain other long-lived assets as of March 31, 2020. Based on the analyses performed, the fair value of the durable medical equipment reporting unit exceeded the carrying value by 12% and no impairment occurred. The fair value of this reporting unit was derived using a combination of present value of estimated cash flows and the valuations and prices of comparable businesses. The discount rate used in this analysis was 15%. Other long-lived assets were assessed for impairment using undiscounted forecasted cash flows, and based on the analyses performed, no impairment occurred.

There were no significant changes in facts or assumptions between the impairment analysis performed as of March 31, 2020 and our annual impairment date of April 1, 2020. Furthermore, no impairment triggers were identified during the current fiscal quarter that would require additional impairment assessments to be performed as of June 30, 2020.

The following tables provide additional detail related to the Company's acquired identifiable intangible assets:

	As of June 30, 2020			As of June 30, 2019		
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Durable Medical Equipment						
Tradename	$ 8,800	$ (1,613)	$ 7,187	$ 8,800	$ (733)	$ 8,067
Non-compete agreements	1,360	(573)	787	1,440	(210)	1,230
	10,160	(2,186)	7,974	10,240	(943)	9,297
Investment Management						
Investment management agreement	3,900	(1,887)	2,013	3,900	(1,336)	2,564
Assembled workforce	526	(255)	271	526	(180)	346
	4,426	(2,142)	2,284	4,426	(1,516)	2,910
Real Estate						
In-place lease	6,028	(1,157)	4,871	6,028	(659)	5,369
Total	**$ 20,614**	**$ (5,485)**	**$ 15,129**	**$ 20,694**	**$ (3,118)**	**$ 17,576**

Aggregate Amortization Expense *(in thousands)*:	
For the year ended June 30, 2020	$ 2,367
For the year ended June 30, 2019	2,063

Estimated Future Amortization Expense *(in thousands)*:	
For the year ending June 30, 2021	$ 2,156
For the year ending June 30, 2022	1,981
For the year ending June 30, 2023	1,894
For the year ending June 30, 2024	1,702
For the year ending June 30, 2025	1,597
Thereafter	5,799

During the quarter ended March 31, 2020 certain impairment triggering events were identified with regards to the Company's long-lived asset groups within the durable medical equipment and investment management businesses due primarily to the effects of the growing COVID-19 pandemic. Based on the impairment analyses performed however, no impairment of long-lived assets was noted.

10. Lessee Operating Leases

All of the Company's leases are operating leases. Certain of the leases have both lease and non-lease components. The Company has elected to account for the lease component and the non-lease components as a single combined lease component for all classes of underlying assets. The following table provides additional details of the leases presented in the balance sheets:

(in thousands)	June 30, 2020	June 30, 2019
Facilities		
Right of use assets	$ 5,265	$ 6,066
Current portion of lease liabilities	1,560	1,371
Lease liabilities, net of current portion	3,990	4,989
Total liabilities	$ 5,550	$ 6,360
Weighted-average remaining life	3.9 years	4.4 years
Weighted-average discount rate	11.7%	11.7%
Vehicles		
Right of use assets	$ 61	$ 80
Current portion of lease liabilities	20	18
Lease liabilities, net of current portion	41	62
Total liabilities	$ 61	$ 80
Weighted-average remaining life	2.8 years	3.7 years
Weighted-average discount rate	12.3%	12.3%
Equipment		
Right of use assets	$ 66	$ 93
Current portion of lease liabilities	37	34
Lease liabilities, net of current portion	29	59
Total liabilities	$ 66	$ 93
Weighted-average remaining life	2.0 years	2.6 years
Weighted-average discount rate	12.5%	12.5%

As of June 30, 2020, the Company had total right of use assets of $5.4 million and lease liabilities of $5.7 million (consisting of $1.6 million in current portion of lease liabilities and $4.1 million in lease liabilities, net of current portion) on the consolidated balance sheet related to the leases discussed herein. As of June 30, 2019, the Company had total right of use assets of $6.2 million and lease liabilities of $6.5 million (consisting of $1.4 million in current portion of lease liabilities and $5.1 million in lease liabilities, net of current portion) on the consolidated balance sheet related to the leases discussed herein. The discount rate for each lease is based on the collateralized borrowing rate at the inception of the lease.

Operating lease costs are included in the operating expense associated with the business segment leasing the asset on the statements of operations and are included in cash flows from operating activities on the statements of cash flows. Certain operating leases include variable lease costs which are not material and are included in operating lease costs. Additional details are presented in the following table:

	For the years ended June 30,			
(in thousands)	2020		2019	
Facilities				
Operating lease cost	$	2,097	$	1,777
Cash paid for operating leases		2,071		1,720
Vehicles				
Operating lease cost	$	27	$	23
Cash paid for operating leases		27		23
Equipment				
Operating lease cost	$	45	$	31
Cash paid for operating leases		45		31

The following table summarizes the Company's undiscounted cash payment obligations for its operating leases:

(in thousands)		
For the year ending June 30, 2021		2,174
For the year ending June 30, 2022		1,927
For the year ending June 30, 2023		1,273
For the year ending June 30, 2024		897
For the year ending June 30, 2025		404
Thereafter		374
Total lease payments	$	7,049
Imputed interest		(1,372)
Total lease liabilities	$	5,677

Durable Medical Equipment

As part of the durable medical equipment acquisitions discussed in Note 4 – Acquisitions, the Company assumed leases for facilities, vehicles and equipment. Subsequent to the acquisitions, the Company has entered into additional similar facilities leases.

The facility leases include offices, retail and warehouse space and sleep labs. The facility leases have original or amended terms ranging from 12 to 96 months, some of which include an additional option to extend the lease for up to 120 months. At the date of acquisition, the remaining lease terms for acquired leases ranged from 3 to 96 months. Certain of these leases have variable rental payments tied to a consumer price index or include additional rental payments for maintenance costs, taxes and insurance, which are accounted for as variable rent.

The vehicles leases have original lease terms of 60 months from the commencement date of each lease with no option to extend. Each lease may be terminated by the lessee with 30-days' notice after the first 13 months of the lease subject to certain early termination costs, including residual value guarantees. The lease costs include variable payments for taxes and other fees.

Equipment leases consist of office equipment with original lease terms ranging from 36 to 48 months from the commencement date of each lease and may include an option to extend or purchase at the end of the lease term. Certain of these leases include additional rental costs for taxes, insurance and additional fees in addition to the base rental costs.

Investment Management and General Corporate

The Company entered into a lease for office space located in Waltham, MA. This office space is allocated between the investment management and general corporate segments. On the commencement date of the lease, the non-cancellable term was for eighty-eight months from the occupancy date of June 1, 2017 and contains an option to extend for an additional sixty-month period.

The lease payments commenced on October 1, 2017, four months after the Company began to occupy the space. On an annual basis, the lease payments increase at an average rate of approximately 2.4% from $28 to $32 thousand per month.

11. Borrowings

Related party borrowings of the Company's subsidiaries are summarized in the following table:

(in thousands)	Subsidiaries	As of June 30, 2020	As of June 30, 2019
Corbel Facility	DME Inc. and subsidiaries	$ 25,106	$ 27,584
GP Corp. Note	GP Corp.	3,072	3,148
Total principal		$ 28,178	$ 30,732
Unamortized debt issuance cost		(275)	(364)
Total long-term related party notes payable		27,903	30,368
Less current portion of related party notes payable		(1,418)	(2,066)
Related party notes payable, net of current portion		$ 26,485	$ 28,302

The Company's subsidiaries' other outstanding borrowings are summarized in the following table:

(in thousands)	Subsidiaries	As of June 30, 2020	As of June 30, 2019
DME Revolver	DME Inc. and subsidiaries	$ 3,900	$ 7,401
Equipment Financing	DME Inc. and subsidiaries	2,230	1,475
Senior Note	CRIC IT	50,004	52,161
Subordinated Note	CRIC IT	3,803	3,277
Total principal		$ 59,937	$ 64,314
Unamortized debt premiums		3,251	3,205
Unamortized debt discounts and issuance costs		(1,956)	(2,250)
Total other outstanding borrowings		61,232	65,269
Less current portion of other outstanding borrowings		(8,255)	(3,530)
Other outstanding borrowings, net of current portion		$ 52,977	$ 61,739

The Company incurred interest expense of $6.4 million and $6.3 million for the years ended 2020 and 2019, respectively.

The Company's aggregate future required principal debt repayments are summarized in the following table:

(in thousands)	Principal Due
For the year ending June 30, 2021	$ 9,678
For the year ending June 30, 2022	4,141
For the year ending June 30, 2023	4,250
For the year ending June 30, 2024	23,835
For the year ending June 30, 2025	3,202
Thereafter	55,476
Total	$ 100,582
Outstanding principal on related party borrowings	$ 28,178
Outstanding principal on other borrowings	59,937
Future interest to be paid-in-kind	12,467
Total future required principal payments	$ 100,582

Additional details of each borrowing by operating segment are discussed below.

