

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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: 001-39832

Great Elm Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

3801 PGA Boulevard, Suite 603, Palm Beach Gardens, FL

(Address of principal executive offices)

85-3622015

(I.R.S. Employer Identification No.)

33410

(Zip Code)

(617) 375-3006

(Registrant's telephone number, including area code)

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

| <u>Title of each class</u> |
|---|
| Common Stock, par value \$0.001 per share |
| 7.25% Notes due 2027 |

| <u>Trading Symbol(s)</u> |
|--------------------------|
| GEG |
| GEGGL |

| <u>Name of each exchange on which registered</u> |
|--|
| The Nasdaq Stock Market LLC (Nasdaq Global Select Market) |
| The Nasdaq Stock Market LLC (Nasdaq Global Select Market) |

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 | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2024, there were 29,743,735 shares of the registrant's common stock outstanding.

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SIGNATURES

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Unless the context otherwise requires, "we," "us," "our," "GEG," the "Company" and terms of similar import refer to Great Elm Group, Inc. and/or its subsidiaries. Our corporate website address is www.greatelmgroup.com. The information contained in, or accessible through, our corporate website does not constitute part of this report.

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:

- the ability of Great Elm Capital Management, LLC (**GECM**) to profitably manage Great Elm Capital Corp. (NASDAQ: **GECC**), a business development company, and the ability of Monomoy CRE, LLC (**MCRE**) to manage Monomoy UpREIT, LLC (**Monomoy UpREIT**), the operating subsidiary of a private real estate investment trust with a portfolio of diversified net leased industrial assets;
- the dividend rate that GECC and Monomoy UpREIT will pay;
- the results of our investment management activities;
- our ability to sell the real estate properties we develop at a profit;
- our ability to raise capital to fund our business plan;
- our ability to make acquisitions and manage any businesses we may acquire;
- conditions in the equity capital markets and debt capital markets as well as the economy generally, including market uncertainty regarding changes to interest rates and inflationary pressures;
- our ability to maintain the security of electronic and other confidential information;
- serious disruptions and catastrophic events, including, for example, the potential impact of public health emergencies 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, develop and retain key personnel;
- compliance with laws, regulations and orders;
- changes in laws and regulations governing our operations; and
- other factors described in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024 under “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—FINANCIAL INFORMATION

Item 1. Financial Statements.

Great Elm Group, Inc.

Condensed Consolidated Balance Sheets (Unaudited)

Dollar amounts in thousands (except per share data)

| <u>ASSETS</u> | <u>September 30, 2024</u> | <u>June 30, 2024</u> |
|--|---------------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 44,150 | \$ 48,147 |
| Restricted cash | 40 | 1,571 |
| Receivables from managed funds | 3,854 | 2,259 |
| Investments in marketable securities | 7,460 | 9,929 |
| Investments, at fair value | 47,557 | 44,585 |
| Prepaid and other current assets | 1,439 | 1,215 |
| Real estate under development | 5,786 | 5,769 |
| Assets of Consolidated Funds: | | |
| Cash and cash equivalents | 2,229 | 2,371 |
| Investments, at fair value | 11,909 | 11,471 |
| Other assets | 246 | 253 |
| Total current assets | <u>124,670</u> | <u>127,570</u> |
| Identifiable intangible assets, net | 10,773 | 11,037 |
| Right-of-use assets | 141 | 225 |
| Other assets | 1,682 | 1,614 |
| Total assets | <u>\$ 137,266</u> | <u>\$ 140,446</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 243 | \$ 317 |
| Payable for securities purchased | 24 | - |
| Accrued expenses and other current liabilities | 3,117 | 7,009 |
| Current portion of related party payables | 224 | 634 |
| Current portion of lease liabilities | 64 | 137 |
| Liabilities of Consolidated Funds: | | |
| Payable for securities purchased | - | 100 |
| Accrued expenses and other liabilities | 172 | 162 |
| Total current liabilities | <u>3,844</u> | <u>8,359</u> |
| Lease liabilities, net of current portion | 35 | 57 |
| Long-term debt (face value \$26,945) | 26,160 | 26,090 |
| Related party payables, net of current portion | - | - |
| Convertible notes (face value \$35,494 and \$35,494, including \$16,174 and \$16,174 held by related parties, respectively) | 34,925 | 34,900 |
| Other liabilities | 718 | 845 |
| Total liabilities | <u>65,682</u> | <u>70,251</u> |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity | | |
| Preferred stock, \$0.001 par value; 5,000,000 authorized and zero outstanding | - | - |
| Common stock, \$0.001 par value; 350,000,000 shares authorized and 32,134,843 shares issued and 28,743,290 outstanding at September 30, 2024; and 31,875,285 shares issued and 30,494,448 outstanding at June 30, 2024 | 28 | 30 |
| Additional paid-in-capital | 3,314,191 | 3,315,638 |
| Accumulated deficit | (3,250,315) | (3,252,954) |
| Total Great Elm Group, Inc. stockholders' equity | 63,904 | 62,714 |
| Non-controlling interests | 7,680 | 7,481 |
| Total stockholders' equity | <u>71,584</u> | <u>70,195</u> |
| Total liabilities and stockholders' equity | <u>\$ 137,266</u> | <u>\$ 140,446</u> |

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

Great Elm Group, Inc.
Condensed Consolidated Statements of Operations (Unaudited)
Amounts in thousands (except per share data)

| | For the three months ended September 30, | |
|--|---|-------------|
| | 2024 | 2023 |
| Revenues | \$ 3,992 | \$ 3,310 |
| Cost of revenues | 635 | - |
| Operating costs and expenses: | | |
| Investment management expenses | 3,058 | 2,762 |
| Depreciation and amortization | 273 | 283 |
| Selling, general and administrative | 2,006 | 1,715 |
| Expenses of Consolidated Funds | 16 | - |
| Total operating costs and expenses | 5,353 | 4,760 |
| Operating loss | (1,996) | (1,450) |
| Dividends and interest income | 1,558 | 1,986 |
| Net realized and unrealized gain | 3,778 | 3,284 |
| Net realized and unrealized gain on investments of Consolidated Funds | 278 | - |
| Interest and other income of Consolidated Funds | 384 | - |
| Interest expense | (1,028) | (1,062) |
| Income before income taxes from continuing operations | 2,974 | 2,758 |
| Income tax benefit (expense) | - | - |
| Net income from continuing operations | 2,974 | 2,758 |
| Discontinued operations: | | |
| Net income from discontinued operations | - | 16 |
| Net income | \$ 2,974 | \$ 2,774 |
| Less: net income attributable to non-controlling interest, continuing operations | 335 | - |
| Net income attributable to Great Elm Group, Inc. | \$ 2,639 | \$ 2,774 |
| Net income attributable to shareholders per share | | |
| Basic | \$ 0.09 | \$ 0.09 |
| Diluted | 0.08 | 0.08 |
| Weighted average shares outstanding | | |
| Basic | 29,079 | 29,579 |
| Diluted | 40,469 | 41,860 |

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

Great Elm Group, Inc.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
Amounts in thousands

