

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, 2023

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)

**800 South Street, Suite 230, Waltham, MA**

(Address of principal executive offices)

**85-3622015**

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

**02453**

(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	GEG	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)
7.25% Notes due 2027	GEGGL	The Nasdaq Stock Market LLC (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	<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 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 30, 2022, was \$36,204,379. This number does not include shares of common stock held by our investors Imperial Capital Asset Management, LLC and 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 12, 2023 was 30,642,963.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the annual meeting of stockholders of the Registrant, to be filed with the Securities and Exchange Commission within 120 days of our fiscal year ended June 30, 2023, are incorporated by reference into Part III of this report.

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Unless the context otherwise requires, “we,” “us,” “our,” the “Company,” “Great Elm,” “GEG” and terms of similar import refer to Great Elm 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:

- the ability of Great Elm Capital Management, Inc. (**GECM**) to profitably manage Great Elm Capital Corp. (NASDAQ: **GECC**), a business development company, and 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 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 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.

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 and Monomoy UpREIT, our largest investment vehicles, as well as other private funds. The combined assets under management of these entities at June 30, 2023 was approximately \$639.8 million.

GECC was established in 2016 and it elected to be treated as a business development company (**BDC**) under the Investment Company Act of 1940, as amended (the **Investment Company Act**). We own approximately 20.2% of GECC's shares that we may hold to generate dividends or sell to redeploy our capital in higher yielding opportunities.

Monomoy UpREIT is the operating partnership of Monomoy Properties REIT, LLC. Monomoy Properties REIT, LLC was formed in 2014 with the purpose of building an industry leading single-tenant industrial portfolio specializing in net leased assets, specifically Class B & C warehouse, distribution & light manufacturing assets. The Company acquired the investment management agreement of Monomoy UpREIT in May 2022. The Company owns approximately 7.3% of Monomoy UpREIT.

GECM, our wholly-owned subsidiary, earns revenue through investment management agreements with each investment vehicle that provide for management fees, property management fees, incentive fees and/or administration fees. These fees are generally based on assets under management, rent collected, investment performance and allocable expenses incurred in the administration of these investment vehicles.

In January 2023, Monomoy BTS Corporation (**MBTS**), our wholly-owned subsidiary, completed purchases of certain land parcels. 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, which is expected not later than the first calendar quarter of 2024. We intend to sell the land and improvements with the attached leases at or close to the respective lease commencement date.

As of June 30, 2023, we had \$16.2 million of net operating loss carryforwards for federal income tax purposes.

#### Discontinued Operations

We launched our Durable Medical Equipment (**DME**) business in September 2018 by acquiring two businesses that specialized in the distribution of respiratory care equipment, including positive air pressure equipment and supplies, ventilators and oxygen equipment, and provided sleep study services. Since then, the business was grown organically through investments in scalability as well as inorganically through tuck-in acquisitions. On January 3, 2023, we sold our DME business.

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

#### Sale of Forest

On December 30, 2022, we and our wholly-owned subsidiary, Great Elm FM Acquisition, Inc. (**FM Acquisition**), entered into a stock purchase agreement (the **Stock Purchase Agreement**) with J.P. Morgan Broker-Dealer Holdings Inc. (**JPM**) to sell 61 shares of the common stock, \$0.001 par value per share, of Forest Investments, Inc. (**Forest**) owned by us and FM Acquisition, which constituted 61% of the issued and outstanding shares of Forest's common stock, to JPM for approximately \$18.4 million in cash (the **Sale of Controlling Interest in Forest**). In connection with the Stock Purchase Agreement, we, JPM and Forest entered into an amended and restated stockholders' agreement (the **Stockholders Agreement**). Pursuant to the Stockholders Agreement, from January 17, 2023 until February 17, 2023, we had the right (the **Put Option**) to sell our remaining 19% interest in Forest (**Investment in Forest**) for its then fair market value. On January 17, 2023, we exercised the Put Option and sold the Investment in Forest for approximately \$26.5 million in cash.

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

**Acquisition Program**

We continue to explore other investment management opportunities, as well as opportunities in other areas that we believe provide attractive risk-adjusted returns on invested capital. As of the date of this report, we had \$2.3 million of unfunded binding commitments to make additional investments.

**Competition**

We face competition from larger, well financed organizations (both domestic and foreign), including 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 24 employees as of June 30, 2023.

**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](http://www.sec.gov). Our stockholders may also obtain a printed copy of any of the above documents or reports by sending a request to Great Elm Group, Inc., 800 South Street, Suite 230, Waltham, Massachusetts 02453; Attention: Investor Relations, or by calling (617) 375-3006. We charge \$0.50 per page to cover expenses of copying and mailing.

Our corporate headquarters is located at 800 South Street, Suite 230, Waltham, Massachusetts 02453. Our corporate website address is [www.greatelmgroup.com](http://www.greatelmgroup.com).

The contents of the websites referred to above are not incorporated by reference 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. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated.*

### Risks Related to Our Business

***Our growth strategy may not be successful.*** The process to identify potential investment opportunities and strategic transaction partners, to investigate and evaluate the future returns therefrom and business prospects thereof and 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 (SPACs), 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.

We continually evaluate our assets and investments relative to other market opportunities in order to seek to maximize shareholder value. As a result, we 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 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. For example, as part of our investment management business we will direct investments in a wide variety of industries and vehicles, including SPACs, which may decline in value. 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 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 or compliance operations and personnel.

***Our ability to successfully grow our business will be dependent upon the efforts of our key personnel.*** 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 SPACs. 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.

Additionally, disruptions in the financial markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the financial 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. Decreases in the market values of investments held within the underlying portfolios of managed funds could also lead to decreases in asset-based fee revenues.

***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 June 2022, we raised \$26.9 million through the issuance of 7.25% Notes due 2027. 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, record-keeping 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 are 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 cyberattacks 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 investment management agreements may be terminated.*** The investment management agreements (**IMAs**) we have through GECM with various pooled investment vehicles, such as GECC and Monomoy UpREIT, 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 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 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.

***The replacement of the London Interbank Offered Rate (LIBOR) with the Secured Overnight Financing Rate (SOFR) may affect the funds we manage and our results of operations and financial results.*** As a result of the discontinuation of certain unsecured benchmark interest rates, including LIBOR, regulators and market participants in various jurisdictions have been working to identify alternative reference rates that are compliant with the International Organization of Securities Commission's standards for transaction-based benchmarks. In the U.S., the Alternative Committee, a group of market and official sector participants, identified SOFR as its recommended alternative benchmark rate. Other alternative reference rates have been recommended in other jurisdictions.

The funds that we manage may hold a number of LIBOR-referenced contracts. Transition from LIBOR to SOFR or to another reference rate may result in an increase or a decrease of the overall borrowing cost for the funds we manage and their portfolio companies. Even if the overall borrowing cost decreases, any savings that the funds we manage realize from such decrease could be offset partially or entirely by lower overall interest income received from certain assets. In addition, the transition from LIBOR to another reference rate could result in financial market disruption and significant increases or volatility in risk-free benchmark rates. Should such disruption occur, it may adversely affect, among other things, the trading market for LIBOR-based securities and the market for derivative instruments. As a result, the transition from LIBOR could have a direct or indirect adverse effect on our business, results of operations and financial condition.

***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 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 and potential conflicts of interest may exist. Nonetheless, 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 and our audit committee.

#### **Risks Relating to Our Common Stock**

***Our common stock is subject to transfer restrictions.*** We have 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 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 judgment 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, 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 an exclusive forum selection provision;
- 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 our 5.0% Convertible Senior 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, we 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 1C. Cybersecurity.**

Not applicable.

**Item 2. Properties.**

We currently lease office space for our principal executive office in Waltham, Massachusetts. Our lease is non-cancellable through September 2024. We lease additional office space in Charleston, South Carolina, which has a lease expiration date in September 2025.

**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 "GEG".

#### Record Holders

As of September 12, 2023, there were 59 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 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 funds managed by Northern Right Capital Management, L.P. (**Northern Right**) and Imperial Capital Asset Management, LLC (**ICAM**). As of September 12, 2023, Northern Right and its affiliates and ICAM and its affiliates own approximately 19.2% and 19.7%, respectively, of the outstanding shares of our common stock. Ownership information is based on information in publicly available filings.

#### Stock Purchases

None.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

### Item 6. [Reserved]

### 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

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 BDC, and Monomoy UpREIT, an industrial-focused real estate investment trust, in addition to other investments. The combined assets under management of these entities at June 30, 2023 was approximately \$639.8 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 \$2.3 million of unfunded binding commitments to make additional investments.

On December 30, 2022, GEG and its wholly-owned subsidiary, FM Acquisition, entered into the Stock Purchase Agreement with JPM to sell 61 shares of the common stock, \$0.001 par value per share, of Forest owned by FM Acquisition and GEG, which constituted 61% of the issued and outstanding shares of Forest's common stock, to JPM for approximately \$18.4 million in cash. In connection with the Stock Purchase Agreement, GEG, JPM and Forest entered into the Stockholders Agreement. Pursuant to the Stockholders Agreement, from January 17, 2023 until February 17, 2023, GEG had the the Put Option to sell its remaining 19% interest in Forest for its then fair market value. On January 17, 2023, GEG exercised the Put Option and sold the Investment in Forest for approximately \$26.5 million in cash.

On January 3, 2023, GEG's wholly-owned subsidiary, Great Elm DME Holdings, Inc., along with the minority owners of Great Elm Healthcare, LLC (**HC LLC**), entered into a purchase agreement with QHM Holdings, Inc., a subsidiary of Quipt Home Medical Corp (**Quipt**), to sell 100% of the outstanding membership interests in HC LLC to Quipt (the **Sale of HC LLC**) for \$80.0 million, consisting of approximately \$72.8 million in cash, \$5.2 million of indebtedness assumed by Quipt and \$2.0 million in shares of Quipt common stock based on the 20-day volume-weighted average price of Quipt's common stock for the period ending on and including the second business day prior to the closing of the transaction. After transaction costs of \$2.5 million, distributions to non-controlling interests of \$5.9 million, and indemnity escrow payment of \$0.4 million, cash proceeds to GEG and its subsidiaries were \$64.1 million, pending finalization of working capital adjustments. The disposal group satisfied the criteria for presentation as held for sale and discontinued operations through the date of sale, and as such GEG's historical segment information was recast to reflect its ongoing business as a single reportable segment and to remove the activity of discontinued operations.