Durable Medical Equipment

In September 2018, in conjunction with the acquisition of 80.1% of Great Elm DME, Inc., the Company assumed a secured note (**Corbel Facility**) with a principal balance of $8.5 million, which was amended and increased to $25 million concurrent with the closing of the acquisition described in Note 4 – Acquisitions. In addition, the Company assumed and expanded a revolving line of credit agreement (**DME Revolver**) with a principal balance of $0.8 million, which was amended and increased to $6.3 million at the date of acquisition.

The Company amended and borrowed an additional $3.4 million under the Corbel Facility in June 2019 bringing the outstanding principal balance to $25.1 million as of June 30, 2020. The Corbel Facility matures on August 31, 2023, accrues interest at a variable rate of three-month LIBOR plus 10% per annum and is secured by the assets of the durable medical equipment business. At June 30, 2020 the interest rate was 10.30%. The Corbel Facility requires quarterly interest payments and principal payments of $0.3 million through the maturity date with the final principal balance due at maturity. In addition, beginning with the quarter ending December 31, 2018, the Company is required to make additional quarterly principal payments based on a percentage of excess cash flows generated by the durable medical equipment business operations. The Company has the option to prepay the borrowings outstanding in whole or in part subject to certain prepayment penalties ranging from 1% - 5% of the early payment of the principal, based on the time that the loan has been outstanding through the first five years of the loan.

The Corbel Facility is held by a related party, Corbel. In connection with the issuance of the amended Corbel Facility, the borrowers paid Corbel a one-time structuring fee of $375,000, which is included in debt issuance costs. See Note 5 – Related Party Transactions and Note 15 – Non-Controlling Interests and Preferred Stock of Subsidiary.

DME Inc. is required to pay to Corbel, as agent of the Corbel Facility, a quarterly monitoring fee of $25,000 while the borrowings remain outstanding. In addition, if the borrowing is repaid with proceeds of debt in full or in part at any time within the first three years from the date of issuance, the borrower shall pay an additional fee to the agent, ranging from 2.10% to 3.50% depending on the date of repayment based on the period outstanding, of the aggregate repaid principal amount.

Principal payments and interest expense incurred on the Corbel Facility are summarized in the following table:

	For the years ended June 30,	
(in thousands)	2020	2019
Principal payments	$ 2,477	$ 625
Interest expense	3,226	2,617

The DME Revolver had a balance of $3.9 million at June 30, 2020 and allows for borrowings up to $10 million, subject to a fixed percentage of qualifying accounts receivables and inventories related to the durable medical equipment business operations. Borrowings under the line of credit are due on November 29, 2020 and accrue interest at a variable rate of the prime rate plus 0.40% per annum. At June 30, 2020 the interest rate was 3.65%. Interest is payable monthly in arrears. The Company has the option to prepay the borrowings without any penalty.

The borrowings under the DME Revolver are collateralized by the assets of the durable medical equipment business and the Company is required to meet certain financial covenants.

The Corbel Facility and DME Revolver each include covenants that restrict DME Inc. business operations to its current business, limit additional indebtedness, liens, asset dispositions and investments, require compliance and maintenance of licenses and government approvals and other customary conditions. Events of default include the failure to pay amounts when due, bankruptcy, or violation of covenants, including a change in control of DME Inc. DME Inc. must also comply with a fixed-charge coverage and leverage ratio financial covenants, which are based in part on the DME Inc. EBITDA levels. The Company was in compliance with all material covenants and restrictions at June 30, 2020.

Beginning in April 2019, DME Inc's operating subsidiaries also utilize equipment financing debt to fund certain inventory and equipment purchases from suppliers. These equipment financing debt agreements are entered into with 3rd party banks and are generally payable in equal installments over terms of one to three years, depending on the nature of the underlying purchases being financed. The debt is secured by the inventory and equipment, as applicable, of the operating subsidiaries entering into the agreements, and the long-term agreements have implicit interest rates between 7 – 8%. The Company financed $3.6 million and $1.6 million in inventory and equipment through such financing agreements during the years ended June 30, 2020 and June 30, 2019, respectively.

Investment Management

The GP Corp. Note matures in November 2026, accrues interest at a variable rate of three-month LIBOR plus 3.0% per annum and is secured by a profit sharing agreement related to GECM's management of GECC. At June 30, 2020 the interest rate was 3.30%. The GP Corp. Note requires quarterly interest only payments and annual principal payments of $0.08 million.

The GP Corp. Note is non-recourse to any of the Company's operations or net assets not related to GECM's management services to GECC. The GP Corp. Note may be prepaid at par value at any time with prior written notice to the holders of the GP Corp. Note. Additionally, GP Corp. is required to prepay the GP Corp. Note upon certain material liquidation transactions including any termination of the Profit Sharing Agreement.

The GP Corp. Note is held by MAST Capital, a related party. Payments and interest expense incurred on the GP Corp. Note are summarized in the following table:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Principal payments	$ 76	$ 76
Interest expense	167	181

Real Estate

In March 2018, in connection with the acquisition of the real estate business, the Company assumed a senior secured note (**Senior Note**) with a principal balance of $54.8 million and a subordinated note (**Subordinated Note**) with a principal balance of $2.7 million at the date of acquisition. The Senior Note was recorded at an estimated fair value of $52.2 million, reflecting a discount of $2.6 million from the face amount; and the Subordinated Note was recorded at $5.8 million, reflecting a premium of $3.1 million. The discount and premium amortize over the life of the notes.

The Senior Note matures on March 15, 2030, accrues interest at a rate of 3.49% per annum and is secured by a first lien mortgage on the Property and an Assignment of Leases and Rents. The Senior Note requires monthly principal and interest payments through the maturity date, with the last payment of $18.4 million on March 15, 2030. The principal and interest due on the Senior Note may be prepaid at the option of the borrower, based on an amount determined by discounting the remaining principal and interest payments at a rate equal to an applicable premium in excess of a rate corresponding to the specified U.S. Treasury security over the remaining average life of the Senior Note.

The Subordinated Note matures on March 15, 2030, accrues interest at a rate of 15.0% per annum, and is secured by a second lien mortgage on the Property and an Assignment of Leases and Rents. The Subordinated Note is a capital appreciation note, whereby the monthly interest is capitalized to the principal balance and due at maturity. Accordingly, a $16.3 million payment is due on March 15, 2030. The principal and interest due on the Subordinate Note may be prepaid at the option of the borrower, based on an amount determined by discounting the remaining principal and interest payments at a rate equal to an applicable premium in excess of a rate corresponding to the specified U.S. Treasury security over the remaining average life of the Subordinated Note.

The note agreements include negative covenants that restrict the Property Owner's business operations to ownership and lease of the Property, limit additional indebtedness, require maintenance of insurance and other customary requirements related to the Property. Events of default include non-payment of amounts when due, inability to pay indebtedness or material change in the business operations or financial condition of the Property Owner or the lease tenant that in the Lender's reasonable determination would reasonably be expected to materially impair the value of the Property, prevent timely repayment of the notes or performance of any material obligations under the note and related agreements. The payments under the notes are also guaranteed on a full and several basis by the non-controlling interest holder of the Property Owner. Both the Senior Note and Subordinated Note are non-recourse to the Company, but are secured by the Property, the rights associated with the Leases and the stock owned by the Company in the Property Owner. See Note 7 – Lessor Operating Leases.

As of June 30, 2020 and June 30, 2019, the fair value approximates the carrying value for both the Senior Note and Subordinated Note.

12. Convertible Notes

On February 26, 2020, the Company issued Convertible Notes at par with an aggregate principal balance of $30 million due February 26, 2030 (the **Convertible Notes**) to a consortium of investors, including $13.1 million issued to certain related parties. Such Convertible Notes issued to related parties include:

- $6.0 million issued to entities associated with Matthew A. Drapkin, including funds managed by Northern Right Capital Management, L.P, a significant shareholder. Mr. Drapkin, a member of the Company's Board of Directors, is the Chief Executive Officer of Northern Right Capital Management, L.P.
- $6.4 million issued to entities associated with Jason W. Reese, including funds managed by Imperial Capital Asset Management, LLC (**ICAM**), a significant shareholder. Jason W. Reese, who subsequently became Executive co-Chairman of the Company's Board of Directors, is the Chief Executive Officer of ICAM.
- $0.65 million issued to entities associated with Eric J. Scheyer, who subsequently became a member of the Company's Board of Directors.