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Great Elm Group, Inc. Stockholders' Equity | Non- controlling Interest | Total Stockholders' Equity |
|---|---------------|--------------|----------------------------------|------------------------|---|---------------------------------|-------------------------------|
| | Shares | Amount | | | | | |
| BALANCE, June 30, 2024 | 30,494 | \$ 30 | \$ 3,315,638 | \$ (3,252,954) | \$ 62,714 | \$ 7,481 | \$ 70,195 |
| Net income | - | - | - | 2,639 | 2,639 | 335 | 2,974 |
| Issuance of common stock related to vesting of restricted stock | 528 | - | - | - | - | - | - |
| Distributions from Consolidated Funds | - | - | - | - | - | (136) | (136) |
| Stock repurchases | (2,279) | (2) | (2,107) | - | (2,109) | - | (2,109) |
| Stock-based compensation | - | - | 660 | - | 660 | - | 660 |
| BALANCE, September 30, 2024 | <u>28,743</u> | <u>\$ 28</u> | <u>\$ 3,314,191</u> | <u>\$ (3,250,315)</u> | <u>\$ 63,904</u> | <u>\$ 7,680</u> | <u>\$ 71,584</u> |

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Great Elm Group, Inc. Stockholders' Equity | Non- controlling Interest | Total Stockholders' Equity |
|---|---------------|--------------|----------------------------------|------------------------|---|---------------------------------|-------------------------------|
| | Shares | Amount | | | | | |
| BALANCE, June 30, 2023 | 29,547 | \$ 30 | \$ 3,315,378 | \$ (3,251,566) | \$ 63,842 | \$ - | \$ 63,842 |
| Net income (loss) | - | - | - | 2,774 | 2,774 | - | 2,774 |
| Issuance of common stock related to vesting of restricted stock | 322 | - | - | - | - | - | - |
| Stock-based compensation | - | - | 705 | - | 705 | - | 705 |
| BALANCE, September 30, 2023 | <u>29,869</u> | <u>\$ 30</u> | <u>\$ 3,316,083</u> | <u>\$ (3,248,792)</u> | <u>\$ 67,321</u> | <u>\$ -</u> | <u>\$ 67,321</u> |

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

Great Elm Group, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
Dollar amounts in thousands

| | For the three months ended September 30, | |
|---|---|-------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net income from continuing operations | \$ 2,974 | \$ 2,758 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Loss on sale of real estate | 12 | - |
| Depreciation and amortization | 273 | 283 |
| Stock-based compensation | 660 | 705 |
| Unrealized gain on investments | (4,370) | (3,372) |
| Realized loss on investments | 592 | 88 |
| Non-cash interest and amortization of capitalized issuance costs | 539 | 573 |
| Change in fair value of contingent consideration | (6) | 18 |
| Other non-cash (income) expense, net | 730 | (207) |
| Adjustments to reconcile net income to net cash used in operating activities of Consolidated Funds: | | |
| Purchase of investments by Consolidated Funds | (1,496) | - |
| Proceeds from principal payments of Consolidated Funds | 1,257 | - |
| Amortization of premium and accretion of discount, net | (21) | - |
| Net realized and unrealized gains on investments | (278) | - |
| Changes in operating assets and liabilities: | | |
| Receivables from managed funds | (1,595) | (765) |
| Prepaid and other assets | (153) | (2,218) |
| Real estate under development | (15) | (1,408) |
| Lease Liabilities | (11) | (8) |
| Related party payables | (404) | (1,125) |
| Accounts payable, accrued expenses and other liabilities | (4,621) | (1,448) |
| Changes in operating assets and liabilities of Consolidated Funds: | | |
| Cash and cash equivalents | 142 | - |
| Other assets | 7 | - |
| Accrued expenses and other liabilities | (3) | - |
| Net cash provided by (used in) operating activities - continuing operations | (5,787) | (6,126) |
| Net cash provided by (used in) operating activities - discontinued operations | - | - |
| Net cash provided by (used in) operating activities | (5,787) | (6,126) |
| Cash flows from investing activities: | | |
| Purchases of investments in held-to-maturity securities | (7,378) | (9,801) |
| Proceeds from settlement of held-to-maturity investments | 10,000 | - |
| Purchases of investments in trading securities | - | (4,476) |
| Proceeds from settlement of trading securities | 4 | - |
| Redemption of investments | 13 | - |
| Sales of investments | - | 1,793 |
| Other | (148) | (118) |
| Net cash provided by (used in) investing activities - continuing operations | 2,491 | (12,602) |
| Net cash provided by (used in) investing activities - discontinued operations | - | (360) |
| Net cash provided by (used in) investing activities | 2,491 | (12,962) |

Great Elm Group, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited) (continued)
Dollar amounts in thousands

| | For the three months ended September 30, | |
|--|---|------------------|
| | 2024 | 2023 |
| Cash flows from financing activities: | | |
| Distributions of non-controlling interests in Consolidated Funds | (123) | - |
| Stock repurchases | (2,109) | - |
| Net cash provided by (used in) financing activities - continuing operations | (2,232) | - |
| Net cash provided by (used in) financing activities - discontinued operations | - | - |
| Net cash provided by (used in) financing activities | (2,232) | - |
| Net increase (decrease) in cash and cash equivalents, including cash and cash equivalents classified within current assets held for sale | (5,528) | (19,088) |
| Less: net increase in cash and cash equivalents classified within current assets held for sale | - | - |
| Plus: cash received from discontinued operations | - | - |
| Net change in cash, cash equivalents and restricted cash | (5,528) | (19,088) |
| Cash, cash equivalents and restricted cash at beginning of period | 49,718 | 60,165 |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 44,190</u> | <u>\$ 41,077</u> |
| Cash paid for interest | \$ 488 | \$ 488 |

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported on the Consolidated Balance Sheets to the total cash and cash equivalents and restricted cash on the Consolidated Statements of Cash Flows:

| | September 30, 2024 | June 30, 2024 |
|--|---------------------------|----------------------|
| Cash and cash equivalents | \$ 44,150 | \$ 48,147 |
| Restricted cash | 40 | 1,571 |
| Cash, cash equivalents and restricted cash | <u>\$ 44,190</u> | <u>\$ 49,718</u> |

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

Great Elm Group, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2024

1. Organization

Great Elm Group, Inc. (referred to as the **Company** or **GEG**) is an alternative asset management company incorporated in Delaware. The Company focuses on growing a scalable and diversified portfolio of long-duration and permanent capital vehicles across credit, real estate, specialty finance, and other alternative strategies.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including Great Elm Capital Management, LLC (**GECM**), Great Elm Opportunities GP, Inc. (**GEO GP**), Great Elm Capital GP, LLC (**GEC GP**), Great Elm Investments, LLC (**GEI**), Great Elm FM Acquisition, Inc. (**FM Acquisition**), Great Elm DME Holdings, Inc. (**DME Holdings**), Monomoy CRE, LLC (**MCRE**), Monomoy BTS Construction Management, LLC (**MCM**) and Monomoy BTS Corporation (**MBTS**). In addition, we have determined that the Company was the primary beneficiary of certain variable interest entities, and therefore the operations of those entities have been included in our consolidated results for the relevant periods.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes that are normally included in the Company's Form 10-K and should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in the Company's Annual Report on Form 10-K for the year ended June 30, 2024. These financial statements reflect all adjustments (consisting of normal and recurring items or items discussed herein) that management believes are necessary to fairly state results for the interim periods presented. Results of operations for interim periods are not necessarily indicative of annual results of operations.