In January 2023, MBTS, GEG's wholly-owned subsidiary, completed purchases of certain land parcels. 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, which is expected not later than the first calendar quarter of 2024. GEG intends to sell the land and improvements with the attached leases at or close to the respective lease commencement date. During the year ended June 30, 2023, GEG capitalized costs of \$1.7 million attributed to the cost of land and development and construction costs directly identifiable with the two real estate projects.

### **Critical Accounting Policies and Estimates**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (**GAAP**). The preparation of financial statements in accordance with 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. Actual results could be different from these estimates.

Previously reported assets and liabilities related to our DME business, primarily consisting of HC LLC and its subsidiaries, have been reclassified as assets and liabilities held for sale on the Company's consolidated balance sheet as of June 30, 2022. In addition, the historical results of the DME business and related activity have been presented in the accompanying consolidated statements of operations for the years ended June 30, 2023 and 2022 as discontinued operations. See Note 4 - Assets and Liabilities Held for Sale and Discontinued Operations in the accompanying Notes to the Consolidated Financial Statements. Following presentation of our DME business as discontinued operations, the Company views its operations and manages its business as one operating segment 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.

### **Asset Acquisitions**

Asset acquisitions are accounted for using the cost accumulation method while business combinations are accounted for at fair value. Determining whether the acquired set represents an asset acquisition or a business combination requires quantitative and qualitative assessments subject to judgment. 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.

## Revenue Recognition

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. Our revenues primarily consist of fees based on a percentage of assets under management, fees based on rents collected, fees based on the performance of managed assets, and administration and service fees.

## 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. GAAP provides guidance on the accounting for and disclosure of uncertainty in tax positions and requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable taxing authority. The Company recognizes in its consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. In making these assessments, the Company determines the accounting recognition based on the technical merits of the position and consults with external tax experts as appropriate. 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.

## New Accounting Pronouncements

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

## Results of Operations

### Continuing Operations

The following table provides the consolidated results of our continuing operations:

<i>(in thousands)</i>	For the twelve months ended June 30,		
	2023	Percent Change	2022
<b>Revenues</b>	\$ 8,663	92%	\$ 4,516
<b>Operating costs and expenses:</b>			
Investment management expenses, excluding non-cash compensation	(8,938)	88%	(4,744)
Non-cash compensation	(2,948)	(8)%	(3,211)
Transaction costs	(1,105)	121%	(499)
Other selling, general and administrative	(5,731)	34%	(4,279)
Depreciation and amortization	(1,152)	120%	(524)
Total operating costs and expenses	(19,874)		(13,257)
Operating loss	(11,211)		(8,741)
<b>Other income (expense):</b>			
Interest expense	(6,074)	10%	(5,546)
Other income (expense), net	31,964	NM*	(4,935)
Total other income (expense), net	25,890		(10,481)
Income (loss) before income taxes from continuing operations	\$ 14,679		\$ (19,222)

\*NM - not meaningful

### *Revenues*

Revenues for the year ended June 30, 2023 increased \$4.1 million, as compared to the prior year. The increase of \$2.7 million is attributed to the Monomoy UpREIT investment management agreement acquired in May 2022, and the increase of \$1.0 million is attributed to the incentive fees due from GECC.

### *Operating Costs and Expenses*

Operating costs and expenses for the year ended June 30, 2023 increased \$6.6 million, as compared to the prior year. Investment management expenses increased \$4.2 million, which was mainly attributable to costs associated with servicing the recently acquired Monomoy UpREIT investment management agreement. Other selling, general and administrative expenses increased \$1.5 million, which was mainly attributed to legal, consulting and other professional fees. Depreciation and amortization increased \$0.6 million, primarily due to amortization expense recorded in respect to the intangible assets identified upon acquisition of the Monomoy UpREIT investment management agreement.

### *Other Expenses and Income*

Interest expense for the year ended June 30, 2023 increased by \$0.5 million, compared to the prior year, primarily due to interest on the 7.25% notes due in 2027 issued in June 2022 (the **GEGGL Notes**) and on the \$6.3 million promissory note issued to Imperial Capital Asset Management, LLC (**ICAM**) in May 2022 (the **Seller Note**) (fully repaid in February 2023), which was partially offset by decrease in interest expense attributed to the 35,010 shares of preferred stock issued by Forest to JPM on December 29, 2020 (the **Forest Preferred Stock**) following the Sale of Controlling Interest in Forest on December 30, 2022.

During the year ended June 30, 2023, the Company recognized \$32.0 million of other income (net), comprised of gain on Sale of Controlling Interest in Forest of \$10.5 million, gain on the Investment in Forest of \$24.4 million, and dividends and interest income of \$6.2 million, partially offset by net realized and unrealized loss on investments (excluding the Investment in Forest) of \$9.2 million. During the year ended June 30, 2022, the Company recognized \$4.9 million of other expense (net), mainly attributed to net realized and unrealized loss on investments of \$7.6 million and net realized and unrealized loss on investments of our consolidated fund, Great Elm SPAC Opportunity Fund, LLC (**GESOF**), of \$0.5 million, partially offset by dividends and interest income of \$3.2 million.

### *Income Taxes*

The Company recognized an income tax expense from continuing operations of \$0.2 million and \$0.1 million for the years ended June 30, 2023 and 2022, respectively. This expense consisted solely of state and local taxes. No federal income taxes were incurred for the years ended June 30, 2023 and 2022. As of June 30, 2022, the Company had NOL carryforwards for federal income tax purposes of approximately \$821 million. Following the Sale of Controlling Interest in Forest, Forest ceased being part of our consolidated tax group and NOL carryforwards attributed to the entity became unavailable for the Company's use going forward. As of June 30, 2023, we had \$16.2 million of net operating loss carryforwards for federal income tax purposes, of which approximately \$8.2 million will expire in fiscal years 2024 through 2025 and \$8.0 million can be carried forward indefinitely.

### Discontinued Operations

The following table provides the consolidated results of our discontinued operations:

<i>(in thousands)</i>	For the twelve months ended June 30,	
	2023	2022
<b>Discontinued operations:</b>		
Durable medical equipment sales and services revenue	\$ 21,574	\$ 41,720
Durable medical equipment rental income	11,874	21,738
Net revenue	33,448	63,458
Cost of durable medical equipment sold and services	(8,654)	(16,795)
Cost of durable medical equipment rentals	(4,263)	(7,149)
Durable medical equipment other operating expenses	(17,519)	(32,561)
Depreciation and amortization	(783)	(1,737)
Transaction costs	(2,462)	(582)
Interest expense	(46)	(240)
Loss on extinguishment of debt	(23)	(190)
Other (expense) income, net	(50)	2
Gain on disposal of discontinued operations	13,264	-
Income before income taxes from discontinued operations	12,912	4,206
Income tax benefit	289	62
Net income from discontinued operations	\$ 13,201	\$ 4,268

During the year ended June 30, 2023, the results of the discontinued DME business only included operations through the date of its sale (January 3, 2023). Upon sale of the DME business, we initially recognized a gain on sale of \$13.6 million. In the fourth quarter of fiscal 2023, we recorded a loss of \$0.3 million following finalization of working capital adjustments to the initial sales price for HC LLC, with the respective payment made to Quipt in September 2023.

### Liquidity and Capital Resources

The following table presents selected financial information:

<i>(in thousands)</i>	June 30, 2023	June 30, 2022
Current assets	\$ 123,138	\$ 84,440
Current liabilities	7,377	19,694
Working capital	\$ 115,761	\$ 64,746
Long-term liabilities	\$ 64,674	\$ 106,139

As of June 30, 2022, our current assets, current liabilities and long-term liabilities contained \$8.5 million, \$15.0 million and \$2.6 million of current assets held for sale, current liabilities held for sale and non-current liabilities held for sale, respectively, attributed to the DME business.

<i>(in thousands)</i>	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Net cash (used in) provided by operating activities - continuing operations	\$ (3,139)	\$ 17,061
Net cash provided by operating activities - discontinued operations	766	12,219
Net cash (used in) provided by operating activities	\$ (2,373)	\$ 29,280
Net cash provided by (used in) investing activities - continuing operations	\$ 16,733	\$ (33,296)
Net cash provided by (used in) investing activities - discontinued operations	67,230	(6,751)
Net cash provided by (used in) investing activities	\$ 83,963	\$ (40,047)
Net cash (used in) provided by financing activities - continuing operations	\$ (42,399)	\$ 10,222
Net cash used in financing activities - discontinued operations	(5,221)	(242)
Net cash (used in) provided by financing activities	\$ (47,620)	\$ 9,980
Net increase (decrease) in cash and cash equivalents, including cash and cash equivalents classified within current assets held for sale	\$ 33,970	\$ (787)
Less: net increase in cash and cash equivalents classified within current assets held for sale	\$ 62,775	\$ 5,226
Plus: cash received from discontinued operations	\$ 66,689	\$ 9,549
Net increase in cash and cash equivalents	\$ 37,884	\$ 3,536

As of June 30, 2023, we had an unrestricted cash balance of \$60.2 million, short-term investments in marketable securities of \$24.6 million and investments with a fair value of \$32.6 million, including 1,532,519 shares of GECC common stock with an estimated fair value of \$11.9 million.

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 flows used in operating activities of our continuing operations for the year ended June 30, 2023 were \$3.1 million. The adjustments to reconcile our net income from continuing operations of \$14.5 million to net cash used in operating activities included add-backs for various non-cash charges, such as \$2.6 million of stock-based compensation expense, \$2.3 million of non-cash interest and amortization of capitalized issuance costs, \$1.2 million of depreciation and amortization, and \$0.8 million of change in fair value of contingent consideration payable to ICAM, which was partially offset by deduction of \$10.9 million of unrealized gain on our investments, \$4.3 million of realized gain on our investments, \$10.5 million of gain on Sale of Controlling Interest in Forest in December 2022, and the net negative change in our operating assets and liabilities of \$0.7 million. During the year ended June 30, 2023 we also received \$1.6 million attributed to sales of investments by GESOF. Cash flows provided by operating activities of our discontinued operations for the year ended June 30, 2023 were \$0.8 million.