The Convertible Notes accrue interest at 5.0% per annum, payable semiannually in arrears on June 30 and December 31, commencing June 30, 2020, in cash or in kind at the option of the Company. Each $1,000 principal amount of the Convertible Notes are convertible into 288.0018 shares of the Company's common stock, subject to the terms therein, prior to maturity at the option of the holder.

The Company may, subject to compliance with the terms of the Convertible Notes, effect the conversion of some or all of the Convertible Notes into shares of common stock, subject to certain liquidity and pricing requirements, as specified in the Convertible Notes.

The embedded conversion feature in the Convertible Notes qualifies for the scope exception to derivative accounting in ASC Topic 815, *Derivatives and Hedging,* for certain contracts involving a reporting entity's own equity. However, due to a Company option to settle any conversion request by holders prior to July 1, 2020 in either cash or in shares, the conversion option is bifurcated and recorded to additional paid-in-capital within equity, creating a debt discount. In valuing the conversion option, we estimated that the yield on an identical non-convertible instrument would be 12.5%, and the expected term of the Convertible Notes would be equal to their contractual term of 10 years, resulting in a debt discount of $12.6 million. In determining the effective yield, we considered the effective yield of the Company's existing debt agreements as well as those of market comparables based on our credit rating analysis. The Company incurred $1.2 million in issuance costs, which were allocated ratably between the debt and equity portions of the instrument. Both the debt discount and debt issuance costs are being amortized over the 10-year Convertible Notes term and are netted with the principal balance within convertible debt on our condensed consolidated balance sheet.

The Company incurred interest expense of $0.8 million related to the Convertible Notes for the year ended June 30, 2020, which was paid-in-kind by issuing $0.5 million of additional Convertible Notes to holders.

(in thousands)		**As of June 30, 2020**
Convertible Notes principal	$	30,521
Unamortized debt discounts and issuance costs		(13,077)
Total Convertible Notes		17,444

13. CARES Act

On March 27, 2020, the President of the United States passed into law the Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**). Section 1102 of the CARES Act, the Paycheck Protection Program Loan (**PPP Loan**) provided additional funding for small businesses, as defined by the Small Business Act, to keep workers employed during through the COVID-19 crisis. In April 2020, our 80.1% owned subsidiary Great Elm DME, Inc. applied for and received $3.6 million in PPP Loans. Proceeds can only be used for specified covered purposes including payroll, rent and utilities in accordance with the CARES Act. The PPP Loan has a two year term and bears interest at a rate of 1% per annum. To the extent proceeds are used for these covered purposes, some or all of the related principal balances may be forgiven. Monthly principal and interest payments are deferred until the U.S. Small Business Administration (**SBA**) has remitted the loan forgiveness amount to the lender. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. Between funding and June 30, 2020, the Company spent these proceeds on covered purposes and has recognized the proceeds as a reduction to operating expenses. Subsequent to June 30, 2020, the Company submitted a forgiveness application to the lender seeking full forgiveness of the PPP Loan. The eligibility requirement of the PPP Loan is subjective, and if determined that we were ineligible to receive the PPP Loan we could be required to pay the PPP Loan in its entirety.

Additionally, pursuant to the CARES Act, Congress appropriated $100 billion in relief funds for hospitals and healthcare providers through grants administered by the U.S. Department of Health and Human Services (**HHS**). Qualified providers of healthcare, services and support may receive HHS grants for healthcare-related expenses or lost revenue due to the COVID-19 pandemic. Retention and use of the HHS grants are subject to certain terms and conditions including that such grant funds may only be used to prevent, prepare for, and respond to COVID-19 and such grant funds will reimburse only healthcare-related expenses or lost revenues that are attributable to the COVID-19 pandemic. If these terms and conditions are met, HHS grants do not need to be repaid. In April 2020, subsidiaries of Great Elm DME Inc. received $1.4 million in HHS grants to continue providing health care treatment to patients during the COVID-19 pandemic. Between the date of funding and June 30, 2020, the Company used these funds as authorized by the HHS grant and has recognized the proceeds as a reduction to operating expenses. We will continue to monitor our compliance with the terms and conditions of the HHS grant and any additional requirements if and when they become applicable.

We have accounted for such proceeds as in-substance government grants by analogizing to International Accounting Standard 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

14. Stockholders' Equity

Tax Benefits Preservation Agreement

On January 28, 2018, the Board of Directors of the Company adopted a Tax Benefits Preservation Agreement, between the Company and Computershare Trust Company, N.A., as Rights Agent (the **Rights Plan**) to replace the Company's existing Tax Benefits Preservation Agreement, which expired on January 29, 2018, (the **Expired Agreement**). The Rights Plan is substantially the same as the Expired Agreement. In October 2017, the original Rights Plan was approved by the Company's stockholders.

The Rights Plan is designed to reduce the possibility that certain changes in ownership could result in limitations on the use of the tax attributes, by restricting the ability of a person or entity from acquiring ownership (including through attribution under the tax law) of 4.99% or more of the Company's common stock and the ability of persons or entities now owning 5% or more of the outstanding common shares from acquiring additional common shares.

Pursuant to the terms of the Rights Plan, the Company's Board of Directors declared a dividend distribution of one Preferred Stock Purchase Right (a **Tax Right**) for each outstanding share of common stock, par value $0.001 per share of the Company (the **Common Stock**), to stockholders of record as of the close of business on January 29, 2018 (the **Record Date**). In addition, one Tax Right will automatically attach to each share of Common Stock issued between the Record Date and the Distribution Date (as defined in the Rights Plan). Each Tax Right entitles the registered holder thereof to purchase from the Company a unit consisting of one ten-thousandth of a share (a **Unit**) of Series A Junior Participating Cumulative Preferred Stock, par value $0.001 per share, of the Company at a cash exercise price of $15.00 per Unit (the **Exercise Price**), subject to adjustment, under the conditions specified in the Rights Plan.

The Tax Rights are not exercisable until the Distribution Date and will expire at the earlier of (a) January 29, 2028; (b) the time when the Tax Rights are redeemed as provided therein; (c) the time when the Rights are exchanged as provided therein; (d) the repeal of Section 382 of the Code if the Independent Directors (as defined in the Rights Plan) determine that the Rights Plan is no longer necessary for the preservation of Tax Benefits (as defined in the Rights Planet); (e) the beginning of the taxable year of the Company to which the Company's Board of Directors determines that no Tax Benefits may be carried forward, unless previously redeemed or exchanged by the Company.

Stock Plans

In November 2013, the Company's stockholders approved the Amended and Restated 1999 Directors' Equity Compensation Plan (the **Directors' Plan**). Options and awards granted to new or existing Outside Directors (as defined in the Directors' Plan) under the Directors' Plan vest ratably over a period of one to three years. The Directors' Plan also provides for the acceleration of options upon the dismissal of an Outside Director from the Board of Directors of the Company upon or within 24 months following a change in control of the Company. The exercise price of options granted under the Directors' Plan is equal to the fair market value of the Company's common stock on the date of grant. Under the Directors' Plan, stock option grants have a term of ten years. As of June 30, 2020, the Company had a total of 2,000 shares outstanding under the Directors' Plan.

In November 2013, the Company's stockholders approved the Amended and Restated 2006 Stock Incentive Plan (the **2006 Plan**) to provide incentive stock options, non-statutory stock options, restricted stock purchase rights and stock appreciation rights to employees and consultants of the Company and its affiliates. The plan also provides restricted stock bonus, phantom stock units, restricted stock units, performance shares bonus and performance share units. Each share of Company common stock issued pursuant to a stock award issued under this Plan shall reduce the Share Reserve by one share; provided, however that for each Full-Value Stock Award, the share reserve shall be reduced by one and one-half shares. The exercise price of options granted under the 2006 Plan approximates the fair market value of the Company's common stock on the date of grant. Options issued under the 2006 Plan generally expire ten years from the date of grant. Vesting periods are determined by the plan administrator and generally provide for shares to vest ratably over a period of three to four years, with options for new employees generally including a one-year cliff period. As of June 30, 2020, the Company had a total of 214,685 shares outstanding under the 2006 Stock Plan.

In June 2016, the Company's stockholders approved the Great Elm Capital Group, Inc. 2016 Long-Term Incentive Plan (the **2016 Long-Term Incentive Plan**) and the Great Elm Capital Group, Inc. 2016 Employee Stock Purchase Plan (the **2016 Employee Stock Purchase Plan**). In October 2018, the Company's stockholders approved amendments to the 2016 Long-Term Incentive Plan. As of June 30, 2020, the Company had a total of 3,199,310 shares outstanding under the 2016 Long-Term Incentive Plan and no shares were outstanding under the 2016 Employee Stock Purchase Plan.