The historical results of our Durable Medical Equipment (**DME**) business and related activity have been presented in the accompanying consolidated statements of operations and cash flows for the three months ended September 30, 2023 as discontinued operations. Unless otherwise specified, disclosures in these consolidated financial statements reflect continuing operations only.

Certain prior period amounts have been reclassified to conform to current period presentation.

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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. 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, valuation allowance for deferred tax assets, estimates associated with accounting for asset acquisitions, and fair value measurements, including stock-based compensation. Although these and other estimates and assumptions are based on the best available information, actual results could be different from these estimates.

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 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 impact its economic performance and the obligation to absorb losses of, or the right to receive benefits from, the entity 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. Results of operations attributable to the non-controlling interests are included in the Company's consolidated statements of operations.

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 and U.S. treasury bills. 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.

Investments in Marketable Securities

Investments in marketable securities consist of debt securities, such as the U.S. treasury bills with original maturity exceeding 90 days. The Company classifies investments in debt securities as either trading, held-to-maturity, or available-for-sale. Securities are classified as trading if they are purchased and held principally for the purpose of selling in the near term and as held-to-maturity when the Company has both the positive intent and ability to hold the security to maturity. Investments in debt securities not classified as either trading or held-to-maturity are classified as available-for-sale securities. Trading securities are measured at fair value with unrealized gains and losses reported within net realized and unrealized gain (loss) on investments. Held-to-maturity securities are measured at amortized cost with realized gains and losses reported within net realized and unrealized gain (loss) on investments. Available-for-sale securities are measured at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss).

As of September 30, 2024, all investments in marketable securities were classified as held-to-maturity and had original maturities (at the time of purchase) exceeding 90 days. As of September 30, 2024, the amortized cost basis for these securities approximated their fair value.

Investments, at Fair Value

Investments, at fair value, consist of equity and equity-related securities carried at fair value, as well as investments in private funds measured using the net asset value (NAV) as reported by each fund's investment manager. The private funds calculate NAV in a manner consistent with the measurement principles of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946, *Financial Services – Investment Companies*, as of the valuation date. Changes in the fair value and NAV are recorded within net realized and unrealized gain (loss) on investments. Dividends received are recorded within dividends and interest income on the consolidated statements of operations.

Real Estate under Development

Real estate under development is classified as follows: (i) real estate under development (current), which includes real estate projects that are in the process of being developed and expected to be completed and disposed of within one year of the balance sheet date; (ii) real estate under development (non-current), which includes real estate projects that are in the process of being developed and expected to be completed and disposed of more than one year from the balance sheet date; and (iii) real estate held for sale, which includes land and completed improvements thereon that meet all of the "held for sale" criteria.

Real estate under development is carried at cost less impairment, if applicable. We capitalize costs that are directly identifiable with the specific real estate projects, including pre-acquisition and pre-construction costs, development and construction costs, taxes, and insurance. We do not capitalize any general and administrative or overhead costs, regardless of whether the costs are internal or paid to third parties. Capitalization begins when the activities related to development have begun and ceases when activities are substantially complete and the asset is available for occupancy.

Real estate held for sale is recorded at the lower of cost or fair value less cost to sell. If an asset's fair value less cost to sell, based on discounted future cash flows, management estimates or market comparisons, is less than its carrying amount, an allowance is recorded against the asset.

Impairment of Long-Lived Assets

Long-lived assets include real estate under development, property and equipment, definite-lived intangible assets, and lease right-of-use assets. The Company evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable based on undiscounted cash flows. Impairment losses are recorded when undiscounted cash flows estimated to be generated by an asset are less than the asset's carrying amount. The amount of the impairment loss, if any, is calculated as the excess of the asset's carrying amount over its fair value, which is determined using a discounted cash flow analysis, management estimates or market comparisons.

Leases

We determine if an arrangement contains a lease at the inception of a contract considering all relevant facts and circumstances, which normally does not require significant judgment. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the present value of the remaining future minimum lease payments. As the interest rate implicit in our leases is generally not readily determinable, we utilize the incremental borrowing rate, determined by class of underlying asset, to discount the lease payments. The operating lease right-of-use assets also include lease payments made before commencement and are reduced by lease incentives.

The Company's office leases typically require reimbursements to the lessor for real estate taxes, common area maintenance and other operating costs, which are expensed as incurred as variable lease costs. The Company accounts for lease and nonlease components as a single lease component.

In March 2024, the Company signed a new office lease which is expected to commence in December 2024. As none of the criteria for recognition have been met as of September 30, 2024, there is no corresponding lease liability or right-of-use asset associated with this lease included in the condensed consolidated balance sheets.

Earnings per Share

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

| <i>(in thousands except per share amounts)</i> | For the three months ended September 30, | |
|--|---|-------------|
| | 2024 | 2023 |
| Numerator: | | |
| Net income from continuing operations | \$ 2,974 | \$ 2,758 |
| Less: net income attributable to non-controlling interest, continuing operations | 335 | - |
| Numerator for basic EPS - Net income from continuing operations attributable to Great Elm Group, Inc. | \$ 2,639 | \$ 2,758 |
| Net income from discontinued operations | - | 16 |
| Numerator for basic EPS - Net income (loss) from discontinued operations, attributable to Great Elm Group, Inc. | \$ - | \$ 16 |
| <i>Effect of dilutive securities:</i> | | |
| Interest expense associated with Convertible Notes, continuing operations | \$ 470 | \$ 503 |
| Numerator for diluted EPS - Net income from continuing operations attributable to Great Elm Group, Inc., after the effect of dilutive securities | \$ 3,109 | \$ 3,261 |
| Numerator for diluted EPS - Net income (loss) from discontinued operations, attributable to Great Elm Group, Inc. | \$ - | \$ 16 |
| Denominator: | | |
| Denominator for basic EPS - Weighted average shares of common stock outstanding | 29,079 | 29,579 |
| <i>Effect of dilutive securities:</i> | | |
| Restricted stock | 1,168 | 1,363 |
| Convertible Notes | 10,222 | 10,918 |
| Denominator for diluted EPS - Weighted average shares of common stock outstanding after the effect of dilutive securities | 40,469 | 41,860 |
| Net income attributable to shareholders per share ⁽¹⁾ | | |
| Basic | \$ 0.09 | \$ 0.09 |
| Diluted | 0.08 | 0.08 |

⁽¹⁾ Per share amounts from discontinued operations round to less than \$0.01.

As of September 30, 2024, the Company had 3,104,424 potential shares of common stock issuable upon the exercise of stock options that are not included in the diluted net income (loss) per share calculation because to do so would be anti-dilutive for the three months ended September 30, 2024. As of September 30, 2023, the Company had 3,264,424 potential shares of common stock issuable upon the exercise of stock options that are not included in the diluted net income (loss) per share calculation for the three months ended September 30, 2023 because to do so would be anti-dilutive.