Cash flows provided by operating activities of our continuing operations for the year ended June 30, 2022 were \$17.1 million. The net cash inflow was primarily the result of net sales of investments by GESOF of approximately \$23.2 million, and non-cash adjustments of \$8.2 million in realized loss on investments, \$2.8 million in stock-based compensation, \$2.0 million in non-cash interest and amortization of capitalized issuance costs, \$0.5 million in depreciation and amortization, and \$0.5 million in net realized and unrealized loss on investments of GESOF, partially offset by our net loss from continuing operations of \$19.3 million and \$0.4 million of stock dividends. The cash flows provided by operating activities of our discontinued operations for the same period were \$12.2 million.

Cash flows provided by investing activities of our continuing operations for the year ended June 30, 2023 were \$16.7 million which is attributed to the combined proceeds from sale of Forest, net of cash sold, of \$44.3 million, partially offset by purchases of investments of \$3.1 million and purchases of investments in marketable securities of \$24.4 million. Cash flows provided by investing activities of our discontinued operations for the year ended June 30, 2023 of \$67.2 million were primarily attributed to the cash proceeds from the Sale of HC LLC, net of cash sold and before transaction costs and distributions to non-controlling interests, of \$71.3 million, partially offset by other investing activities of our DME business.

Cash flows used in investing activities of our continuing operations for the year ended June 30, 2022 were \$33.3 million, primarily consisting of \$15.0 million in net purchases of interests in Monomoy UpREIT and \$17.5 million for participation in the GECC rights offering. Cash flows used in investing activities of our discontinued operations for the year ended June 30, 2022 were \$6.8 million, mainly attributed to capital expenditures related to purchases of equipment held for rental.

Cash flows used in financing activities of our continuing operations for the year ended June 30, 2023 were \$42.4 million, which consisted of principal payments of \$38.1 million on the promissory note issued to Forest on December 29, 2022 and fully repaid by January 3, 2023, and principal payments of \$3.7 million on the Seller Note, as well as distributions to non-controlling interests in GESOF of \$0.6 million. Cash flows used in financing activities of our discontinued operations for the year ended June 30, 2023 of \$5.2 million were primarily attributed to distributions to non-controlling interests upon Sale of HC LLC of \$5.9 million.

Cash flows provided by financing activities of our continuing operations for the year ended June 30, 2022 were \$10.2 million, primarily attributed to \$26.9 million in proceeds from the issuance of the GEGGL Notes, partially offset by payments to the broker of GESOF of \$11.4 million and distributions to non-controlling interests in GESOF of \$3.9 million, while cash flows used in financing activities of our discontinued operations for the same period were \$0.2 million.

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 June 30, 2023, the Company had \$26.9 million in outstanding aggregate principal of the GEGGL Notes. The GEGGL Notes are due on June 30, 2027, and interest 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 June 30, 2023, the Company had \$37.9 million principal balance in outstanding convertible notes (including cumulative interest paid in-kind) held by a consortium of investors, including related parties, that 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**). 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 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.

Under Rule 3-09 of Regulation S-X, the audited financial statements of GECC for the years ended December 31, 2022 and 2021, included in GECC's annual report on Form 10-K (File No. 814-01211), filed with the SEC on March 2, 2023 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 and directors of GECC are also officers and directors of GEG. Matthew A. Drapkin is a director of our Board 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, and Keri A. Davis is our Chief Financial Officer as well as the Chief Financial Officer of 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 (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, 2023.

### **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, 2023 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. Based on management's evaluation under the framework, management concluded that our internal control over financial reporting was effective as of June 30, 2023.

### ***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information.**

None.

## **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will be contained in our definitive proxy statement (**Proxy Statement**) and is hereby incorporated by reference thereto.

### Item 11. Executive Compensation.

The information required by this item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

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

The information required by this item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

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

The information required by this item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

### Item 14. Principal Accountant Fees and Services.

The information required by this item will be contained in our Proxy Statement and is hereby incorporated by reference thereto.

## 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 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.

## EXHIBIT INDEX

Unless otherwise indicated, all references are to filings by Great Elm Group, Inc. (the **Registrant**) with the Securities and Exchange Commission under File No. 001-39832

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Certificate of Incorporation of the Registrant, dated October 23, 2020 (incorporated by reference to the Exhibit 3.1 to the Form 8-K filed on December 29, 2020)</u>
3.2	<u>Amended and Restated Bylaws of the Registrant, dated November 14, 2022 (incorporated by reference to the Exhibit 3.1 to the Form 8-K filed on November 14, 2022)</u>
4.1	<u>Form of the Registrant's Common Stock Certificate (incorporated by reference to the Exhibit 4.1 to the Form 8-K filed on December 29, 2020)</u>
4.2	<u>Certificate of Designation of Series A Junior Participating Cumulative Preferred Stock of the Registrant, dated December 23, 2020 (incorporated by reference to the Exhibit 4.2 to the Form 8-K filed on December 29, 2020)</u>
4.3	<u>Stockholders' Rights Agreement, dated December 29, 2020, by and between the Registrant and Computershare Trust Company, N.A. (incorporated by reference to the Exhibit 4.3 to the Form 8-K filed on December 29, 2020)</u>

- 4.4 [Form of 5.0% Convertible Senior PIK Notes due 2030 \(incorporated by reference to the Exhibit 4.4 to the Form 8-K filed on December 29, 2020\)](#)
- 4.5 [Form of Amendment to 5.0% Convertible Senior PIK Notes due 2030 \(incorporated by reference to the Exhibit 4.1 to the Form 10-Q filed on May 14, 2021\)](#)
- 4.6 [Registration Rights Agreement, dated as of February 26, 2020, by and between Great Elm Capital Group, Inc. and certain accredited investors party thereto \(incorporated by reference to the Exhibit 4.5 to the Form 8-K filed on December 29, 2020\)](#)
- 4.7 [Description of Securities \(incorporated by reference to the Exhibit 4.7 to the Form 10-K filed on September 12, 2022\)](#)
- 4.8 [Base Indenture, dated as of June 9, 2022, by and between Great Elm Group, Inc. and American Stock and Transfer & Trust Company, LLC, as Trustee \(incorporated by reference to the Exhibit 4.1 to the Form 8-K filed on June 9, 2022\)](#)
- 4.9 [First Supplemental Indenture, dated as of June 9, 2022, by and between Great Elm Group, Inc. and American Stock and Transfer & Trust Company, LLC, as Trustee \(incorporated by reference to the Exhibit 4.2 to the Form 8-K filed on June 9, 2022\)](#)
- 4.10 [Form of 7.25% Note Due 2027 \(incorporated by reference to the Exhibit 4.3 to the Form 8-K filed on June 9, 2022\)](#)
- 4.11 [Amended and Restated Stockholders Agreement of Forest Investments, Inc., dated December 30, 2022, among Forest Investments, Inc., the Registrant and J.P. Morgan Broker-Dealer Holdings, Inc. \(incorporated by reference to the Exhibit 4.2 to the Form 8-K filed on January 3, 2023\)](#)
- 10.1+ [Severance Agreement, dated May 4, 2023, by and between the Registrant and Peter A. Reed \(incorporated by reference to the Exhibit 10.1 to the Form 8-K filed on May 5, 2023\)](#)
- 10.2+ [Consulting Agreement, dated May 4, 2023, by and between the Registrant and Peter A. Reed \(incorporated by reference to the Exhibit 10.2 to the Form 8-K filed on May 5, 2023\)](#)
- 10.3+ [Offer Letter, dated May 4, 2023, by and between the Registrant and Jason W. Reese \(incorporated by reference to the Exhibit 10.3 to the Form 8-K filed on May 5, 2023\)](#)
- 10.4+ [Offer Letter, dated December 29, 2020 between Adam Kleinman and the Registrant \(incorporated by reference to the Exhibit 10.2 to the Form 8-K filed on December 29, 2020\)](#)
- 10.5+ [Separation and General Release Agreement, dated May 15, 2023, by and between the Registrant and Brent J. Pearson \(incorporated by reference to the Exhibit 10.1 to the Form 8-K filed on May 15, 2023\)](#)
- 10.6+ [Offer Letter, dated May 15, 2023, by and between the Registrant and Keri A. Davis \(incorporated by reference to the Exhibit 10.2 to the Form 8-K filed on May 15, 2023\)](#)
- 10.7+ [Employment Letter, dated August 30, 2022, between Great Elm Capital Management, Inc. and Nichole Milz \(incorporated by reference to the Exhibit 10.1 to the Form 8-K filed on September 6, 2022\)](#)
- 10.8+ [Compensation Plan Agreement, dated December 29, 2020, by and between Great Elm Capital Group, Inc. and the Registrant \(incorporated by reference to the Exhibit 10.4 to the Form 8-K filed on December 29, 2020\)](#)
- 10.9+ [Form of Director and Officer Indemnification Agreement \(incorporated by reference to the Exhibit 10.5 to the Form 8-K filed on December 29, 2020\)](#)
- 10.10+ [Great Elm Group, Inc. Amended and Restated 2016 Long-Term Incentive Compensation Plan \(As Amended, Effective November 21, 2022\) \(incorporated by reference to Exhibit 10.1 to the Form 8-K of Great Elm Group, Inc. filed on November 21, 2022\)](#)
- 10.11+ [2016 Employee Stock Purchase Plan \(incorporated by reference to Annex E to the Proxy Statement filed on May 25, 2016 by Great Elm Capital Group, Inc. \(File No. 001-16073\)\)](#)
- 10.12+ [Form of Stock Option Award under the Registrant's Amended and Restated 2016 Long-Term Incentive Compensation Plan](#)
- 10.13+ [Form of Restricted Stock Unit Award \(Directors\) under the Registrant's Amended and Restated 2016 Long-Term Incentive Compensation Plan](#)
- 10.14+ [Form of Restricted Stock Unit Award \(Employees\) under the Registrant's Amended and Restated 2016 Long-Term Incentive Compensation Plan](#)