The following table summarizes the number of common shares available for future issuance under the plans discussed above as of June 30, 2020:

Shares of Common Stock Available for Future Equity Award Grants	
Directors' Plan	24,166
2006 Plan	-
2016 Long-Term Incentive Plan	887,856
2016 Employee Stock Purchase Plan	944,000
Total	1,856,022

Restricted Stock Awards (Performance Shares) and Restricted Stock Units

During the year ended June 30, 2020, there were no awards or forfeitures of restricted stock awards included in the below table and 732,909 remain outstanding as of June 30, 2020. Restricted stock awards granted have both performance and service requirements in connection with the formation of the investment management business. The vesting of these awards is subject to a five-year service requirement and an investment management cumulative revenue collection target of $40 million for the five-year period ended November 3, 2021. Additionally, in September 2017, the Company modified the restricted stock awards to include a provision for changes in control. This modification did not result in the recognition of additional compensation cost.

In order to recognize compensation expense over the vesting period, the Company estimates the probability of the performance target being met on an on-going basis. As of June 30, 2020, the Company estimates that approximately 243,322 of the restricted stock awards are probable of vesting under the performance condition. The Company accounts for forfeitures of the restricted stock awards in the period incurred. There were no forfeitures during the year ended June 30, 2020.

Restricted stock units granted are subject to service requirements. The Company accounts for forfeitures of the restricted stock units in the period incurred. During the year ended June 30, 2020 the Company granted 358,568 shares of restricted stock units to employees and directors and 23,104 shares were forfeited related to the resignation of certain directors.

The aggregate grant date fair value of restricted stock granted during the 2020 and 2019 fiscal years was $1.0 million and $0.6 million, respectively. For the years ended June 30, 2020 and 2019, the total intrinsic value of restricted stock vested was $0.7 million and $0.6 million, respectively.

The activity of the Company's restricted stock awards and units for the year ended June 30, 2020 was as follows:

Restricted Stock Awards and Restricted Stock Units	Restricted Stock *(in thousands)*	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2019	782	$ 3.89
Granted	359	2.90
Vested	(177)	2.89
Forfeited	(23)	3.35
Outstanding at June 30, 2020	941	$ 3.71

Stock Options

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model and assumptions noted in the following table. The Company estimates the expected term for new grants based upon actual historical experience. The Company's expected volatility for the expected term of the option is based upon the historical volatility experienced in the Company's stock price. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company determines the fair value of non-vested shares based on the Nasdaq closing stock price on the date of grant.

The ranges of assumptions used to value options granted were as follows:

	As of June 30,	
	2020	2019
Expected volatility	49.9% - 58.2%	58.9% - 59.8%
Expected dividends	-	-
Expected term (years)	4.00 - 6.35	6.25 - 6.50
Risk-free rate	1.54% - 1.90%	2.27% - 3.13%

The option activity for the year ended June 30, 2020 was as follows:

Options	Shares *(in thousands)*	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value *(in thousands)*
Outstanding at June 30, 2019	2,656	$ 4.33	6.49	$ 1,590
Options granted	240	4.44		
Exercised	-	-		
Forfeited, cancelled or expired	(421)	8.16		
Outstanding at June 30, 2020	2,475	$ 3.69	5.51	$ -
Exercisable at June 30, 2020	1,582	$ 3.60	4.85	$ -
Vested and expected to vest as of June 30, 2020	2,475	$ 3.69	5.51	$ -

The weighted average grant date fair value of options, per share, granted during the 2020 and 2019 fiscal years was $1.52 and $2.19, respectively. No options were exercised during the year ended June 30, 2020. During the year ended June 30, 2019, the total intrinsic value of options exercised was approximately $0.1 million.

Stock-based compensation expense totaled $0.5 million and $1.0 million for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, the Company had unrecognized compensation cost related to all unvested share awards and options totaling $2.2 million and $2.9 million, respectively, expected to be recognized as the awards and options vest over the next 1.2 years.

Warrants

During the year ended June 30, 2019, the Company received cash proceeds totaling $1.4 million from the exercise of 420,000 warrants by MAST Capital at approximately $3.35 per share. There were no remaining warrants outstanding at June 30, 2019.

15. Non-Controlling Interests and Preferred Stock of Subsidiary

Holders of non-controlling interests (**NCI**) or preferred stock in a subsidiary of the Company hold certain rights, which result in the classification of the securities as either liability, temporary equity or permanent equity. The following table summarizes the non-controlling interest balances on the consolidated balance sheets:

	As of June 30,	
(in thousands)	**2020**	**2019**
DME Inc.		
NCI classified as temporary equity	3,890	3,912
NCI classified as permanent equity	3,890	3,912
Total DME Inc.	7,780	7,824
GP Corp.		
NCI classified as permanent equity	(782)	(626)
GE FM Holdings		
NCI classified as permanent equity	778	730
Total	$ 7,776	$ 7,928

The following table summarizes the net income (loss) attributable to the non-controlling interests on the consolidated statements of operations:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
DME Inc.		
NCI classified as temporary equity	(22)	(53)
NCI classified as permanent equity	(22)	(53)
Total DME Inc.	(44)	(106)
GP Corp.		
NCI classified as permanent equity	(156)	(160)
GE FM Holdings		
NCI classified as permanent equity	48	42
Total	$ (152)	$ (224)

Non-controlling interest in DME Inc. classified as temporary equity

In connection with the acquisition of the acquired businesses on September 7, 2018, the Company issued a 9.95% common stock equity ownership in DME Inc. The holder of the interest has a board observer rights for the DME Inc. board of directors, but no voting rights. DME Inc. has the right of first offer if the holder desires to sell the security and in the event of a sale of DME Inc., the holder must sell their securities (drag along rights) and has the right to participate in sales of DME Inc. securities (tag along rights). In addition, upon the seventh anniversary of issuance date, if (i) the holder owns at least 50% of the common shares issued to it at the closing of the transaction, (ii) an initial public offering of DME Inc. has not commenced and (iii) the holder has not had an earlier opportunity to sell its shares at their fair market value, the holder has the right to request a marketing process for a sale of DME Inc. and has the right to put its common shares to DME Inc. at the price for such shares implied by such marketing process. The Company also has the right to call the holder's common shares at such price. The holder of the non-controlling interest is entitled to participate in earnings of DME Inc. and is not required to fund losses. As the redemption is contingent upon future events outside of the Company's control which are not probable, the Company has classified the non-controlling interest as temporary equity and its fair value on the date of issuance, adjusted for any earnings in DME Inc.

The holder of this non-controlling interest, Corbel, is a related party. See Note 5 – Related Party Transactions and Note 11 – Borrowings.

Non-controlling interest in DME Inc. classified as permanent equity

In connection with the acquisition of the acquired businesses on September 7, 2018, the Company issued one of the former owners, a 9.95% common stock equity ownership in DME Inc. The rights are consistent with the non-controlling interest classified as temporary equity, other than the holder does not have a contingent put right. Accordingly, Company has classified the non-controlling interest as permanent equity at its fair value on the date of issuance, adjusted for any earnings in DME Inc.

GP Corp. – Non-controlling interest classified as permanent equity

In connection with the acquisition of the investment management business in November 2016, the Company issued certain affiliates and employees of the Company a 19.9% interest in GP Corp.

GE FM Holdings – Non-controlling interest classified as permanent equity

In connection with the acquisition of the real estate business in March 2018, the Company issued the former owner a 19.9% interest in GE FM Holdings.

Preferred stock in DME Holdings classified as liability

In connection with the acquisition of the acquired businesses on September 7, 2018, the Company issued 5,266 shares of preferred stock in DME Holdings valued at $1,000 per share at issuance. In January 2019, as a result of adjustments to the net working capital adjustment to the total consideration for the acquisition, 214 shares of preferred stock were cancelled and forfeited. The Company redeemed an additional 1,500 shares of preferred stock in March 2019 and the remaining 3,552 shares of preferred stock were redeemed in June 2019. As of June 30, 2020 and 2019, there were no shares of preferred stock in DME Holdings outstanding. The following table summarizes the preferred stock activity for the year ended June 30, 2019:

(in thousands)	
Balance as of June 30, 2018	-
Issuance of preferred stock	5,266
Redemption of preferred stock	(5,266)
Balance as of June 30, 2019	-

The preferred stock was held by Corbel, who is also the holder of the Corbel Facility and the non-controlling interest in DME Inc. classified as temporary equity discussed below. See Note 5 – Related Party Transactions and Note 11 – Borrowings.

16. Income Taxes

The Company had loss from continuing operations before provision for income taxes of $13.1 million and $9.1 million for the years ended 2020 and 2019, respectively. There was no foreign activity during these years.