As of September 30, 2024 and 2023, the Company had an aggregate of 1,167,705 and 1,362,723 issued shares, respectively, that are not considered outstanding for accounting purposes since they are unvested and subject to forfeiture by the employees at a nominal price if service milestones are not met.

Recently Issued Accounting Standards

Income Taxes. In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments in this ASU are effective for fiscal years beginning after December 15, 2025, and early adoption and retrospective application are permitted. The Company is evaluating the potential impact that the adoption of this ASU will have on its consolidated financial statements.

3. Revenue

The Company's revenues are summarized in the following table:

| <i>(in thousands)</i> | For the three months ended September 30, | |
|---------------------------------|--|----------|
| | 2024 | 2023 |
| Real estate property sales | \$ 616 | \$ - |
| Management fees | 1,720 | 1,424 |
| Incentive fees | 880 | 1,264 |
| Property management fees | 306 | 282 |
| Project management fees | 75 | - |
| Administration and service fees | 395 | 340 |
| Total revenues | \$ 3,992 | \$ 3,310 |

The Company recognizes revenue at amounts that reflect the consideration to which it expects to be entitled in exchange for providing services to its customers under agreements with each investment product, which may be terminated at any time by either party subject to the specific terms of each respective agreement.

Real estate property sales

Real estate property sales will occur periodically when development projects are completed. Sales revenue and cost of sales revenue is generally recognized as control of the asset is transferred to the buyer and performance obligations are satisfied. Please see Note 6 - Real Estate Under Development for additional information regarding real estate under development.

Management Fees

The Company earns management fees based on the investment management agreements between MCRE and Monomoy UpREIT, as well as between GECM and GECC, and other private funds (collectively, the **Funds**). The performance obligation is satisfied and management fee revenue is recognized over time as the services are rendered, since the Funds simultaneously receive and consume the benefits provided as GECM and MCRE perform services. Management fee rates range from 1.0% to 1.5% of the management fee assets specified within each agreement and are calculated and billed in arrears of the period, either monthly or quarterly.

Incentive Fees

The Company earns incentive fees based on the investment management agreements GECM has with GECC, Monomoy Properties II, LLC (**MP II**), a feeder fund of Monomoy Properties REIT, LLC and other private funds managed by GECM. 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 investment management agreements and therefore the recognition of such fees is deferred until the end of each fund's measurement period when the performance based incentive fee becomes fixed and determinable. 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 are typically 20% of the performance-based metric specified within each agreement. Incentive fees are recognized when it is determined that they are no longer probable of significant reversal. During the three months ended September 30, 2024, the Company recorded revenue in respect to the incentive fees due from GECC of \$0.9 million.

Property Management Fees

Under the Monomoy UpREIT investment management agreement, MCRE is entitled to 4.0% of rent collected. These fees are collected monthly in arrears. Property management fee revenue is recognized over time as the services are provided.

Administration and Service fees

The Company earns administration fees based on the administration agreement GECM has with GECC whereby GECC reimburses GECM for costs incurred in performing certain administrative functions. This revenue is recognized over time as the services are performed. Administration 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 for each investment vehicle that is a series of distinct services with substantially the same pattern of transfer as the services are provided on a daily basis.

The Company also earns services fees based on a shared services agreement with Imperial Capital Asset Management, LLC (**ICAM**). This revenue is recognized over time as the services are performed. Service fees are billed quarterly in arrears, which is consistent with the timing of the delivery of services and reflects 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.

Project Management Fees

MCM, a wholly owned subsidiary of MCRE, has entered into an owner's representative agreement with respect to certain third party construction projects and earns project management fees for its services.

4. 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.

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

| <i>(in thousands)</i> | For the three months ended September 30, | |
|---|--|----------|
| | 2024 | 2023 |
| Net realized and unrealized gain on investments | \$ 3,768 | \$ 3,362 |
| Net realized and unrealized gain on investments of Consolidated Funds | 278 | - |
| Dividend income | 969 | 836 |

| <i>(in thousands)</i> | September 30, 2024 | June 30, 2024 |
|---|----------------------|---------------|
| | Dividends receivable | \$ 301 |
| Investment management revenues receivable | 2,890 | 1,684 |
| Receivable for reimbursable expenses paid | 663 | 274 |
| Receivables from managed funds | \$ 3,854 | \$ 2,259 |

Investment Management

GECC has agreements to manage the investment portfolios for GECC and other investment products, as well as to provide administrative services. Through June 30, 2024, GECC also had agreements with Monomoy UpREIT. The agreements with Monomoy UpREIT were transferred to MCRE on June 30, 2024. Under these agreements, GECC receives management fees based on the managed assets (other than cash and cash equivalents) and rent collected, incentive fees based on the performance of those assets, and administration and service fees. See Note 3 - Revenue for additional discussions of the fee arrangements.

Consolidated Funds

Through its wholly-owned subsidiaries GECC, MCRE and GEO GP, the Company serves as the investment manager, general partner, or managing member of certain private funds, in which it may also have a direct investment. For funds which are determined to be VIEs and where it is determined that the Company is the primary beneficiary, the criteria for consolidation are met. The Company monitors such funds and related criteria for consolidation on an ongoing basis. Funds that have historically been consolidated will be deconsolidated at such time as the Company is no longer deemed to be the primary beneficiary and will then be treated as equity method investments.

The Company retains the specialized investment company accounting guidance under US GAAP with respect to the consolidated funds (collectively, the **Consolidated Funds**). As such, investments of the Consolidated Funds are included in the consolidated balance sheets at fair value and the net realized and unrealized gain or loss on those investments was included as a component of other income on the consolidated statements of operations. Non-controlling interests of the Consolidated Funds are included in net income (loss) attributable to non-controlling interest, continuing operations. The Company's risk with respect to the Consolidated Funds is limited to its beneficial interests in these funds. The assets of Consolidated Funds are not available to creditors of the Company. The creditors of Consolidated Funds do not have recourse to the Company other than to the assets of the respective Consolidated Funds.

The Company holds investments in certain funds that are VIEs but the Company is not deemed to be the primary beneficiary. Such investments are treated as equity method investments and the Company has elected the fair value option using NAV as a practical expedient with all changes in fair value reported in net realized and unrealized gain (loss) on investments on the consolidated statements of operations. The Company's maximum exposure to loss related to the VIEs that the Company is not deemed to be the primary beneficiary is limited to the fair value of its investments in these entities.

See Note 2 - Summary of Significant Accounting Policies for additional details.

Investments

As of September 30, 2024, the Company owns 1,440,722 shares of GECC (approximately 13.8% of the outstanding shares). Certain officers and directors of GECC are also officers and directors of GEG. Matthew A. Drapkin is a director of our Board of Directors and also the Chairman of GECC's Board of Directors, Adam M. Kleinman is our President, as well as the Chief Compliance Officer of GECC, Matt Kaplan is the President of GECC, as well as the President and Chief Executive Officer of GECC, and Keri A. Davis is our Chief Financial Officer, as well as the Chief Financial Officer of GECC.