- 10.15+ [Form of Restricted Stock Award \(Directors\) under the Registrant’s Amended and Restated 2016 Long-Term Incentive Compensation Plan](#)
- 10.16+ [Form of Restricted Stock Award \(Employees\) under the Registrant’s Amended and Restated 2016 Long-Term Incentive Compensation Plan](#)
- 10.17+ [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 by Great Elm Capital Group, Inc. \(File No. 001-16073\)\)](#)
- 10.18 [Transaction Agreement, dated March 10, 2021, by and among the Registrant, MAST Capital Management, LLC and David Steinberg, \(incorporated by reference to the Exhibit 10.1 to the Form 10-Q filed on May 14, 2021\)](#)
- 10.19 [Amended and Restated Investment Management Agreement \(As Amended, Effective August 1, 2022\), by and between Great Elm Capital Corp. and Great Elm Capital Management, Inc. \(incorporated by reference to Exhibit g to the Form N-2 filed on June 16, 2023 by Great Elm Capital Corp. \(File No. 333-272790\)\)](#)
- 10.20 [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. \(File No. 814-01211\)\)](#)
- 10.21 [Profit Sharing Agreement, dated as of November 3, 2016, by and between Great Elm Capital Management, Inc. and Great Elm Capital GP, LLC \(formerly GECC GP Corp.\) \(incorporated by reference to Exhibit 10.6 to the Form 8-K filed on November 9, 2016\)](#)
- 14.1 [Code of Conduct of Great Elm Group, Inc. \(incorporated by reference to the Exhibit 14.1 to the Form 8-K filed on September 20, 2023\)](#)
- 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](#)
- 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 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](#)
- 99.1 [Audited financial statements of Great Elm Capital Corp. \(incorporated by reference to the annual report on Form 10-K filed on March 2, 2023 by Great Elm Capital Corp. \(File No. 814-01211\)\)](#)
- 101 Materials from the Registrant’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023, formatted in inline Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders’ Equity and Contingently Redeemable Non-Controlling Interest, (iv) Consolidated Statements of Cash Flows, and (v) related Notes to the Consolidated Financial Statements, tagged in detail (furnished herewith).
- 104 The cover page from the Registrant’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023, formatted in inline XBRL (included as Exhibit 101).

\* Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. GEG hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit upon request by the Securities and Exchange Commission.

+ Indicates a management contract or compensatory plan or arrangement.

## **Item 16. Form 10-K Summary.**

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

## 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 20, 2023.

GREAT ELM GROUP, INC.

By: /s/ Jason W. Reese  
Name: Jason W. Reese  
Title: Chief Executive Officer & Chairman

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 20, 2023.

<u>Signature</u>	<u>Title</u>
<u>/s/ Jason W. Reese</u> Jason W. Reese	Chief Executive Officer & Chairman <i>(Principal Executive Officer)</i>
<u>/s/ Keri A. Davis</u> Keri A. Davis	Chief Financial Officer & Chief Accounting Officer <i>(Principal Financial and Accounting Officer)</i>
<u>/s/ Matthew A. Drapkin</u> Matthew A. Drapkin	Director
<u>/s/ James H. Hugar</u> James H. Hugar	Director
<u>/s/ David Matter</u> David Matter	Director
<u>/s/ James P. Parmelee</u> James P. Parmelee	Director
<u>/s/ Eric J. Scheyer</u> Eric J. Scheyer	Director

## INDEX TO FINANCIAL STATEMENTS

<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID: 248)</a>	F-2
<a href="#">Consolidated Balance Sheets at June 30, 2023 and 2022</a>	F-4
<a href="#">Consolidated Statements of Operations for the years ended June 30, 2023 and 2022</a>	F-5
<a href="#">Consolidated Statements of Stockholders' Equity and Contingently Redeemable Non-Controlling Interest for the years ended June 30, 2023 and 2022</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for the years ended June 30, 2023 and 2022</a>	F-7
<a href="#">Notes to the Consolidated Financial Statements</a>	F-9

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Great Elm Group, Inc.

### **Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Great Elm Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of June 30, 2023 and 2022, the related consolidated statements of operations, stockholders’ equity and contingently redeemable non-controlling interest, and cash flows for each of the two years in the period ended June 30, 2023, and the related notes (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, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2023, 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 audits. 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 audits 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 audits 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 audits 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 audits 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 audits provide a reasonable basis for our opinion.

### **Critical audit matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Taxable Gain on Certain Divestitures*

As discussed in Note 2 to the consolidated financial statements, the Company recognizes in its financial statements the impact of a tax position if that position is more likely than not of being sustained upon examination based on the technical merits of the position. Certain divestitures involve complex tax matters in determining the taxable gain that require the evaluation of the recognition and measurement of the tax position taken. The accounting for the recognition and measurement of such tax position requires management to make significant judgments and interpretations to determine whether available information supports the assertion that the more-likely-than-not recognition threshold is met. As a result, we have determined that the evaluation of the more-likely-than-not threshold for the tax position related to the determination of the taxable gain on certain divestitures is a critical audit matter.

The principal consideration for our determination that this is a critical audit matter is management’s significant judgments about and complex considerations of the Internal Revenue Code (Code), related Treasury regulations, and Internal Revenue Service (IRS) rulings. The complexity and subjective nature of management’s conclusions required a high degree of auditor judgment.

Our audit procedures related to the Company’s evaluation of the tax positions related to the determination of the taxable gain on certain divestitures included the following, among others:

- We obtained and inspected the support for the more-likely-than-not tax conclusion provided to the Company by its external tax experts, and we discussed the conclusion with said experts;
- We evaluated the reasonableness of the conclusions reached in the aforementioned support based on the facts and circumstances of the transaction, the Code, Treasury regulations, and IRS rulings considered by management and their external tax experts as well as our independent research of the Code, Treasury regulations, and IRS rulings;
- We utilized firm tax professionals with specialized skill and knowledge to assist in the performance of these audit procedures.

/s/ Grant Thornton LLP

We have served as the Company’s auditor since 2019.

Boston, Massachusetts  
September 20, 2023

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

<u>ASSETS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current assets		
Cash and cash equivalents	\$ 60,165	\$ 22,281
Receivables from managed funds	3,308	2,445
Investments in marketable securities	24,595	-
Investments, at fair value (cost \$40,387 and \$68,766, respectively)	32,611	48,042
Prepaid and other current assets	717	665
Assets of Consolidated Fund:		
Investments, at fair value (cost \$2,432)	-	1,797
Prepaid expenses	-	746
Real estate under development	1,742	-
Current assets held for sale	-	8,464
Total current assets	<u>123,138</u>	<u>84,440</u>
Identifiable intangible assets, net	12,115	13,250
Right-of-use assets	497	733
Other assets	143	103
Non-current assets held for sale	-	69,561
Total assets	<u>\$ 135,893</u>	<u>\$ 168,087</u>
<b><u>LIABILITIES, NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities		
Accounts payable	\$ 191	\$ 8
Accrued expenses and other current liabilities	5,418	3,845
Current portion of related party payables	1,409	486
Current portion of lease liabilities	359	341
Liabilities of Consolidated Fund - accrued expenses and other	-	11
Current liabilities held for sale	-	15,003
Total current liabilities	<u>7,377</u>	<u>19,694</u>
Lease liabilities, net of current portion	142	472
Long-term debt (face value \$26,945)	25,808	25,532
Related party payables, net of current portion	926	1,120
Related party notes payable, net of current portion	-	6,270
Convertible notes (face value \$37,912 and \$36,085, including \$15,395 and \$15,133 held by related parties, respectively)	37,129	35,187
Redeemable preferred stock of subsidiaries (held by related parties, face value \$35,010)	-	34,099
Other liabilities	669	908
Non-current liabilities held for sale	-	2,551
Total liabilities	<u>72,051</u>	<u>125,833</u>
Commitments and contingencies (Note 18)		
Contingently redeemable non-controlling interest	-	2,225
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 30,651,047 shares issued and 29,546,655 outstanding at June 30, 2023; and 28,932,444 shares issued and 28,507,490 outstanding at June 30, 2022	30	29
Additional paid-in-capital	3,315,378	3,312,763
Accumulated deficit	(3,251,566)	(3,279,296)
Total Great Elm Group, Inc. stockholders' equity	<u>63,842</u>	<u>33,496</u>
Non-controlling interest	-	6,533
Total stockholders' equity	<u>63,842</u>	<u>40,029</u>
Total liabilities, non-controlling interest and stockholders' equity	<u>\$ 135,893</u>	<u>\$ 168,087</u>

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

**GREAT ELM GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Amounts in thousands, except per share data

	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Revenues	\$ 8,663	\$ 4,516
Operating costs and expenses:		
Investment management expenses	10,196	6,616
Depreciation and amortization	1,152	524
Selling, general and administrative	8,480	5,982
Expenses of Consolidated Fund	46	135
Total operating costs and expenses	<u>19,874</u>	<u>13,257</u>
Operating loss	(11,211)	(8,741)
Dividends and interest income	6,209	3,161
Net realized and unrealized gain (loss) on investments	15,247	(7,571)
Net realized and unrealized loss on investments of Consolidated Fund	(16)	(525)
Gain on sale of controlling interest in subsidiary	10,524	-
Interest expense	(6,074)	(5,546)
Income (loss) before income taxes from continuing operations	<u>14,679</u>	<u>(19,222)</u>
Income tax expense	(200)	(83)
Net income (loss) from continuing operations	<u>14,479</u>	<u>(19,305)</u>
Discontinued operations:		
Net income from discontinued operations	13,201	4,268
Net income (loss)	<u>\$ 27,680</u>	<u>\$ (15,037)</u>
Less: net (loss) income attributable to non-controlling interest, continuing operations	(1,554)	684
Less: net income (loss) attributable to non-controlling interest, discontinued operations	1,504	(828)
Net income (loss) attributable to Great Elm Group, Inc.	<u>\$ 27,730</u>	<u>\$ (14,893)</u>
Basic net income (loss) per share from:		
Continuing operations	\$ 0.55	\$ (0.75)
Discontinued operations	0.40	0.19
Basic net income (loss) per share	<u>\$ 0.95</u>	<u>\$ (0.56)</u>
Diluted net income (loss) per share from:		
Continuing operations	\$ 0.44	\$ (0.75)
Discontinued operations	0.29	0.19
Diluted net income (loss) per share	<u>\$ 0.73</u>	<u>\$ (0.56)</u>
Weighted average shares outstanding		
Basic	28,910	26,784
Diluted	40,980	26,784