The provision (benefit) for income taxes includes the following:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Current	$ 8	$ 84
Deferred	$ 36	$ (2,266)
Total	$ 44	$ (2,182)

The Company recognized an income tax expense from continuing operations of $0.04 million for the year ended June 30, 2020 and a $2.2 million income tax benefit for the year ended 2019.

During 2019, the Company recognized an income tax benefit with respect to discontinued operations of $1.3 million related to intraperiod allocations. In addition, the Company recognized an income tax benefit with respect to deferred tax liabilities of $0.9 million acquired in the durable medical equipment acquisition. No intraperiod allocations were made in 2020.

The following table reconciles the expected corporate federal income tax expense (benefit), computed by multiplying the Company's income (loss) before income taxes by the statutory income tax rate of 21% for fiscal years 2020 and 2019:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Federal benefit at statutory rate	$ (2,747)	$ (1,900)
State taxes	(459)	(427)
Permanent adjustments	33	36
Change in valuation allowance	(33,929)	(5,788)
Provision to return true-up	182	(134)
Deferred remeasurement	-	(174)
Net operating loss and credit expirations	36,724	6,335
Stock compensation adjustment	156	(122)
Other	84	(8)
Total tax expense (benefit)	$ 44	$ (2,182)

The tax effect of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows:

	As of June 30,	
(in thousands)	**2020**	**2019**
Deferred Tax Assets:		
Net operating loss carryforwards	$ 322,602	$ 358,913
Accruals and allowances not deductible for tax purposes	2,990	2,399
Stock based compensation	594	799
Unrealized loss on investment	5,422	3,299
Lease liability	1,430	1,298
Interest expense carryforward	1,111	900
Total deferred tax assets, gross	$ 334,149	$ 367,608
Less: valuation allowance	$ (325,943)	$ (362,536)
Total deferred tax assets, net	$ 8,206	$ 5,072
Deferred Tax Liabilities:		
Right to use asset	$ (1,372)	$ (1,611)
Acquired intangibles	(1,879)	(2,373)
Convertible debt discount	(3,123)	-
Lease receivable	(385)	(240)
Goodwill	(1,055)	(456)
Acquired indefinite lived assets	(713)	(724)
Total deferred tax liabilities	$ (8,527)	$ (5,404)
Total deferred tax liabilities, net (indefinite-lived assets)	$ (321)	$ (332)

In light of the Company's history of cumulative operating losses, the Company recorded a valuation allowance for all of its federal and state deferred tax assets, as it is presently unable to conclude that it is more likely than not that the federal and state deferred tax assets in excess of deferred tax liabilities will be realized. The decrease of $36.6 million in the overall valuation allowance relates primarily to the expiration of federal tax attributes. The state deferred amounts reflected in the above table were calculated using the enacted tax rates. The Company will establish the related federal deferred tax liability for the benefit of the state deduction in conjunction with its analysis of the realizability of its state deferred tax assets. The Company has a net deferred tax liability due to an indefinite-lived real property which is not depreciable for US GAAP purposes as well as indefinite-lived goodwill that is not amortizable for US GAAP purposes.

As of June 30, 2020, the Company has net operating loss (**NOL**) carryforwards for federal and state income tax purposes of approximately $1.5 billion and $203 million, respectively. The federal NOL carryforwards generated prior to fiscal year 2018 will expire from 2021 through 2037. The federal NOL carryforwards generated in fiscal year 2018 or later may be carried forward indefinitely. The California NOL carryforwards of $185 million will expire from 2029 through 2037. The Massachusetts NOL carryforwards of $14 million will expire from 2031 to 2038. The Florida NOL carryforwards of $3 million may be carried forward indefinitely.

The following table reflects federal NOL carryforwards that will expire beginning in the fiscal year ended June 30, 2021 (in thousands):

Fiscal Year of Expiration		**Federal NOL carryforwards**
2021	$	504,561
2022		143,137
2023		131,077
2024		60,132
2025		117,277
2026 through 2037		486,541
Indefinite		9,083
Total	$	1,451,808

Under Code Section 382, the utilization of a corporation's NOL carryforwards is limited following a change in ownership (as defined by the Code) of greater than 50% within a rolling three-year period. If it is determined that prior equity transactions limit the Company's NOL carryforwards, the annual limitation will be determined by multiplying the market value of the Company on the date of the ownership change by the federal long-term tax-exempt rate. Any amount exceeding the annual limitation may be carried forward to future years for the balance of the NOL carryforward period.

During the 2020 and 2019 fiscal years, the total amount of gross unrecognized tax benefit activity was as follows (in thousands):

Balance as of June 30, 2018	**$**	**51,346**
Addition for tax positions of prior years		-
Reductions for tax positions of prior years		(13)
Lapse of statute of limitations		(879)
Balance as of June 30, 2019		**50,454**
Addition for tax positions of prior years		-
Reductions for tax positions of prior years		(94)
Lapse of statute of limitations		(5,980)
Balance as of June 30, 2020	**$**	**44,380**

During the year ended June 30, 2020, the Company’s unrecognized tax benefits decreased by $6.1 million due to the expiration of the Company’s historical research and development credits for which an unrecognized tax benefit had been established.

As of June 30, 2020 and 2019, the Company had approximately $44.4 million and $50.5 million, respectively, of unrecognized tax benefits. The unrecognized tax benefits, if recognized, would impact the effective tax rate by $44.4 million and $50.5 million, respectively, for the years ended June 30, 2020 and 2019, without considering the impact of the valuation allowance.

The Company's policy is to include interest and penalties related to unrecognized tax benefits in tax expense on the Company's consolidated statements of operations. As of June 30, 2020 and 2019, no amount is accrued for interest associated with tax liabilities.

Although timing of the resolution and/or closure on the Company's unrecognized tax benefits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits would materially change in the next 12 months.

The Company files U.S. federal and U.S. state tax returns. Because of NOL carryforwards, substantially all of the Company's tax years, from the 1995 through 2020 fiscal years, remain open to IRS examinations with the exception of the 2010 and 2009 fiscal years for which IRS examinations have been completed. Substantially all of the Company's tax years, from the 1995 through 2020 fiscal years, remain open to state tax examination.

17. Segment Information

The Company allocates resources based on three business operating segments: durable medical equipment, investment management and real estate with general corporate representing unallocated costs and activity to arrive at consolidated operations. Activity not allocated to the segments include, but are not limited to, certain investment and financing activities, professional fees, costs associated with being a public company, acquisition costs and costs associated with executive and corporate management departments, including compensation, benefits, rent and insurance. No resources were allocated to the durable medical equipment business prior to the first durable medical equipment acquisition in September 2018. All operations and assets are based in the United States.

The following tables summarize the results of operations by segment.

	For the year ended June 30, 2020					
(in thousands)	**Durable Medical Equipment**	**Investment Management**	**Real Estate**	**General Corporate**	**Intercompany Eliminations(1)**	**Consolidated Total**
Revenue:						
Total revenue	$ 55,662	$ 3,332	$ 5,104	$ 159	$ (159)	$ 64,098
Operating costs and expenses:						
Cost of durable medical equipment sold and services	(15,055)	-	-	-	-	(15,055)
Cost of durable medical equipment rentals	(9,105)	-	-	-	-	(9,105)
Depreciation and amortization	(1,878)	(636)	(1,722)	(1)	-	(4,237)
Stock-based compensation(2)	-	34	-	(582)	-	(548)
Transaction costs(3)	-	-	-	(863)	-	(863)
Other selling, general and administrative	(26,080)	(2,138)	(544)	(5,020)	159	(33,623)
Total operating expenses	(52,118)	(2,740)	(2,266)	(6,466)	159	(63,431)
Other income (expense):						
Interest expense	(3,655)	(157)	(2,619)	(764)	-	(7,195)
Other income (expense)	5	-	-	(6,560)	-	(6,555)
Total other income (expense), net	(3,650)	(157)	(2,619)	(7,324)	-	(13,750)
Total pre-tax income (loss) from continuing operations	$ (106)	$ 435	$ 219	$ (13,631)	$ -	$ (13,083)

(in thousands)	Durable Medical Equipment(4)	Investment Management	Real Estate	General Corporate	Intercompany Eliminations(1)	Consolidated Total
	For the year ended June 30, 2019					
Revenue:						
Total revenue	$ 41,880	$ 3,841	$ 5,459	$ 123	$ (123)	$ 51,180
Operating costs and expenses:						
Cost of durable medical equipment sold and services	(11,463)	-	-	-	-	(11,463)
Cost of durable medical equipment rentals	(5,798)	-	-	-	-	(5,798)
Depreciation and amortization	(1,323)	(631)	(1,729)	-	-	(3,683)
Stock-based compensation(2)	-	(521)	-	(457)	-	(978)
Transaction costs(3)	(551)	-	-	(1,582)	-	(2,133)
Other selling, general and administrative	(20,260)	(3,504)	(884)	(6,904)	123	(31,429)
Total operating expenses	(39,395)	(4,656)	(2,613)	(8,943)	123	(55,484)
Other income (expense):						
Interest expense	(3,415)	(180)	(2,655)	-	-	(6,250)
Other income (expense)	(177)	-	-	1,682	-	1,504
Total other income (expense), net	(3,592)	(180)	(2,655)	1,682	-	(4,746)
Total pre-tax income (loss) from continuing operations	$ (1,107)	$ (995)	$ 191	$ (7,138)	$ -	$ (9,050)

(1) The Company's wholly-owned subsidiary, Great Elm DME Manager, LLC (DME Manager), provides advisory services to DME Inc. and receives consulting fee from DME Inc. for those services. DME Manager is considered part of the general corporate segment of the Company. The corresponding expense to DME Inc. and revenue to DME Manager are eliminated in consolidation.