The Company receives dividends from its investments in GECC and Monomoy UpREIT and earns unrealized gains and losses based on the mark-to-market performance of those investments. See Note 5 - Fair Value Measurements.

In February 2024, the Company invested in \$6.0 million for a 25% interest in Great Elm Strategic Partnership I, LLC (**GESP**). The Company's investment in GESP is accounted for using the fair value option and it is included in Investments, at fair value on the consolidated balance sheets. GESP owns 1,850,424 shares of GECC.

In June 2024, the Company invested in \$3.0 million for a 25% interest in Prosper Peak Holdings, LLC (**PPH**). The Company's investment in PPH is accounted for using the fair value option and it is included in Investments, at fair value on the consolidated balance sheets. PPH owns 997,506 shares of GECC.

Other Transactions

GECM has shared personnel and reimbursement agreements for back-office personnel with ICAM. Jason W. Reese, the Chief Executive Officer and Chairman of the Company's Board of Directors, is the Chief Executive Officer of ICAM, and Matt Kaplan, the President of GECM, is also a Managing Director of ICAM. Certain costs incurred under these agreements relate to human resources and other administrative services provided by ICAM employees, for the benefit of the Company and its subsidiaries, and are included in investment management expenses in the consolidated statements of operations. For the three months ended September 30, 2024 and September 30, 2023, such costs were \$0.1 million and \$0.2 million, respectively. Other costs include operational or administrative services performed on behalf of the funds managed by GECM and are included in receivables from managed funds in the consolidated balance sheets. As of September 30, 2024 and June 30, 2024, costs of \$0.1 million and \$0.1 million, respectively, related to the shared services agreements were included in receivables from managed funds.

As of January 1, 2024, GECM also has a shared personnel and reimbursement agreement with ICAM whereby ICAM reimburses certain costs incurred by GECM related to administrative services provided by GECM employees for the benefit of ICAM. See Note 3 - Revenue for additional details.

On October 29, 2024, the Company and Mr. Reese entered into a voting waiver agreement (the "Voting Waiver Agreement"), pursuant to which Mr. Reese waived all voting rights associated with all outstanding shares (whether vested or unvested) of the Company's common stock for voting purposes that have been granted or awarded, and all future shares of the Company's common stock that may be granted or awarded, directly to Mr. Reese in his individual capacity by the Company in connection with his services as an officer, director or employee of the Company or its subsidiaries during the term of the Voting Waiver Agreement.

See Note 5 - Fair Value Measurements for details on the contingent consideration payable to ICAM following the acquisition of the Monomoy UpREIT investment management agreement and Note 8 - Convertible Notes for details on the Convertible Notes issued to related parties.

5. 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.

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:

| <i>(in thousands)</i> | Fair Value as of September 30, 2024 | | | |
|--|-------------------------------------|---------|----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Equity investments | \$ 14,714 | \$ - | \$ 8,744 | \$ 23,458 |
| Debt securities | 7,460 | - | - | 7,460 |
| Total assets within the fair value hierarchy | \$ 22,174 | \$ - | \$ 8,744 | \$ 30,918 |
| Investments valued at net asset value | | | | \$ 24,099 |
| Total assets | | | | \$ 55,017 |

| <i>(in thousands)</i> | Fair Value as of June 30, 2024 | | | |
|--|--------------------------------|---------|----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Equity investments | \$ 16,267 | \$ - | \$ 5,265 | \$ 21,532 |
| Debt securities | \$ 9,929 | \$ - | \$ - | \$ 9,929 |
| Total assets within the fair value hierarchy | \$ 26,196 | \$ - | \$ 5,265 | \$ 31,461 |
| Investments valued at net asset value | | | | \$ 23,053 |
| Total assets | | | | \$ 54,514 |
| Liabilities: | | | | |
| Contingent consideration liability | \$ - | \$ - | \$ 428 | \$ 428 |
| Total liabilities | \$ - | \$ - | \$ 428 | \$ 428 |

There were no transfers between levels of the fair value hierarchy during the three months ended September 30, 2024 and 2023.

The following is a reconciliation of changes in Level 3 assets:

| <i>(in thousands)</i> | For the three months ended September 30, | |
|-----------------------|--|------|
| | 2024 | 2023 |
| Beginning balance | \$ 5,265 | \$ - |
| Purchases | - | - |
| Payments | - | - |
| Change in fair value | 3,479 | - |
| Ending balance | \$ 8,744 | \$ - |

There were no assets measured at fair value during the period ended September 30, 2023. For the three months ended September 30, 2024, the Level 3 assets had an unrealized gain of \$3.5 million.

The following is a reconciliation of changes in Level 3 liabilities:

| <i>(in thousands)</i> | For the three months ended September 30, | |
|-----------------------|--|----------|
| | 2024 | 2023 |
| Beginning balance | \$ 428 | \$ 1,903 |
| Payments | (422) | (977) |
| Change in fair value | (6) | 18 |
| Ending balance | \$ - | \$ 944 |

The assets of the Consolidated Funds measured at fair value on a recurring basis are summarized in the tables below:

| <i>(in thousands)</i> | Fair Value as of September 30, 2024 | | | |
|--|-------------------------------------|----------|----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets of Consolidated Funds: | | | | |
| Equity investments | \$ - | \$ - | \$ 4 | \$ 4 |
| Debt securities | - | 2,430 | 7,695 | 10,125 |
| Total assets within the fair value hierarchy | \$ - | \$ 2,430 | \$ 7,699 | \$ 10,129 |
| Investments valued at net asset value | | | | \$ 1,780 |
| Total assets | | | | \$ 11,909 |

| <i>(in thousands)</i> | Fair Value as of June 30, 2024 | | | |
|--|--------------------------------|----------|----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets of Consolidated Funds: | | | | |
| Equity investments | \$ - | \$ - | \$ 10 | \$ 10 |
| Debt securities | - | 2,190 | 7,771 | 9,961 |
| Total assets within the fair value hierarchy | \$ - | \$ 2,190 | \$ 7,781 | \$ 9,971 |
| Investments valued at net asset value | | | | \$ 1,500 |
| Total assets | | | | \$ 11,471 |

The following is a reconciliation of changes in fair value of Level 3 assets of Consolidated Funds:

| <i>(in thousands)</i> | For the three months ended September 30, 2024 | |
|-----------------------|---|-------|
| Beginning balance | \$ | 7,781 |
| Net Transfers | | (9) |
| Purchases | | 357 |
| Sales and Paydowns | | (438) |
| Net Accretion | | 8 |
| Change in fair value | | - |
| Ending balance | \$ | 7,699 |

There were no Consolidated Funds during the period ended September 30, 2023. For the three months ended September 30, 2024, the Level 3 assets still held as of the balance sheet date had a decrease in unrealized gain of \$2,510.

The valuation techniques applied to investments held by the Company and by the Consolidated Funds varied depending on the nature of the investment.

Equity and equity-related securities

Securities traded on a national securities exchange are stated at the close price on the valuation date. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level 1.