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

**GREAT ELM GROUP, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND CONTINGENTLY REDEEMABLE NON-CONTROLLING INTEREST**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Great Elm Group, Inc. Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity	Contingently Redeemable Non-controlling Interest
	Shares	Amount						
<b>BALANCE, June 30, 2021</b>	25,948	\$ 26	\$ 3,307,613	\$ (3,264,403)	\$ 43,236	\$ 9,549	\$ 52,785	\$ 2,639
Net loss (income)	-	-	-	(14,893)	(14,893)	270	(14,623)	(414)
Issuance of common stock related to vesting of restricted stock	1,189	1	-	-	1	-	1	-
Repurchase of interests in subsidiary	-	-	(129)	-	(129)	86	(43)	-
Issuance of common stock related to asset purchase	1,370	2	2,477	-	2,479	-	2,479	-
Issuance of interests in Consolidated Fund	-	-	-	-	-	527	527	-
Distributions of interests in Consolidated Fund	-	-	-	-	-	(3,899)	(3,899)	-
Stock-based compensation	-	-	2,802	-	2,802	-	2,802	-
<b>BALANCE, June 30, 2022</b>	<u>28,507</u>	<u>\$ 29</u>	<u>\$ 3,312,763</u>	<u>\$ (3,279,296)</u>	<u>\$ 33,496</u>	<u>\$ 6,533</u>	<u>\$ 40,029</u>	<u>\$ 2,225</u>
Net income (loss)	-	-	-	27,730	27,730	(802)	26,928	752
Distributions to non-controlling interests in Consolidated Fund	-	-	-	-	-	(634)	(634)	-
Redemption of non-controlling interests upon sale of subsidiaries	-	-	-	-	-	(5,097)	(5,097)	(2,977)
Issuance of common stock related to vesting of restricted stock	1,040	1	-	-	1	-	1	-
Stock-based compensation	-	-	2,615	-	2,615	-	2,615	-
<b>BALANCE, June 30, 2023</b>	<u>29,547</u>	<u>\$ 30</u>	<u>\$ 3,315,378</u>	<u>\$ (3,251,566)</u>	<u>\$ 63,842</u>	<u>\$ -</u>	<u>\$ 63,842</u>	<u>\$ -</u>

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

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

	For the twelve months ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss) from continuing operations	\$ 14,479	\$ (19,305)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	1,152	524
Stock-based compensation	2,615	2,802
Sales of investments by Consolidated Fund	1,558	41,692
Purchases of investments by Consolidated Fund	-	(18,518)
Stock dividends received	-	(350)
Unrealized loss on investments from Consolidated Fund	-	311
Realized loss on investments from Consolidated Fund	16	214
Unrealized gain on investments	(10,948)	(623)
Realized (gain) loss on investments	(4,299)	8,194
Gain on sale of controlling interest in subsidiary	(10,524)	-
Non-cash interest and amortization of capitalized issuance costs	2,299	2,048
Change in fair value of contingent consideration	783	-
Other non-cash expense, net	470	-
Changes in operating assets and liabilities:		
Receivables from managed funds	(1,159)	(876)
Prepaid assets, deposits, and other assets	1,012	179
Real estate under development	(1,682)	-
Operating leases	(77)	(22)
Related party payables	-	486
Accounts payable, accrued expenses and other liabilities	1,166	305
Net cash (used in) provided by operating activities - continuing operations	(3,139)	17,061
Net cash provided by operating activities - discontinued operations	766	12,219
Net cash (used in) provided by operating activities	(2,373)	29,280
Cash flows from investing activities:		
Acquisition of assets	-	(824)
Proceeds from sale of controlling interest in subsidiary, net of cash sold	17,735	-
Purchases of investments	(3,105)	(20,468)
Purchases of investments in marketable securities	(24,384)	-
Sales of investments	26,540	5,499
Participation in related party rights offering	-	(17,500)
Purchases of property and equipment	(53)	(3)
Net cash provided by (used in) investing activities - continuing operations	16,733	(33,296)
Net cash provided by (used in) investing activities - discontinued operations	67,230	(6,751)
Net cash provided by (used in) investing activities	83,963	(40,047)

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

	For the twelve months ended June 30,	
	2023	2022
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	-	26,945
Capitalized issuance costs	-	(1,429)
Principal payments on related party notes payable	(41,765)	-
Repurchases of interests in subsidiary	-	(43)
Distributions to non-controlling interests in Consolidated Fund	(634)	(3,899)
Due to broker of Consolidated Fund	-	(11,379)
Capital contributions from non-controlling interests in Consolidated Fund	-	27
Net cash (used in) provided by financing activities - continuing operations	(42,399)	10,222
Net cash used in financing activities - discontinued operations	(5,221)	(242)
Net cash (used in) provided by financing activities	(47,620)	9,980
Net increase (decrease) in cash and cash equivalents, including cash and cash equivalents classified within current assets held for sale	33,970	(787)
Less: net increase in cash and cash equivalents classified within current assets held for sale	62,775	5,226
Plus: cash received from discontinued operations	66,689	9,549
Net increase in cash and cash equivalents	37,884	3,536
Cash and cash equivalents at beginning of period	22,281	18,745
Cash and cash equivalents at end of period	\$ 60,165	\$ 22,281
Cash paid for interest	\$ 3,831	\$ 3,512
<b>Non-cash investing and financing activities</b>		
Lease liabilities and right-of-use assets arising from operating leases	\$ 167	\$ -
Partial settlement of Seller Note in exchange for GECC stock	\$ 2,609	\$ -
Non-cash distributions received from Consolidated Fund	\$ 177	\$ -
Equity consideration upon Sale of HC LLC	\$ 2,000	\$ -

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

**GREAT ELM GROUP, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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, Inc. (**GECM**), Great Elm Opportunities GP, Inc. (**GEO GP**), Great Elm Capital GP, LLC (**GEC GP**), Great Elm FM Acquisition, Inc. (**FM Acquisition**), Great Elm DME Holdings, Inc. (**DME Holdings**), Great Elm DME Manager, LLC (**DME Manager**), and Monomoy BTS Corporation (**MBTS**), as well as its majority-owned subsidiaries Forest Investments, Inc. (**Forest**) (through December 30, 2022), and Great Elm Healthcare, LLC (**HC LLC**) and its wholly-owned subsidiaries (through January 3, 2023). 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 and Use of Estimates**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (**GAAP**). The preparation of financial statements in accordance with 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.

Previously reported assets and liabilities related to our Durable Medical Equipment (**DME**) business, primarily consisting of HC LLC and its subsidiaries, have been reclassified as assets and liabilities held for sale on the Company's consolidated balance sheet as of June 30, 2022. In addition, the historical results of the DME business and related activity have been presented in the accompanying consolidated statements of operations and cash flows for the years ended June 30, 2023 and 2022 as discontinued operations. Further, the historical segment information was recast to reflect our ongoing business as a single reportable segment and to remove the activity of discontinued operations. See Note 4 - Assets and Liabilities Held for Sale and 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.

**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. See Note 15 - Non-Controlling Interests and Redeemable Preferred Stock of Subsidiaries. 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 the 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 June 30, 2023 all investments in marketable securities were classified as held-to-maturity and had original maturities (at the time of purchase) of six months. As of June 30, 2023, 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.

#### **Identifiable Intangible Assets, Net**

The Company's identifiable intangible assets consist of investment management agreements and assembled workforce. These intangible assets arise primarily from the determination of their respective fair market values at the date of acquisition. Amounts assigned to identifiable intangible assets, and their related useful lives, are derived from established valuation techniques and management estimates.

The Company's definite-lived intangible assets are amortized over their estimated useful lives based upon the pattern of future cash flows attributable to the asset or using the straight-line method as determined for each asset. The Company amortizes its definite-lived intangible assets over periods ranging from ten to fifteen years.

#### **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 asset 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 value 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.

Certain of the Company's office leases contain options that permit extensions for additional periods. If we are not reasonably certain to exercise the option to extend at lease commencement, the respective extension period is not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet, and lease expense is recognized on a straight-line basis over the term of the short-term lease.

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.

See Note 11 - Leases for additional information about the Company's leases.

#### **Investment Management Expenses**

The Company classifies all direct expenses incurred under its investment management agreements, such as payroll, stock-based compensation, and related taxes and benefits; facilities costs; and consulting fees in investment management expenses in the consolidated statements of operations.

## Stock-Based Compensation

We issue equity awards to eligible employees and directors, generally in the form of stock options, restricted stock awards and restricted stock units. The compensation cost for all equity awards is measured at their grant-date fair value. For the awards that do not contain performance or market conditions, the related compensation expense is recognized on a straight-line basis over the employee's requisite service period, which is generally the vesting period, or the non-employee's vesting period. For the awards that contain both performance and service conditions, the Company recognizes compensation expense over the requisite service period using the accelerated vesting attribution method when achievement of the performance condition is probable. For the awards that contain both market and service conditions, the Company recognizes compensation expense over the requisite service period using the accelerated vesting attribution method.

The grant-date fair value of stock options that do not contain market conditions is estimated using the Black-Scholes-Merton option pricing model, which requires management to make the following assumptions:

- *Risk-free interest rate* is based on the U.S. Treasury instruments, the terms of which are consistent with the expected term of the Company's stock options.
- *Expected dividend* is based on the Company's history and expectation of dividend payouts.
- *Expected term* represents the number of years the options are expected to be outstanding from grant date based on historical option exercise experience.
- *Expected volatility* is estimated based on the historical volatility of the Company's stock price over a period equal to the expected life of each option grant.

The Company estimates the grant-date fair value and requisite service period of stock options with market conditions using a combination of the Monte Carlo simulation and Black-Scholes-Merton option pricing models, applying the assumptions discussed above. The Company measures the grant-date fair value of restricted stock awards and restricted stock units using the Company's stock price on the date of grant.

The Company accounts for forfeitures when they occur. The stock-based compensation expense is classified in the consolidated statements of operations in the same manner in which the award recipient's salary and related costs are classified or in which the award recipient's service payments are classified.

## 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. GAAP provides guidance on the accounting for and disclosure of uncertainty in tax positions and requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable taxing authority. The Company recognizes in its consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. In making these assessments, the Company determines the accounting recognition based on the technical merits of the position and consults with external tax experts as appropriate. 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.