(2) Stock-based compensation attributable to the investment management segment is included in investment management expenses in the consolidated statements of operations. Stock-based compensation attributable to the general corporate segment is included in selling, general and administrative expense in the consolidated statements of operations.

(3) Transaction costs, which consist of legal and other professional services, are included in selling, general and administrative expense in the consolidated statements of operations.

(4) Our durable medical equipment business began in September 2018 and there was no related activity prior to that date.

The following tables summarize assets by segments:

(in thousands)	Durable Medical Equipment	Investment Management	Real Estate	General Corporate	Total
	As of June 30, 2020				
Fixed assets, net	$ 8,854	$ 35	$ 53,188	$ 4	$ 62,081
Identifiable intangible assets, net	7,974	2,284	4,871	-	15,129
Goodwill	50,010	-	-	-	50,010
Other assets	19,055	2,654	2,171	44,345	68,225
Total	$ 85,893	$ 4,973	$ 60,230	$ 44,349	$ 195,445

(in thousands)	Durable Medical Equipment	Investment Management	Real Estate	General Corporate	Total
	As of June 30, 2019				
Fixed assets, net	$ 10,464	$ 43	$ 54,411	$ -	$ 64,918
Identifiable intangible assets, net	9,297	2,910	5,369	-	17,576
Goodwill	50,397	-	-	-	50,397
Other assets	17,300	3,065	1,534	27,936	49,835
Total	$ 87,458	$ 6,018	$ 61,314	$ 27,936	$ 182,726

18. Commitments and Contingencies

From time to time, the Company is involved in lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. The Company maintains insurance to mitigate losses related to certain risks. The Company is not a named party in any other pending or threatened litigation that we expect to have a material adverse impact on our business, results of operations, financial condition or cash flows

19. Discontinued Operations

On June 30, 2016, the Company sold two of its previously wholly-owned subsidiaries (the **Divestiture**) engaged in the patent licensing business for an aggregate purchase price of up to $40 million. The purchaser paid the Company $30 million, plus certain adjustments, upon the closing of the Divestiture, and had made claims that it had incurred indemnifiable losses in excess of the remaining $10 million due under the purchase and sale agreement.

On January 21, 2019, we entered into a mutual release and settlement agreement with the purchaser resulting in the release of any indemnifiable liabilities and an incremental cash receipt of $1.5 million. Prior to the execution of this settlement, the Company had determined that a loss related to final settlement with the purchaser was not realizable or estimable, and therefore had not accrued for any losses; however, the recognition of a portion of proceeds received associated with the former patent licensing business had been deferred pending finalization of all contingencies. The settlement resulted in a $5.0 million gain in discontinued operations during the year ended June 30, 2019, consisting of the extinguishment of related liabilities of $3.6 million and the receipt of cash of $1.5 million from the purchaser, partially offset by legal fees of $0.1 million. The net income from discontinued operations includes these gains, offset by a tax provision of $1.3 million for the year ended June 30, 2019.

The following table provides a reconciliation of the Company's previous operations as reclassified for all of the periods presented:

	For the years ended June 30,	
(in thousands)	**2020**	**2019**
Discontinued operations:		
Net revenue	$ -	$ 1,500
Extinguishment of liabilities related to discontinued operations	-	3,608
General and administrative expenses	-	(87)
Pretax gain (loss) from discontinued operations	**-**	**5,021**
Income tax benefit (expense)	-	(1,285)
Net gain (loss) from discontinued operations	**$ -**	**$ 3,736**

The Company did not allocate interest expense to discontinued operations and no general corporate overhead expenses have been reclassified to discontinued operations.

20. Quarterly Financial Results (Unaudited)

The following table sets forth a summary of the Company's unaudited quarterly operating results for each of the eight quarters in the period ended June 30, 2020. The information has been derived from the Company's unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the accompanying consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation.

	Fiscal Year Ended June 30, 2020				Fiscal Year Ended June 30, 2019			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net revenues	$ 15,940	$ 16,236	$ 16,551	$ 15,371	$ 15,082	$ 14,084	$ 15,541	$ 6,473
Operating costs and expenses	13,120	17,245	16,821	16,245	16,659	14,601	15,308	8,916
Operating loss from continuing operations	$ 2,820	$ (1,009)	$ (270)	$ (874)	$ (1,577)	$ (517)	$ 233	$ (2,443)
Income (loss) from continuing operations	$ 3,953	$ (11,918)	$ (2,126)	$ (3,036)	$ (998)	$ 322	$ (4,251)	$ (1,941)
Income (loss) from discontinued operations	-	-	-	-	(50)	3,879	(25)	(68)
Net income (loss) attributable to Great Elm Capital Group, Inc.	$ 3,572	$ (11,617)	$ (1,841)	$ (3,089)	$ (794)	$ 4,236	$ (4,346)	$ (2,004)
Basic income (loss) from continuing operations per share	$ 0.13	$ (0.46)	$ (0.07)	$ (0.12)	$ (0.03)	$ 0.02	$ (0.17)	$ (0.08)
Basic income (loss) from discontinued operations per share	-	-	-	-	(0.00)	0.15	(0.00)	(0.00)
Basic income (loss) per share	$ 0.13	$ (0.46)	$ (0.07)	$ (0.12)	$ (0.03)	$ 0.17	$ (0.17)	$ (0.08)
Diluted income (loss) from continuing operations per share	$ 0.13	$ (0.46)	$ (0.07)	$ (0.12)	$ (0.03)	$ 0.02	$ (0.17)	$ (0.08)
Diluted income (loss) from discontinued operations per share	-	-	-	-	(0.00)	0.15	(0.00)	(0.00)
Diluted income (loss) per share	$ 0.13	$ (0.46)	$ (0.07)	$ (0.12)	$ (0.03)	$ 0.17	$ (0.17)	$ (0.08)
Shares used in computing:								
Basic income (loss) per share	25,469	25,430	25,402	25,373	25,335	25,265	25,187	25,054
Diluted income (loss) per share	25,469	25,430	25,402	25,373	25,335	25,277	25,187	25,054

21. Subsequent Events

On August 31, 2020 GECC announced a non-transferable subscription rights offering to purchase shares of its common stock. The Company and certain other GECC stockholders (collectively, the "Participating Shareholders") have indicated that they intend to fully exercise their rights and over-subscribe in order to make an aggregate investment of up to $24 million in shares of our common stock. Any over-subscription by the Participating Shareholders will be effected only after pro rata allocation of over-subscription shares to record date holders (other than the Participating Shareholders) who fully exercise all rights issued to them.

SCHEDULE III

GREAT ELM CAPITAL GROUP, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
June 30, 2020

(in thousands)		Initial cost to company		Gross amount of which carried at close of period[(a)(b)]					Life on which depreciation in latest income statements is computed
Description	Encumbrances	Land	Buildings and improvements	Land	Buildings and improvements	Total	Accumulated depreciation[(a)]	Date acquired	
Office buildings									
Gartner I and II Fort Myers, FL	$ 53,807	$ 9,170	$ 46,855	$ 9,170	$ 46,855	$ 56,025	$ 2,837	03/06/18	(c)

(a) Reconciliation of total real estate carrying value and accumulated depreciation for the years ended June 30, 2020 and 2019 are as follows:

(in thousands)	Real Estate	Accumulated Depreciation
Balance as of June 30, 2018	$ 56,025	$ 384
Depreciation expense	-	1,230
Balance as of June 30, 2019	56,025	1,614
Depreciation expense	-	1,223
Balance as of June 30, 2020	$ 56,025	$ 2,837

(b) The aggregate cost for federal income tax purposes was $64.5 million at June 30, 2020.