Equity investments that do not have readily-available market prices utilize valuation models to determine fair value and are classified as Level 3. As of September 30, 2024, the Company had equity investments in two private companies that were valued using a discounted cash flows model with discount rates ranging from 9.3% - 12.6% (weighted average 10.3%). As of June 30, 2024, the Company valued the investments using an options pricing model with a volatility ranging from 39.1% - 39.7% (weighted average 39.5%) and risk-free rates of 4.24% - 4.38% (weighted average 4.29%). The change in valuation technique was due to additional information about the assumptions used by market participants and transactional experience.

Debt securities

Bank loans, corporate debt and other debt obligations traded on a national exchange are valued based on quoted market prices and classified as Level 2. Debt investments that are not actively traded are generally based on discounted cash flows and classified as Level 3. The following table below presents the ranges of significant unobservable inputs used to value Level 3 assets as of September 30, 2024.

| As of September 30, 2024 | | | | |
|---------------------------|-----------------|---------------------|--------------------|--------------------------|
| Investment Type | Fair value | Valuation Technique | Unobservable Input | Range (Weighted Average) |
| Debt | \$ 7,291 | Income Approach | Discount Rate | 8.10% - 20.83% (12.4%) |
| | 404 | Recent Transaction | | |
| Total Debt | <u>\$ 7,695</u> | | | |
| Equity/Other | 4 | Recent Transaction | | |
| Total Equity/Other | <u>\$ 4</u> | | | |

As of June 30, 2024

| Investment Type | Fair value | Valuation Technique | Unobservable Input | Range (Weighted Average) |
|---------------------------|-----------------|---------------------|--------------------|--------------------------|
| Debt | \$ 7,193 | Income Approach | Discount Rate | 9.09% - 25.03% (13.81%) |
| | 578 | Recent Transaction | | |
| Total Debt | <u>\$ 7,771</u> | | | |
| Equity/Other | 10 | Market Approach | Earnings Multiple | 7.5 |
| Total Equity/Other | <u>\$ 10</u> | | | |

Investments in private funds

The Company values investments in private funds using NAV as reported by each fund's investment manager. The private funds calculate NAV in a manner consistent with the measurement principles of FASB ASC Topic 946, *Financial Services – Investment Companies*, as of the valuation date. Investments valued using NAV as a practical expedient are not categorized within the fair value hierarchy.

As of September 30, 2024 and June 30, 2024, investments in private funds include investments in Monomoy UpREIT, Monomoy Properties II, LLC (**MP II**) and Great Elm Opportunities Fund I, LP Series D (**GEOF Series D**), each of which is managed by a wholly-owned subsidiary of the Company, in addition to private funds managed by third-party investment managers. The private funds generally allow redemptions annually with 60-90 days' notice. There is no set duration for the private funds.

Contingent consideration

In conjunction with the acquisition of the Monomoy UpREIT investment and property management agreements in May 2022, the Company entered into a contingent consideration agreement that requires the Company to pay up to \$2.0 million to ICAM if certain fee revenue thresholds were achieved during fiscal years ending June 30, 2023 and 2024. As of June 30, 2023, the Company determined that the fee revenue threshold for the year ending June 30, 2023 was achieved and the amount payable to ICAM was approximately \$1.0 million, which was paid in July 2023. As of June 30, 2024, it was determined that the full target revenue threshold for the year ended June 30, 2024 was not met in full and the contingent consideration was updated to \$0.4 million, which was paid in July 2024.

6. Real Estate Under Development

In January 2023, MBTS completed purchases of certain land parcels located in Mississippi and Florida. Contemporaneously with the land purchases, MBTS entered into commercial lease agreements, as a lessor, in respect to the land parcels and build-to-suit improvements to be constructed thereon. The leases will commence upon substantial completion of the build-to-suit development. The Company intends to sell the land and improvements with the attached leases at or close to the respective lease commencement date.

During the three months ended September 30, 2024 and 2023, the Company capitalized costs of \$17 thousand and \$1.4 million, respectively, within real estate under development (current) on its condensed consolidated balance sheet, representing the development and construction costs directly identifiable with the two real estate projects.

On June 18, 2024, MBTS sold one of its assets for consideration totaling \$7.8 million. At closing, MBTS funded two escrow accounts as part of its performance obligation to seller for construction completion. As of September 30, 2024, the Company estimates that construction is approximately 92.6% complete and has recognized revenue proportionately. The Company expects the performance obligation will be satisfied over the subsequent calendar quarter and the remaining sales revenue will be recognized at that time.

7. Long-Term Debt

On June 9, 2022, we issued \$26.9 million in aggregate principal amount of 7.25% notes due on June 30, 2027 (the **GEGGL Notes**), which included \$1.9 million of GEGGL Notes issued in connection with the partial exercise of the underwriters' over-allotment option. The GEGGL Notes are unsecured obligations and rank: (i) pari passu, or equal, with the Convertible Notes (as defined below) and any future outstanding unsecured unsubordinated indebtedness; (ii) senior to any of our indebtedness that expressly provides it is subordinated to the GEGGL Notes; (iii) effectively subordinated to any future secured indebtedness; and (iv) structurally subordinated to any future indebtedness and other obligations of any of our current and future subsidiaries. We pay interest on the GEGGL Notes on March 31, June 30, September 30 and December 31 of each year. The GEGGL Notes can be called on, or after, June 30, 2024. Holders of the GEGGL Notes do not have the option to have the notes repaid prior to the stated maturity date. The GEGGL Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

The Company's long-term debt is summarized in the following table:

| <i>(in thousands)</i> | September 30, 2024 | June 30, 2024 |
|---|--------------------|---------------|
| GEGGL Notes | \$ 26,945 | \$ 26,945 |
| Total principal | \$ 26,945 | \$ 26,945 |
| Unamortized debt discounts and issuance costs | (785) | (855) |
| Long-term debt | <u>26,160</u> | <u>26,090</u> |

During the three months ended September 30, 2024 and September 30, 2023, the Company incurred interest expense of \$0.6 million and \$0.6 million, on long-term debt. See Note 8 - Convertible Notes for interest expense on Convertible Notes.

The GEGGL Notes include covenants that limit additional indebtedness or the payment of dividends subject to compliance with a net consolidated debt to equity ratio of 2:1. As of September 30, 2024, our net consolidated debt to equity ratio is 0.3:1.0.

8. Convertible Notes

As of September 30, 2024 and June 30, 2024, the total outstanding principal balance of convertible notes due on February 26, 2030 (the **Convertible Notes**) was \$35.5 million, including cumulative interest paid in-kind. The Convertible Notes are held by a consortium of investors, including \$16.2 million issued to certain related parties as of September 30, 2024.

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. Funds managed by ICAM currently own approximately \$7.9 million aggregate principal amount of the Convertible Notes, which are currently convertible into approximately 2,284,461 shares of the Company's common stock. ICAM has agreed to not convert its Convertible Notes into shares of the Company's common stock prior to November 2025.

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 FASB ASC Topic 815, *Derivatives and Hedging*, for certain contracts involving a reporting entity's own equity. The Company incurred \$1.2 million in issuance costs on the original issuance. The debt issuance costs are being amortized over the 10-year term and are netted with the principal balance on our condensed consolidated balance sheets. As of September 30, 2024 and June 30, 2024, the remaining balance of unamortized debt issuance costs was \$0.6 million and \$0.6 million, respectively.