#### **Asset Acquisitions**

Asset acquisitions are accounted for using the cost accumulation method. Determining whether the acquired set represents an asset acquisition or a business combination requires quantitative and qualitative assessments subject to judgment. In an asset acquisition, acquisition costs are capitalized as part of the acquired set. The accounting for asset acquisitions requires estimates and judgment to allocate the incurred costs among the assets acquired using their relative fair value. As such, the 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 valuations that utilize customary valuation procedures and techniques.

## Net Income (Loss) 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>	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Numerator:</b>		
Net income (loss) from continuing operations	\$ 14,479	\$ (19,305)
Less: net (loss) income attributable to non-controlling interest, continuing operations	(1,554)	684
Numerator for basic EPS - Net income (loss) from continuing operations attributable to Great Elm Group, Inc.	\$ 16,033	\$ (19,989)
Net income from discontinued operations	13,201	4,268
Less: net income (loss) attributable to non-controlling interest, discontinued operations	1,504	(828)
Numerator for basic EPS - Net income from discontinued operations, attributable to Great Elm Group, Inc.	\$ 11,697	\$ 5,096
<i>Effect of dilutive securities:</i>		
Interest expense associated with Convertible Notes, continuing operations	\$ 1,943	\$ -
Numerator for diluted EPS - Net income (loss) from continuing operations attributable to Great Elm Group, Inc., after the effect of dilutive securities	\$ 17,976	\$ (19,989)
Numerator for diluted EPS - Net income from discontinued operations, attributable to Great Elm Group, Inc.	\$ 11,697	\$ 5,096
<b>Denominator:</b>		
Denominator for basic EPS - Weighted average shares of common stock outstanding	28,910	26,784
<i>Effect of dilutive securities:</i>		
Restricted stock	1,152	-
Convertible Notes	10,918	-
Denominator for diluted EPS - Weighted average shares of common stock outstanding after the effect of dilutive securities	40,980	26,784
<b>Basic net income (loss) per share from:</b>		
Continuing operations	\$ 0.55	\$ (0.75)
Discontinued operations	0.40	0.19
Basic net income (loss) per share	\$ 0.95	\$ (0.56)
<b>Diluted net income (loss) per share from:</b>		
Continuing operations	\$ 0.44	\$ (0.75)
Discontinued operations	\$ 0.29	0.19
Diluted net income (loss) per share	\$ 0.73	\$ (0.56)

As of June 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 because to do so would be anti-dilutive for the twelve months ended June 30, 2023. As of June 30, 2022, the Company had 13,839,273 potential shares of common stock, including 10,392,545 shares of common stock issuable upon the conversion of Convertible Notes (as defined below), 1,312,436 potential shares issuable upon vesting of restricted stock units and restricted stock awards, and 2,134,292 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 twelve months ended June 30, 2022 because to do so would be anti-dilutive.

As of June 30, 2023 and 2022, the Company had an aggregate of 1,151,430 and 1,216,481 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.

### Concentration of Risk

The Company's revenues from continuing operations and related receivables are primarily attributable to the management of Great Elm Capital Corp. (**GECC**) and Monomoy UpREIT, LLC (**Monomoy UpREIT**) investment vehicles. See Note 7 - Related Party Transactions.

### Recently Issued Accounting Standards

**Current Expected Credit Losses.** In June 2016, the FASB issued Accounting Standards Update (**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 and January 2021, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which provide optional expedients and exceptions for applying US GAAP to contracts, hedging relationships and other transactions affected by reference rate reform on financial reporting due to the cessation of the London Interbank Offered Rate (**LIBOR**) if certain criteria are met. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, extending the sunset date under Topic 848 from December 31, 2022 to December 31, 2024 to align the temporary accounting relief guidance with the expected LIBOR cessation date of June 30, 2023. The Company adopted these ASUs as of July 1, 2023, which did not have any impact on its consolidated financial statements.

## 3. Forest Note and Transactions with JPM

### Forest Note

On December 29, 2022, in connection with the Stock Purchase Agreement and Stockholders Agreement, each defined below, GEG and FM Acquisition issued a promissory note in favor of Forest in an aggregate principal amount equal to \$38.1 million (the **Forest Note**), in exchange for the transfer to FM Acquisition of \$3.3 million of Series A-1 preferred interests and \$34.0 million of Series A-2 preferred interests held by Forest in HC LLC plus, in each case, accrued dividends thereon to the date of transfer. The Forest Note had a maturity date of March 1, 2023 and bore interest at a fixed rate of 9% per annum.

On December 30, 2022, in connection with the Transactions with JPM, as defined below, the Company partially repaid the Forest Note in the amount of \$18.4 million. The remaining balance, inclusive of accrued interest, due to

Forest under the Forest Note of \$19.7 million was subsequently paid in full on January 3, 2023 using the proceeds from the Sale of HC LLC (see Note 4 - Assets and Liabilities Held for Sale and Discontinued Operations).

During the year ended June 30, 2023, the Company recorded interest expense of \$19 thousand with respect to the Forest Note.

*Sale of Controlling Interest in Forest*

On December 30, 2022, GEG and FM Acquisition, entered into a stock purchase agreement (the **Stock Purchase Agreement**) with J.P. Morgan Broker-Dealer Holdings Inc. (**JPM**) to sell 61 shares of the common stock, \$0.001 par value per share, of Forest owned by FM Acquisition and GEG, which constituted 61% of the issued and outstanding shares of Forest's common stock, to JPM for approximately \$18.4 million in cash (the **Sale of Controlling Interest in Forest**). Upon execution of the Stock Purchase Agreement, the Company deconsolidated Forest and recognized an investment in respect to its retained 19% non-controlling interest in Forest (the **Investment in Forest**) in the amount of \$2.1 million. The following table shows calculation of the recorded gain on sale of controlling interest in subsidiary of \$10.5 million on the Company's consolidated statement of operations for the year ended June 30, 2023:

<i>(in thousands)</i>	<b>December 30, 2022</b>	
Cash proceeds	\$	18,409
Fair value of retained 19% non-controlling interest in Forest		2,128
Carrying value of non-controlling interest prior to sale		2,120
		<u>22,657</u>
Less: Carrying value of net assets disposed		12,133
Gain on Sale of Controlling Interest in Forest	\$	<u>10,524</u>

The Investment in Forest was determined to be an equity security measured at fair value within Level 3 of the fair value hierarchy. As a result of Forest joining the JPM consolidated group, we recognized a gain on our Investment in Forest of \$24.4 million during the year ended June 30, 2023 (prior to exercise of the Put Option as defined below) within net realized and unrealized gain (loss) on investments on the consolidated statement of operations.

The Sale of Controlling Interest in Forest did not meet the criteria for presentation as discontinued operations. The following table shows loss before income taxes of Forest, as well as loss before income taxes of Forest attributable to the Company:

<i>(in thousands)</i>	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Loss before income taxes	(2,679)	(2,637)
Loss before income taxes attributable to Great Elm Group, Inc.	(1,133)	(3,542)

*Put Option*

In connection with the Stock Purchase Agreement, GEG, JPM and Forest entered into an amended and restated stockholders' agreement (the **Stockholders Agreement**). Pursuant to the Stockholders Agreement, from January 17, 2023 until February 17, 2023, GEG had the right (the **Put Option**, together with the Sale of Controlling Interest in Forest referred to as the **Transactions with JPM**) to sell the Investment in Forest for the then fair market value. On January 17, 2023, the Company exercised the Put Option and sold the Investment in Forest for \$26.5 million in cash, resulting in an additional gain on our Investment in Forest for the year ended June 30, 2023 of \$25 thousand recorded within net realized and unrealized gain (loss) on investments on the consolidated statement of operations.

#### 4. Assets and Liabilities Held for Sale and Discontinued Operations

On January 3, 2023, DME Holdings along with the minority owners of HC LLC, entered into a purchase agreement with QHM Holdings, Inc., a subsidiary of Quipt Home Medical Corp. (**Quipt**), to sell 100% of the outstanding membership interests in HC LLC to Quipt (**Sale of HC LLC**) for \$80.0 million, consisting of approximately \$72.8 million in cash, \$5.2 million of indebtedness assumed by Quipt and \$2.0 million in shares of Quipt common stock based on the 20-day volume-weighted average price of Quipt's common stock for the period ending on and including the second business day prior to the closing of the transaction. After transaction costs of \$2.5 million, distributions to non-controlling interests of \$5.9 million, and indemnity escrow payment of \$0.4 million, cash proceeds to GEG and subsidiaries were \$64.1 million, pending finalization of working capital adjustments. The following table shows calculation of the initial gain on Sale of HC LLC of \$13.6 million:

<i>(in thousands)</i>	<b>January 3, 2023</b>	
Net cash proceeds, after transaction costs and distributions to non-controlling interests	\$	64,093
Fair value of shares of Quipt stock		2,000
Indemnity escrow receivable attributable to GEG and subsidiaries		320
Carrying value of non-controlling interest prior to sale (permanent equity)		2,977
Carrying value of non-controlling interest prior to sale (temporary equity)		2,977
Estimated future distributions of proceeds to non-controlling interests		(1,144)
		<u>71,223</u>
Less: Carrying value of net assets disposed		57,671
Gain on Sale of HC LLC	\$	<u>13,552</u>

The Company concluded that the disposal group satisfied the criteria for presentation as held for sale and discontinued operations. In the fourth quarter of fiscal 2023, we recorded a loss of \$0.3 million following finalization of working capital adjustments to the initial sales price for HC LLC, with the respective payment to Quipt made in September 2023. The following table provides a reconciliation of the Company's net income from discontinued operations presented in the consolidated statements of operations:

<i>(in thousands)</i>	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Discontinued operations:</b>		
Durable medical equipment sales and services revenue	\$ 21,574	\$ 41,720
Durable medical equipment rental income	11,874	21,738
Net revenue	<u>33,448</u>	<u>63,458</u>
Cost of durable medical equipment sold and services	(8,654)	(16,795)
Cost of durable medical equipment rentals	(4,263)	(7,149)
Durable medical equipment other operating expenses	(17,519)	(32,561)
Depreciation and amortization	(783)	(1,737)
Transaction costs	(2,462)	(582)
Interest expense	(46)	(240)
Loss on extinguishment of debt	(23)	(190)
Other (expense) income, net	(50)	2
Gain on disposal of discontinued operations	13,264	-
Income before income taxes from discontinued operations	<u>12,912</u>	<u>4,206</u>
Income tax benefit	289	62
Net income from discontinued operations	<u>\$ 13,201</u>	<u>\$ 4,268</u>