(c) Depreciation is computed based on the following estimated lives:

Description	Life in Years
Real Estate Assets	
Buildings	55
Site improvements	16
Tenant improvements	12

Exhibit 4.6

Description of Great Elm Capital Group, Inc.'s Securities

As of September 27, 2019, Great Elm Capital Group, Inc. has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (i) our common stock, (ii) our preferred stock purchase rights and (iii) our units.

*The following is a summary description of such securities and does not purport to be complete. For a complete description of the terms and provisions of such securities, refer to our Amended and Restated Certificate of Incorporation (our **Charter**), Amended and Restated Bylaws (our **Bylaws**) and Rights Agreement (as defined below). This summary description is qualified in its entirety by reference to these documents, each of which is included as an exhibit to the Annual Report on Form 10-K to which this exhibit is a part.*

Authorized Capital Stock

Pursuant to our Charter, our authorized capital stock consists of 1,000,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.001 par value per share.

Common Stock

Voting and Other Rights

Holders of shares of our common stock are entitled to one vote for each share held of record on all matters to be voted on by our stockholders, including the election of directors. Our Charter and our Bylaws do not provide for cumulative voting rights. Because of this, the holders of a majority of our common stock entitled to vote in any election of directors can elect all of the directors standing for election.

Dividends

Subject to the preferences that may be applicable to any then outstanding preferred stock, the holders of our outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors (our **Board**) out of legally available funds.

Liquidation, Redemption and Preemptive Rights

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock. Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Listing

Our common stock is listed on The Nasdaq Global Select Market under the symbol "GEC."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Preferred Stock

Pursuant to our Charter, our Board has the authority, without further action by the stockholders (unless such stockholder action is required by applicable law or the Nasdaq Stock Market rules), to designate and issue up to 5,000,000 shares of preferred stock in one or more series, to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of preferred stock and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of that series, but not below the number of shares of such series then outstanding.

The Delaware General Corporation Law (the **DGCL**) provides that the holders of preferred stock will have the right to vote separately as a class (or, in some cases, as a series) on an amendment to our Charter if the amendment would change the par value, the number of authorized shares of the class or the powers, preferences or special rights of the class or series so as to adversely affect the class or series, as the case may be. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

Our Board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock.

Delaware Anti-Takeover Law and Provisions of our Charter and our Bylaws

Delaware Anti-Takeover Law

We are subject to Section 203 of the DGCL. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2/3}$% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation or any entity or person affiliated with or controlling or controlled by the entity or person.

Charter and Bylaws

Provisions of our Charter and our Bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our Charter and our Bylaws:

- permit our Board to issue up to 5,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate;
- provide that the authorized number of directors may be fixed from time to time by a bylaw or amendment or by one or more resolutions duly adopted by our Board;
- provide that any vacancies resulting from death, resignation, disqualification, removal, or other causes, as well as newly created directorships, may, except as otherwise required by law and subject to the rights of the holders of any series of preferred stock, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum or vote of the holders of a majority of the voting power of the then-outstanding shares;

- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice; do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of our common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose); and provide that special meetings of our stockholders may be called only by our Board; and
- restricts any direct or indirect transfer (such as transfers of our stock that result from the transfer of interests in other entities that own our stock) if the effect would be to (a) increase the direct or indirect ownership of our stock by any Person (as defined below) from less than 4.99% to 4.99% or more; or (b) increase the percentage of our common stock owned directly or indirectly by a Person owning or deemed to own 4.99% or more of our common stock.

"Person" means any individual, firm, corporation or other legal entity, including persons treated as an entity pursuant to Treasury Regulation §1.382-3(a)(1)(i), and includes any successor (by merger or otherwise) of such entity.

Restricted transfers include sales to Persons whose resulting percentage ownership (direct or indirect) of our common stock would exceed the 4.99% thresholds discussed above or to Persons whose direct or indirect ownership of our common stock would by attribution cause another Person to exceed such threshold. Complicated common stock ownership rules prescribed by the Internal Revenue Code of 1986, as amended (the **Code**), and regulations issued thereunder, will apply in determining whether a Person is a 4.99% stockholder under the transfer restriction in our Charter. A transfer from one member of a "public group" (as that term is defined under Section 382 of the Code) to another member of the same public group does not increase the percentage of our common stock owned directly or indirectly by the public group, and, therefore, such transfers are not restricted.

For purposes of determining the existence and identity of, and the amount of our common stock owned by, any stockholder, we will be entitled to rely on the existence or absence of certain public securities filings as of any date, subject to our actual knowledge of the ownership of our common stock. Our Charter includes our right to require a proposed transferee, as a condition to registration of a transfer of our common stock, to provide all information reasonably requested regarding such person's direct and indirect ownership of our common stock.

Any of these provisions may be amended by a majority of our Board.

Preferred Stock Purchase Rights and Units

Stockholders' Rights Agreement

On January 28, 2018, our Board adopted a Stockholders' Rights Agreement (the **Rights Agreement**) to replace the then-existing Tax Benefits Preservation Agreement, which expired on January 29, 2018.

Description of Rights Plan

The Rights Agreement is designed to preserve our tax assets and to prevent a person or group from acquiring more than 9.9% of our outstanding capital stock without negotiating with our Board. The possibility of a person or group exerting influence over our Board or business from a minority investment position could harm our ability to create long-term value for all stockholders.

Rights Dividend

Pursuant to the Rights Agreement, our Board declared a dividend distribution of one preferred stock purchase right (a **Right**) for each outstanding share of our common stock to stockholders of record as of the close of business on January 29, 2018 (the **Record Date**). In addition, one Right will automatically attach to each share of common stock issued between the Record Date and the Distribution Date (defined below). Each Right entitles the registered holder thereof to purchase a unit consisting of one ten-thousandth of a share (a **Unit**) of Series A Junior Participating Cumulative Preferred Stock, par value $0.001 per share (the **Series A Preferred Stock**), at a cash exercise price of $15.00 per Unit (the **Exercise Price**), subject to adjustment, under certain conditions specified in the Rights Agreement and summarized below.

Distribution Date

Initially, the Rights are not exercisable and are attached to and trade with all shares of common stock outstanding as of, and issued subsequent to, the Record Date. The Rights will separate from the common stock and will become exercisable upon the earlier of:

- the close of business on the tenth business day following the first public announcement that a person or group of affiliated or associated persons (an **Acquiring Person**) has acquired beneficial ownership (as defined in the Rights Agreement using definitions from the Code and the rules and regulations thereunder) of 4.99% or more of the outstanding shares of common stock, other than as a result of repurchases of stock by us or certain inadvertent actions by a stockholder;
- the close of business on the tenth business day following the first public announcement that an Acquiring Person has acquired beneficial ownership (as defined under the Rights Agreement using definitions from the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and the rules and regulations thereunder) of 9.99% or more of the outstanding shares of common stock, other than as a result of repurchases of stock by us or certain inadvertent actions by a stockholder (the date of announcement under this or the preceding bullet, the **Stock Acquisition Date**); or

- the close of business on the tenth business day (or such later day as the Independent Directors (as defined in the Rights Agreement) may determine) following the commencement of a tender offer or exchange offer that could result, upon its consummation, in a person or group becoming the beneficial owner of 4.99% (using the tax definitions) or 9.99% (using the Exchange Act definitions) or more of the outstanding shares of common stock (the earlier of such dates being herein referred to as the **Distribution Date**).

Notwithstanding the foregoing, with respect to any person:

- who beneficially owns using the tax definitions 4.99% or more of the outstanding shares of common stock as of the Record Date; or
- who beneficially owns using the Exchange Act definitions 9.99% or more of the outstanding shares of common stock as of the record date (such persons being referred to in the Rights Agreement as a **Grandfathered Person**),

the Distribution Date will not occur unless such Grandfathered Person has acquired beneficial ownership of shares of common stock representing an additional 1/2% of the outstanding shares of common stock beneficially owned as of the Record Date, for any other Grandfathered Person not listed on Schedule A of the Rights Agreement (the **Grandfathered Percentage**).

Until the Distribution Date (or earlier redemption, exchange or expiration of the Rights):

- the Rights will be evidenced by the common stock certificates and will be transferred with and only with such common stock certificates;
- new common stock certificates issued after the Record Date will contain a notation incorporating the Rights Agreement by reference; and
- the surrender for transfer of any certificates for common stock will also constitute the transfer of the Rights associated with the common stock represented by such certificate.