During the three months ended September 30, 2024 and 2023, the Company incurred interest expense of \$0.5 million and \$0.5 million, respectively, related to the Convertible Notes, inclusive of non-cash interest related to amortization of debt issuance costs.

9. Share-Based and Other Non-Cash Compensation

Restricted Stock Awards and Restricted Stock Units

The following table presents activity related to the Company's restricted stock awards and restricted stock units for the three months ended September 30, 2024:

| Restricted Stock Awards and Restricted Stock Units | Shares (in thousands) | Weighted Average Grant Date Fair Value |
|--|--------------------------|---|
| Outstanding at June 30, 2024 | 1,597 | \$ 1.96 |
| Granted | 260 | 1.92 |
| Vested | (527) | 2.06 |
| Forfeited | - | - |
| Outstanding at September 30, 2024 | 1,330 | \$ 1.91 |

Restricted stock awards and restricted stock units have vesting terms between 1-4 years and are subject to service requirements. During the three months ended September 30, 2024, the Company granted 259,558 restricted stock awards and did not grant any shares of restricted stock units.

Stock Options

The following table presents activity related to the Company's stock options for the three months ended September 30, 2024:

| Stock Options | Shares (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (in thousands) |
|-----------------------------------|--------------------------|------------------------------------|---|--|
| Outstanding at June 30, 2024 | 3,264 | \$ 2.70 | 6.44 | \$ - |
| Options granted | - | - | - | - |
| Forfeited, cancelled or expired | (160) | 4.52 | - | - |
| Outstanding at September 30, 2024 | 3,104 | \$ 3.60 | 6.52 | \$ - |
| Exercisable at September 30, 2024 | 1,104 | \$ 3.61 | 2.76 | \$ - |

Stock-Based Compensation Expense

Stock-based compensation expense related to all restricted stock awards, restricted stock units, and stock options totaled \$0.7 million and \$0.7 million, respectively, for the three months ended September 30, 2024 and 2023. As of September 30, 2024, the Company had unrecognized compensation costs related to all unvested restricted stock awards and stock options totaling \$2.1 million.

Non-Employee Director Deferred Compensation Plan

In December 2020, the Company established the Great Elm Group, Inc. Non-Employee Directors Deferred Compensation Plan allowing non-employee directors to defer their cash and/or equity compensation under a non-revocable election for each calendar year. Such compensation is deferred until the earlier of 3 years from the original grant date of such compensation, termination of service, or death, and is payable in common stock shares. As of September 30, 2024, there were 162,683 restricted stock awards and restricted stock units that were deferred under this plan (and thus included in the number of restricted stock awards and restricted stock units outstanding as of that date).

Other Non-Cash Compensation

During the three months ended September 30, 2024, the Company issued compensation to certain employees in the form of GECC common shares to be settled with GECC shares currently held by the Company. The total value of GECC shares awarded for the three months ended September 30, 2024 was \$1.3 million, of which \$0.3 million vested immediately, and the balance will vest annually pro-rata over two- and three-year periods. Related compensation expense was \$0.5 million for the three months ended September 30, 2024.

10. Income Taxes

As of June 30, 2024, the Company had net operating loss (**NOL**) carryforwards for federal income tax purposes of approximately \$8.9 million, of which approximately \$3.4 million will expire in fiscal years 2025 through 2037 and \$5.5 million can be carried forward indefinitely. As of June 30, 2024, the Company also had \$5.9 million of state NOL carryforwards, principally in Massachusetts, that will expire from 2031 to 2044.

11. 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

GEG is a publicly-traded alternative asset management company focused on growing a scalable and diversified portfolio of long-duration and permanent capital vehicles across credit, real estate, specialty finance, and other alternative strategies. GEG and its subsidiaries currently manage GECC, a publicly-traded business development company, and Monomoy UpREIT, an industrial-focused real estate investment trust, in addition to other investment vehicles. The combined assets under management of these entities at September 30, 2024 was approximately \$781.6 million.

GEG continues to explore other investment management opportunities, as well as opportunities in other areas that it believes provide attractive risk-adjusted returns on invested capital. As of the date of this report, GEG had no unfunded binding commitments to make additional investments.

Critical Accounting Policies

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 accounting principles generally accepted in the United States of America. 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. During the three months ended September 30, 2024 we did not make material changes in our critical accounting policies or underlying assumptions as disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024 as it relates to normal and recurring transactions.

Results of Operations

The following table provides the results of our consolidated operations:

| <i>(in thousands)</i> | For the three months ended September 30, | | |
|---|--|----------------|----------|
| | 2024 | Percent Change | 2023 |
| Revenues | \$ 3,992 | 21% | \$ 3,310 |
| Cost of Revenues | (635) | NM | - |
| Operating costs and expenses: | | | |
| Investment management expenses, excluding non-cash compensation | (2,237) | (5)% | (2,357) |
| Non-cash compensation | (1,117) | 26% | (887) |
| Other selling, general and administrative | (1,726) | 40% | (1,233) |
| Depreciation and amortization | (273) | (4)% | (283) |
| Total operating costs and expenses | (5,353) | | (4,760) |
| Operating loss | (1,996) | | (1,450) |
| Other income (expense): | | | |
| Interest expense | (1,028) | (3)% | (1,062) |
| Other income (expense), net | 5,998 | 14% | 5,270 |
| Total other income (expense), net | 4,970 | | 4,208 |
| Income before income taxes from continuing operations | \$ 2,974 | | \$ 2,758 |

Revenue

Revenues for the three months ended September 30, 2024 increased \$0.7 million as compared to the three months ended September 30, 2023 primarily due to the recognition of \$0.6 million of real estate property sales earned in the current quarter whereas there were no corresponding real estate property sales in the prior year period. An additional \$0.3 million of management fees were also recognized in the three months ended September 30, 2024 compared to the prior year period due to increased assets under management at GECC, offset by a \$0.4 million reduction in Incentive Fees.

Operating Costs and Expenses

Operating costs and expenses for the three months ended September 30, 2024 increased \$0.6 million as compared to the prior year period. Investment management expenses for the three months ended September 30, 2024 decreased \$0.1 million as compared to the prior year period, which was mainly attributable to a decrease in bonus expense compared to the prior year period. Non-cash compensation for the three months ended September 30, 2024 increased \$0.2 million as compared to the prior year period due to additional shares vested in the current period compared to the same prior year period. Other selling, general and administrative expenses for the three months ended September 30, 2024 increased \$0.5 million, which was mainly attributable to an increase in professional fees from the prior year period.

Other Income (Expense)

Other income (expense), net includes dividend and interest income and net realized and unrealized gains and losses. For the three months ended September 30, 2024, dividend and interest income was \$1.6 million, as compared to \$2.0 million for the three months ended September 30, 2023. The \$0.4 million decrease in interest income in the current period compared to prior year is due to a reduction in investment in Treasury bills. Net realized and unrealized gains and losses generally consist of unrealized mark-to-market adjustments on investments and the gain or loss realized on the sale of investments. For the three months ended September 30, 2024, realized and unrealized gain increased by \$0.5 million from the same prior year period. This increase was primarily due to \$3.5 million of unrealized gains recorded in the current period on GESP and PPH due to the valuation technique change for these entities. These were offset by a significant GECC share price increase in the prior year period, which did not occur in the current corresponding period.