The following table provides a reconciliation of the assets and liabilities held for sale presented in the consolidated balance sheet as of June 30, 2022:

<i>(in thousands)</i>	<b>June 30, 2022</b>	
Cash and cash equivalents	\$	1,314
Accounts receivable		5,867
Inventories		898
Prepaid and other current assets		385
Current assets held for sale	\$	<u>8,464</u>
Property and equipment, net	\$	521
Equipment held for rental, net		7,504
Identifiable intangible assets, net		5,921
Goodwill		52,463
Right-of-use assets		2,989
Other assets		163
Non-current assets held for sale	\$	<u>69,561</u>
Accounts payable	\$	6,030
Accrued expenses and other current liabilities		3,544
Deferred revenue		1,218
Current portion of lease liabilities		1,218
Current portion of equipment financing debt		2,993
Current liabilities held for sale	\$	<u>15,003</u>
Lease liabilities, net of current portion	\$	1,903
Redeemable preferred stock of subsidiaries		648
Non-current liabilities held for sale	\$	<u>2,551</u>

## 5. Acquisitions

### Acquisition of Monomoy UpREIT Investment Management Agreement

On May 4, 2022, the Company, through GECM, acquired the investment management agreement for Monomoy UpREIT and certain other related assets from Imperial Capital Asset Management, LLC (**ICAM**). Monomoy UpREIT is the operating partnership of Monomoy Properties REIT, LLC, a private real estate investment trust founded by ICAM, with a portfolio of diversified net leased industrial assets. The acquisition significantly increased and diversified GECM's assets under management. In addition to the investment management agreement, GECM acquired the assembled workforce including eleven ICAM personnel involved in the operations of Monomoy UpREIT, as well as the lease for office space in Charleston, South Carolina, where these employees are based. In conjunction with the acquisition, the Company made an investment of \$15.0 million into Monomoy UpREIT.

The purchase consideration included an upfront purchase price of \$10 million financed with a combination of: (i) \$2.5 million in newly issued shares of GEG common stock, which equals 1,369,984 shares issued at \$1.81 per share, which is the 30-calendar day volume-weighted average of the closing sales price ending on April 14, 2022; (ii) \$1.25 million in shares of GECC common stock owned by GEG and valued at the subscription price of the next GECC rights offering; and (iii) the Seller Note (as defined in Note 13 - Related Party Notes Payable and Long-Term Debt) issued by GECM in an aggregate principal amount of approximately \$6.3 million. The Company also incurred \$0.8 million in direct transaction costs consisting primarily of professional fees.

The transaction was accounted for as an asset acquisition because substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable intangible asset related to the investment management agreement. The value of the investment management agreement was estimated under the income approach using a multi-period excess earnings method. The key inputs in the valuation included forecasted assets under management, revenue and expenses, and a discount rate of 19.5%. The \$11.9 million cost of the acquisition was allocated to assets acquired on the basis of their relative fair values. Specifically, the Company recognized \$11.3 million and \$0.6 million of intangible assets representing the acquired investment management agreement and assembled workforce with estimated useful lives of 15 years and 10 years, respectively. See Note 9 - Identifiable Intangible Assets, Net for additional details on the Company's intangible assets.

In conjunction with the acquisition of the Monomoy UpREIT investment management agreement, 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 are 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. Further, the Company determined that the fee revenue threshold for the year ending June 30, 2024 was expected to be achieved as well, and the related amount payable to ICAM was recorded at present value of approximately \$0.9 million, using a discount rate of 8.0%. Consequently, as of June 30, 2023, the contingent consideration of \$1.9 million was included within the current portion of related party payables and related party payables, net of current portion, in the consolidated balance sheet. As of June 30, 2022, the contingent consideration of \$1.1 million was included within the related party payables, net of current portion, in the consolidated balance sheet.

## 6. Revenue

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

<i>(in thousands)</i>	For the twelve months ended June 30,	
	2023	2022
Management fees	\$ 5,471	\$ 3,612
Incentive fees	1,007	-
Property management fees	1,122	171
Administration and service fees	1,063	733
Total revenues	\$ 8,663	\$ 4,516

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.

### *Management Fees*

The Company earns management fees based on the investment management agreements between GECM and GECC, Monomoy UpREIT, 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 performs 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.

### *Property Management Fees*

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

### *Incentive Fees*

The Company earns incentive fees based on the investment management agreements GECM has with GECC and Monomoy Properties II, LLC (**MP II**), a feeder fund of Monomoy Properties REIT, LLC. 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. 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 year ended June 30, 2023, the Company recorded revenue in respect to the incentive fees due from GECC of \$1.0 million.

### *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.

## **7. 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>	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Net realized and unrealized loss on investments	\$ (9,410)	\$ (7,920)
Net realized and unrealized loss on investments of Consolidated Fund	(16)	(525)
Dividend income	4,349	2,809

  

<i>(in thousands)</i>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	Dividends receivable	\$ 300
Investment management revenues receivable	2,167	1,241
Receivable for reimbursable expenses paid	841	592
Receivables from managed funds	<u>\$ 3,308</u>	<u>\$ 2,445</u>

### **Investment Management**

GECM has agreements to manage the investment portfolios for GECC, Monomoy UpREIT and other investment products, as well as to provide administrative services. Under these agreements, GECM 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 6 - Revenue for additional discussions of the fee arrangements.

## Consolidated Funds

GEO GP serves as the general partner of Great Elm Opportunities Fund I, LP (**GEOF**), a Delaware multi-series limited partnership. GECM serves as the investment manager of GEOF. As the general partner, GEO GP provides administrative services and oversees GECM's management of the investment portfolio of GEOF. The Company determined that GEOF and Series A, Series B and Series C of GEOF are VIEs, and that the criteria for consolidation were only met for GEOF Series C, which was launched in November 2020 and subsequently merged into GESOF (as defined below). GEOF Series D was launched on January 1, 2023 and the Company determined that it was not a VIE. The contribution in the amount of \$3.0 million made by GEG into GEOF Series D, representing 43% ownership of the partnership interests in the fund, was determined to be an equity method investment and the Company elected the fair value option using the net asset value (**NAV**) practical expedient for this instrument with all changes in NAV reported in net realized and unrealized gain (loss) on investments on the consolidated statements of operations.

GECM also served as the managing member of Great Elm SPAC Opportunity Fund, LLC (**GESOF** or the **Consolidated Fund**), a Delaware limited liability company, which was launched in February 2021, and managed the investment portfolio of GESOF. The Company determined that GESOF was a VIE and that the criteria for consolidation were met during the years ended June 30, 2023 and 2022. The operations of the Consolidated Fund were included in our consolidated financial statements. In July 2022, GESOF began to wind down and the Company received final distributions of cash and equity investments (in-kind) during the year ended June 30, 2023.

The Company retained the specialized investment company accounting guidance under GAAP with respect to the Consolidated Fund during the periods it was consolidated. As such, investments of the Consolidated Fund were 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 in the Consolidated Fund were included in net (loss) income attributable to non-controlling interest, continuing operations.

There are no consolidated funds as of June 30, 2023. See Note 2 - Summary of Significant Accounting Policies for additional details.

## Investments

The Company owns 1,532,519 shares of GECC (approximately 20.2% 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, 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 8 - Fair Value Measurements.

## Other Transactions

GECM has shared personnel and reimbursement agreements 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. Certain costs incurred under these agreements relate to human resources, investment management, 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 years ended June 30, 2023 and 2022 such costs were \$1.5 million and \$1.1 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 June 30, 2023 and 2022, costs of \$0.1 million and \$0.1 million related to the shared services agreements were included in receivables from managed funds, respectively.

On August 31, 2021, the Company entered into a financial advisory agreement with Imperial Capital, LLC. The agreement included a retainer fee of \$0.1 million which was paid in October 2021. In addition, the agreement included a success-based fee upon a sale of HC LLC. Upon completion of the Sale of HC LLC on January 3, 2023, a success fee of \$0.7 million was paid to Imperial Capital, LLC. Jason W. Reese is the Co-Founder of Imperial Capital, LLC.

Additionally, the Company received dividends of \$0.4 million and realized gain of \$0.3 million on its investment in Monomoy Properties, LLC, which it held for a portion of the year ended June 30, 2022. Monomoy Properties, LLC is managed by ICAM.

See Note 3 - Forest Note and Transactions with JPM for details on the Forest Note and Investment in Forest, Note 5 - Acquisitions for details on the contingent consideration payable to ICAM following the acquisition of the Monomoy UpREIT investment management agreement, and Note 14 - Convertible Notes for details on the Convertible Notes issued to related parties.

## 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.

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>	<b>Fair Value as of June 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Equity investments	\$ 14,296	\$ -	\$ -	\$ 14,296
Total assets within the fair value hierarchy	<u>\$ 14,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,296</u>
Investments valued at net asset value				\$ 18,315
Total assets				<u>\$ 32,611</u>
<b>Liabilities:</b>				
Contingent consideration liability	\$ -	\$ -	\$ 1,903	\$ 1,903
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,903</u>	<u>\$ 1,903</u>

<i>(in thousands)</i>	Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Equity investments	\$ 27,678	\$ -	\$ -	\$ 27,678
Equity investments of Consolidated Fund	1,797	-	-	1,797
Total assets within the fair value hierarchy	<u>\$ 29,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,475</u>
Investments valued at net asset value				\$ 20,364
Total assets				<u>\$ 49,839</u>
<b>Liabilities:</b>				
Contingent consideration liability	\$ -	\$ -	\$ 1,120	\$ 1,120
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,120</u>	<u>\$ 1,120</u>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2023 and 2022.

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

<i>(in thousands)</i>	For the twelve months ended June 30,	
	2023	2022
Beginning balance	\$ 1,120	\$ -
Additions	-	1,120
Change in fair value	783	-
Ending balance	<u>\$ 1,903</u>	<u>\$ 1,120</u>

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

#### *Equity and equity-related securities*

Securities traded on a national securities exchanges 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.

#### *Investments in private funds*

The Company values investments in private funds using NAV as reported by each fund's investment manager. Investments valued using NAV as a practical expedient are not categorized within the fair value hierarchy.