As soon as practicable after the Distribution Date, one or more certificates evidencing one Right for each share of common stock held by us, subject to adjustment as provided herein (the **Right Certificates**) will be mailed to holders of record of common stock as of the close of business on the Distribution Date and, thereafter, the separate Right Certificates alone will represent the Rights. Except as otherwise determined by the Independent Directors, only shares of common stock issued prior to the Distribution Date will be issued with Rights.

Process for Potential Exemption

Any person who wishes to effect any acquisition of shares of common stock that would, if consummated, result in such person

- beneficially owning (using the tax definitions) more than 4.99% of the outstanding shares of common stock;

- beneficially owning (using the Exchange Act definitions) more than 9.99% of the outstanding shares of common stock; or
- a Grandfathered Person beneficially owning more than the Grandfathered Percentage,

may request that our Independent Directors grant an exemption with respect to such acquisition under the Rights Agreement. Our Independent Directors may deny such an exemption request if they determine, in their sole discretion, that the acquisition of beneficial ownership of common stock by such person could jeopardize or endanger the availability to us of the net operating losses or for whatever other reason they deem reasonable, desirable or appropriate. Any exemption granted may be granted in whole or in part, and may be subject to limitations or conditions (including a requirement that the person agree that it will not acquire beneficial ownership of shares of common stock in excess of the maximum number and percentage of shares approved by our Independent Directors or that it will not request another exemption).

Subscription and Merger Rights

In the event that a Stock Acquisition Date occurs, proper provision will be made so that each holder of a Right (other than an Acquiring Person or its associates or affiliates, whose Rights shall become null and void) will thereafter have the right to receive upon exercise, in lieu of a number of Units of Series A Preferred Stock, that number of shares of our common stock (or, in certain circumstances, including if there are insufficient shares of common stock to permit the exercise in full of the Rights, Units of Series A Preferred Stock, other securities, cash or property, or any combination of the foregoing) having a market value of two times the Exercise Price of the Right (such right being referred to as the **Subscription Right**). If, at any time following the Stock Acquisition Date:

- we consolidate with, or merge with and into, any other person, and we are not the continuing or surviving corporation;
- any person consolidates with us or merges with and into us and we are the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the shares of our common stock are changed into or exchanged for stock or other securities of any other person or cash or any other property; or
- 50% or more of our assets or earning power is sold, mortgaged or otherwise transferred,

each holder of a Right (other than an Acquiring Person or its associates or affiliates, whose Rights shall become null and void) will thereafter have the right to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the Exercise Price of the Right (the **Merger Right**).

The holder of a Right will continue to have the Merger Right whether or not such holder has exercised the Subscription Right. Rights that are or were beneficially owned by an Acquiring Person may (under certain circumstances specified in the Rights Agreement) become null and void.

Until a Right is exercised, the holder will have no rights as a stockholder of our company (beyond those as an existing stockholder), including the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to us, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Units, other securities of ours, other consideration or for common stock of an acquiring company.

Exchange Feature

At any time after a person becomes an Acquiring Person, our Independent Directors may, at their option, exchange all or any part of the then outstanding and exercisable Rights for shares of common stock or Units at an exchange ratio specified in the Rights Agreement. Notwithstanding the foregoing, our Independent Directors generally will not be empowered to effect such exchange at any time after any person becomes the beneficial owner of 50% or more of our common stock.

Adjustments

The Exercise Price payable, and the number of Units or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution

- in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock;
- if holders of the Series A Preferred Stock are granted certain rights or warrants to subscribe for Series A Preferred Stock or convertible securities at less than the current market price of the Series A Preferred Stock; or
- upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Exercise Price will be required until cumulative adjustments amount to at least 1% of the Exercise Price. We are not obligated to issue fractional Units. If we elect not to issue fractional Units, in lieu thereof an adjustment in cash will be made based on the fair market value of the Series A Preferred Stock on the last trading date prior to the date of exercise.

Redemption

The Rights may be redeemed in whole, but not in part, at a price of $0.001 per Right (payable in cash, common stock or other consideration deemed appropriate by our Independent Directors) by our Independent Directors only until the earlier of (i) 10 days after any person becomes an Acquiring Person or (ii) the expiration date of the Rights Agreement. Immediately upon the action of our Independent Directors ordering redemption of the Rights, the Rights will terminate and thereafter the only right of the holders of Rights will be to receive the redemption price.

Amendment

Our Independent Directors in their sole discretion at any time prior to the time at which any person becomes an Acquiring Person may amend the Rights Agreement. After such time our Independent Directors may, subject to certain limitations set forth in the Rights Agreement, amend the Rights Agreement only to cure any ambiguity, defect or inconsistency, to shorten or lengthen any time period, or to make changes that do not adversely affect the interests of Rights holders (excluding the interests of an Acquiring Person or its associates or affiliates).

Expiration Date

The Rights are not exercisable until the Distribution Date and will expire at the earlier of:

- the time when the Rights are redeemed as provided therein;
- the time when the Rights are exchanged as provided therein;
- the repeal of Section 382 of the Code if our Independent Directors determine that the Rights Agreement is no longer necessary for the preservation of Tax Benefits (as defined in the Rights Agreement);
- the beginning of our taxable year to which our Board determines that no Tax Benefits may be carried forward; or
- the close of business on January 29, 2028.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Name	**Jurisdiction of organization**
Alliance Homecare, LLC	Arizona
CRIC IT Fort Myers LLC	Delaware
GECC GP Corp.	Delaware
Focus Respiratory, LLC	Arizona
Great Elm Capital Management, Inc.	Delaware
Great Elm DME, Inc.	Delaware
Great Elm DME Holdings, Inc.	Delaware
Great Elm DME Manager, LLC	Delaware
Great Elm FM Acquisition, Inc.	Delaware
Great Elm FM Holdings, Inc.	Delaware
Great Elm Opportunities GP, Inc.	Delaware
Heartland Health Therapy, LLC	Arizona
Northwest Medical, LLC	Oregon
Openwave Systems Service India Private LTD.	India
Openwave Systems (South Africa) Pty LTD	South Africa
Openwave Technologies Inc.	Delaware
Signalsoft Corporation	California
Solomio Corporation	Delaware
RejuveNight, LLC	Arizona
RTA Homecare, LLC	Arizona
United Respiratory Services, LLC	Arizona

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated September 17, 2020 with respect to the consolidated financial statements included in the Annual Report of Great Elm Capital Group, Inc. on Form 10-K for the year ended June 30, 2020. We consent to the incorporation by reference of said report in the Registration Statements of Great Elm Capital Group on Forms S-3 (333-237419, 333-228968, 333-191605 and 333-215518) and on Forms S-8 (333-227913, 333-214401, 333-192800, 333-163480, 333-15644, and 333-140691).

/s/ Grant Thornton LLP

Boston, Massachusetts
September 17, 2020

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-237419, 333-228968, 333-191605 and 333-215518 on Form S-3, and Registration Nos. 333-227913, 333-214401, 333-192800, 333-163480, 333-156444 and 333-140691 on Form S-8 of Great Elm Capital Group, Inc. of our report dated March 19, 2020 relating to the financial statements of Great Elm Capital Corp. incorporated by reference in this Annual Report on Form 10-K of Great Elm Capital Group, Inc. for the year ended June 30, 2020.

/s/ Deloitte & Touche LLP

McLean, VA
September 17, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-237419, 333-228968, 333-191605 and 333-215518 on Form S-3, and Registration Statement Nos. 333-227913, 333-214401, 333-192800, 333-163480, 333-156444, and 333-140691 on Form S-8 of our report dated September 27, 2019, relating to the consolidated financial statements and financial statement schedule of Great Elm Capital Group, Inc. (the "Company") as of June 30, 2019, appearing in this Annual Report on Form 10-K of the Company for the year ended June 30, 2019.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
September 17, 2020

Exhibit 31.1

CERTIFICATIONS

I, Peter A. Reed, certify that:

1. I have reviewed this annual report on Form 10-K of Great Elm Capital Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 17, 2020

By: /s/ Peter A. Reed
Name: Peter A. Reed
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Brent J. Pearson, certify that:

1. I have reviewed this annual report on Form 10-K of Great Elm Capital Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 17, 2020

By: /s/ Brent J. Pearson
Name: Brent J. Pearson
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter A. Reed, as Chief Executive Officer of Great Elm Capital Group, Inc. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the accompanying Form 10-K report for the period ending June 30, 2020 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 17, 2020

By: /s/ Peter A. Reed
Name: Peter A. Reed
Title: Chief Executive Officer

Exhibit 32.2

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Brent J. Pearson, as Chief Financial Officer of Great Elm Capital Group, Inc. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the accompanying Form 10-K report for the period ending June 30, 2020 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 17, 2020

By: /s/ Brent J. Pearson
Name: Brent J. Pearson
Title: Chief Financial Officer