Liquidity and Capital Resources

Cash Flows

Cash used in operating activities of our continuing operations for the three months ended September 30, 2024 were \$5.8 million. The adjustments to reconcile our net income from continuing operations of \$3.0 million to net cash used in operating activities included add-backs for various non-cash charges, such as \$0.7 million of stock-based compensation expense, \$0.5 million of non-cash interest and amortization of capitalized issuance costs, \$0.6 million realized gain on investments and \$0.3 million of depreciation and amortization, which was offset by a deduction of \$4.4 million of unrealized gain on our investments, and the net negative change in our operating assets and liabilities of \$7.2 million, including the impact of changes related to consolidated funds.

Cash flows used in operating activities of our continuing operations for the three months ended September 30, 2023 were \$6.1 million. The adjustments to reconcile our net income from continuing operations of \$2.8 million to net cash used in operating activities included add-backs for various non-cash charges, such as \$0.7 million of stock-based compensation expense, \$0.6 million of non-cash interest and amortization of capitalized issuance costs, \$0.3 million of depreciation and amortization, and \$0.1 million of realized loss on our investments, which was offset by deduction of \$3.4 million of unrealized gain on our investments, and the net negative change in our operating assets and liabilities of \$7.0 million.

Cash provided by investing activities of our continuing operations for the three months ended September 30, 2024 were \$2.5 million, which includes purchases of investments in held-to-maturity securities of \$7.4 million and proceeds from settlement of held-to-maturity investments of \$10.0 million.

Cash flows used in investing activities of our continuing operations for the three months ended September 30, 2023 were \$12.6 million which is attributed to purchases on investments of \$14.3 million, partially offset by the proceeds from sale of investments of \$1.8 million. Cash flows used in investing activities of our discontinued operations for the three months ended September 30, 2023 were \$0.4 million, which represents the payment made to the buyer of our DME business in September 2023 following finalization of the working capital adjustment.

Cash used in financing activities of our continuing operations for the three months ended September 30, 2024 were \$2.2 million primarily due to stock repurchases.

We did not have any cash flows within financing activities of our continuing or discontinued operations for the three months ended September 30, 2023.

Financial Condition

As of September 30, 2024, we had an unrestricted cash balance of \$44.2 million and \$7.5 million in marketable securities. We also held 1,440,722 shares of GECC common stock with an estimated fair value of \$14.7 million as of September 30, 2024. We believe we have sufficient liquidity available to meet our short-term and long-term obligations for at least the next 12 months.

Borrowings

As of September 30, 2024, the Company had \$26.9 million in outstanding aggregate principal amount of 7.25% notes due on June 30, 2027 (the **GEGGL Notes**). Interest on the GEGGL Notes is paid quarterly. The GEGGL Notes include covenants that limit additional indebtedness or the payment of dividends in the event that our net consolidated debt to equity ratio is, or would be on a pro forma basis, greater than 2 to 1. In addition, if our net consolidated debt to equity ratio is greater than 2 to 1 at the end of any calendar quarter, we must retain no less than 10% of our excess cash flow as cash and cash equivalents until such time as our net consolidated debt to equity ratio is less than 2 to 1 at the end of a calendar quarter.

As of September 30, 2024, the Company had \$35.5 million principal balance in convertible notes outstanding (including cumulative interest paid in-kind). 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, 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. To date, all interest on these instruments has been paid in-kind.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the market risks discussed in Item 7A. of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Item 4. Controls and Procedures.

We evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. Disclosure controls and procedures include, without limitation, controls and procedures that are designed to ensure that the information we are required to disclose in reports that we file 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 and that such information is accumulated and communicated to our management, including our Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**), to allow timely decisions regarding required disclosure. Our CEO and CFO participated in this evaluation and concluded that, as of September 30, 2024, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting for the quarter ended September 30, 2024, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

No changes required to be disclosed.

Item 1A. Risk Factors.

We have disclosed the risk factors affecting our business, financial condition and operating results in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024. There have been no material changes from the risk factors previously disclosed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In May 2024, the Company implemented a stock buyback program pursuant to Rule 10b5-1 and Rule 10b-18 under the Exchange Act authorizing us to repurchase up to 3,250,000 shares of our common stock in open market transactions through the close of business on the second full trading day following the filing with the SEC of the Company's Form 10-Q for the fiscal quarter ending September 30, 2024 unless extended or terminated by our Board.

The following table summarizes common stock repurchases during the three months ended September 30, 2024:

| Month | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of 10b5-1 Plans | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|----------------------|-------------------------------------|---------------------------------|--|--|
| July 1-31, 2024 | 82,649 | \$ 1.79 | 82,649 | 3,084,461 |
| August 1-31, 2024 | 100,852 | \$ 1.80 | 100,852 | 2,983,609 |
| September 1-30, 2024 | 931,097 | \$ 1.88 | 931,097 | 2,052,512 |
| Total | 1,114,598 | \$ 1.87 | 1,114,598 | |

Item 5. Other Information.

During the quarter ended September 30, 2024, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of GEG adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

EXHIBIT INDEX

All references are to filings by Great Elm Group, Inc. (the **registrant**) with the SEC under File No. 001-39832.

Exhibit

| Number | Description |
|--------|---|
| 3.1 | <u>Certificate of Incorporation of Great Elm Group, Inc., dated October 23, 2020 (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on December 29, 2020)</u> |
| 3.2 | <u>Amended and Restated Bylaws of Great Elm Group, Inc., dated November 14, 2022 (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on November 14, 2022)</u> |
| 31.1* | <u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 31.2* | <u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 32.1* | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 101 | Materials from the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in inline Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) related Notes to the Condensed Consolidated Financial Statements, tagged in detail (furnished herewith). |
| 104 | The cover page from the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in inline XBRL (included as Exhibit 101). |

*Filed or furnished herewith.

SIGNATURES

Pursuant to the requirements 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.

GREAT ELM GROUP, INC.

Date: November 12, 2024

/s/ Jason W. Reese

Jason W. Reese

Chief Executive Officer & Chairman

Date: November 12, 2024

/s/ Keri A. Davis

Keri A. Davis

Chief Financial Officer & Chief Accounting Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Jason W. Reese, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Elm 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: November 12, 2024

By: /s/ Jason W. Reese

Jason W. Reese

(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Keri A. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Elm 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: November 12, 2024

By: /s/ Keri A. Davis

Keri A. Davis
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Great Elm Group, Inc. (the "Company") for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jason W. Reese, Principal Executive Officer of the Company, and Keri A. Davis, Principal Financial Officer of the Company, each certify, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934 as amended (the "Exchange Act") and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the undersigned's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jason W. Reese
Jason W. Reese
(Principal Executive Officer)

By: /s/ Keri A. Davis
Keri A. Davis
(Principal Financial Officer)

November 12, 2024