As of June 30, 2023, investments in private funds primarily consisted of our investment in Monomoy UpREIT and GEOFF Series D. As of June 30, 2022, investments in private funds primarily consisted of our investment in Monomoy UpREIT. Monomoy UpREIT allows redemptions annually with 90 days' notice, subject to a one-year lockup from the date of initial investment, which are capped at 5% of its NAV. GEOFF Series D allows withdrawals annually and there is no set duration for the private fund. As of June 30, 2023, there were no unfunded commitments.

See Note 5 - Acquisitions for additional discussion related to the fair value of the contingent consideration payable in conjunction with the acquisition of the Monomoy UpREIT investment management agreement and Note 13 - Related Party Notes Payable and Long-Term Debt for additional discussion related to the fair value of our notes payable and other long-term debt. The carrying value of all other financial assets and liabilities approximate their fair values.

## 9. Identifiable Intangible Assets, Net

The following table is a summary of the Company's intangible assets as of June 30, 2023 and 2022:

<i>(in thousands)</i>	As of June 30, 2023			As of June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Investment management agreements	\$ 15,264	\$ (3,792)	\$ 11,472	\$ 15,264	\$ (2,753)	\$ 12,511
Assembled workforce	1,103	(460)	643	1,103	(364)	739
Identifiable intangible assets, net	\$ 16,367	\$ (4,252)	\$ 12,115	\$ 16,367	\$ (3,117)	\$ 13,250

During the years ended June 30, 2023 and 2022, the Company recorded amortization expense of \$1.1 million and \$0.5 million, respectively, within depreciation and amortization on the consolidated statements of operations.

The following table provides the estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter:

<i>(in thousands)</i>	Estimated Future Amortization Expense
For the year ending June 30, 2024	\$ 1,079
For the year ending June 30, 2025	1,033
For the year ending June 30, 2026	993
For the year ending June 30, 2027	958
For the year ending June 30, 2028	930
Thereafter	7,122
<b>Total</b>	<b>\$ 12,115</b>

## 10. Real Estate Under Development

In January 2023, MBTS completed purchases of certain land parcels. 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, which is expected not later than the first calendar quarter of 2024. The Company intends to sell the land and improvements with the attached leases at or close to the respective lease commencement date.

During the year ended June 30, 2023, the Company capitalized costs of \$1.7 million within real estate under development (current) on its balance sheet, representing the cost of land and development and construction costs directly identifiable with the two real estate projects.

## 11. Leases

The Company leases office spaces in Waltham, Massachusetts, and Charleston, South Carolina, under operating leases.

The following table summarizes operating and variable lease cost and cash paid for amounts included in the measurement of lease liabilities for the years ended June 30, 2023 and 2022:

<i>(in thousands)</i>	For the twelve months ended June 30,	
	2023	2022
Operating lease cost	\$ 391	\$ 339
Variable lease cost	73	20
Cash paid for operating leases	468	332

The following table provides details on the leases presented in the consolidated balance sheets as of June 30, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Weighted-average remaining life	1.5 years	2.3 years
Weighted-average discount rate	9.4%	9.7%

The following table provides a maturity analysis of the Company's operating lease liabilities as of June 30, 2023:

<i>(in thousands)</i>	<u>June 30, 2023</u>	
For the year ending June 30, 2024	\$	429
For the year ending June 30, 2025		115
For the year ending June 30, 2026		9
Thereafter		-
Total lease payments	\$	553
Imputed interest		(52)
Total lease liabilities	\$	501

The Company's office leases in Waltham, Massachusetts, and Charleston, South Carolina, provide a five-year and a three-year optional extension periods, respectively. As the Company is not reasonably certain to exercise the options, the periods covered by the options are not included in the respective lease terms or the measurement of the respective lease liabilities.

## 12. Accrued Expenses and Other Current Liabilities

As of June 30, 2023 and 2022, accrued expenses and other current liabilities consisted of the following:

<i>(in thousands)</i>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
Payroll and other employee-related costs	\$	2,428	\$	1,570
Estimated future distributions to non-controlling interests in HC LLC		1,206		-
Professional fees		1,036		1,396
Estimated working capital adjustment		288		
Severance		208		-
Taxes		159		-
Interest		11		854
Other		82		25
Accrued expenses and other current liabilities	\$	5,418	\$	3,845

See Note 4 - Assets and Liabilities Held for Sale and Discontinued Operations for additional information on the estimated future distributions of proceeds to non-controlling interests in HC LLC, as well as the estimated working capital adjustment.

## 13. Related Party Notes Payable and Long-Term Debt

As of June 30, 2023, the Company did not have any outstanding related party notes payable. As of June 30, 2022, related party notes payable consisted of the Seller Note (as defined below) with a total principal and outstanding amount of \$6.3 million recorded within related party notes payable, net of current portion, on the consolidated balance sheet.

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

<i>(in thousands)</i>	<u>Borrower</u>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
GEGGL Notes	GEG	\$	26,945	\$	26,945
Total principal		\$	26,945	\$	26,945
Unamortized debt discounts and issuance costs			(1,137)		(1,413)
Long-term debt			25,808		25,532

During the years ended June 30, 2023 and 2022, the Company incurred interest expense of \$2.5 million and \$0.2 million, respectively, on related-party notes payable and long-term debt. See Note 14 - Convertible Notes for interest expense on the Convertible Notes and Note 15 - Non-Controlling Interests and Redeemable Preferred Stock of Subsidiaries for interest expense on the preferred stock of subsidiaries.

Additional details of each borrowing are discussed below.

#### **Seller Note**

On May 4, 2022 as part of the consideration paid to acquire the Monomoy UpREIT investment management agreement, GECM issued ICAM a \$6.3 million promissory note (the **Seller Note**). The Seller Note was due on August 4, 2023 and had no prepayment penalties. The Seller Note bore interest of 6.5% per annum, which was paid quarterly.

In August and December 2022, the Company settled the principal amount of \$0.6 million and \$2.0 million by transferring 50,000 and 200,000 shares of GECC stock, respectively. In February 2023, the Company repaid the remaining principal of \$3.7 million in full.

#### **GEGGL Notes**

On June 9, 2022, the Company 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 and any future outstanding unsecured unsubordinated indebtedness of the Company; (ii) senior to any of the Company's indebtedness that expressly provides it is subordinated to the GEGGL Notes; (iii) effectively subordinated to any future secured indebtedness of the Company; and (iv) structurally subordinated to any future indebtedness and other obligations of any of the Company's current and future subsidiaries. The Company pays 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 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 June 30, 2023 our net consolidated debt to equity ratio is 0.07:1.00.

### **14. Convertible Notes**

On February 26, 2020, the Company issued notes at par with an aggregate principal balance of \$30 million due on February 26, 2030 that 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, with each \$1,000 principal amount 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 **Convertible Notes**). In addition, on March 10, 2021, the Company issued additional Convertible Notes in an aggregate principal amount of \$2.3 million.

As of June 30, 2023, the total principal balance of Convertible Notes outstanding was \$37.9 million, including cumulative interest paid in-kind. The Convertible Notes are held by a consortium of investors, including \$15.4 million issued to certain related parties. As of June 30, 2023, such Convertible Notes issued to related parties include:

- \$7.1 million issued to entities associated with Matthew A. Drapkin, including funds managed by Northern Right Capital Management, L.P. (**Northern Right**), a significant shareholder. Mr. Drapkin, a member of the Company's Board of Directors, is the Chief Executive Officer of Northern Right.
- \$7.5 million issued to entities associated with Jason W. Reese, including funds managed by ICAM, a significant shareholder.
- \$0.8 million issued to entities associated with Eric J. Scheyer, a member of the Company's Board of Directors.

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 that are amortized over the 10-year term. Convertible Notes recorded on the Company's consolidated balance sheets as of June 30, 2023 and 2022 are summarized in the following table:

<i>(in thousands)</i>	<b>June 30, 2023</b>		<b>June 30, 2022</b>	
Convertible Notes principal	\$	37,912	\$	36,085
Unamortized debt issuance costs		(783)		(898)
Convertible Notes		37,129		35,187

The Company incurred interest expense of \$1.9 million and \$1.8 million related to the Convertible Notes for the years ended June 30, 2023 and 2022, respectively, inclusive of non-cash interest related to amortization of debt issuance costs. Interest was paid in-kind by issuing \$1.8 million and \$1.7 million of additional Convertible Notes to holders for the years ended June 30, 2023 and 2022, respectively.

## 15. Non-Controlling Interests and Redeemable Preferred Stock of Subsidiaries

### Non-Controlling Interests

Holders of non-controlling interests 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:

<i>(in thousands)</i>	<b>June 30, 2023</b>		<b>June 30, 2022</b>	
HC LLC				
Temporary equity		-		2,225
Permanent equity		-		2,225
Total HC LLC		-		4,450
Consolidated Fund				
Permanent equity		-		642
Forest				
Permanent equity		-		3,666
Total non-controlling interests	\$	-	\$	8,758

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

<i>(in thousands)</i>	<b>For the twelve months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
HC LLC		
Temporary equity	752	(414)
Permanent equity	752	(414)
Total HC LLC	1,504	(828)
GEC GP		
Permanent equity	-	(6)
Consolidated Fund		
Permanent equity	(8)	(215)
Forest		
Permanent equity	(1,546)	905
Net loss attributable to non-controlling interest	\$ (50)	\$ (144)

#### ***HC LLC – Non-controlling interest classified as temporary equity***

The Company issued a 9.95% common stock equity ownership in HC LLC. The holder of the interest had board observer rights for the HC LLC board of directors, but no voting rights. HC LLC had the right of first offer if the holder desired to sell the security and in the event of a sale of HC LLC, the holder was obligated to sell their securities (drag along rights) and had the right to participate in sales of HC LLC securities (tag along rights). In addition, upon the seventh anniversary of issuance date, if (i) the holder owned at least 50% of the common shares issued to it at the closing of the transaction, (ii) an initial public offering of HC LLC had not commenced and (iii) the holder had not had an earlier opportunity to sell its shares at their fair market value, the holder had the right to request a marketing process for a sale of HC LLC and had the right to put its common shares to HC LLC at the price for such shares implied by such marketing process. The Company also had the right to call the holder's common shares at such price. The holder of the non-controlling interest was entitled to participate in earnings of HC LLC and was not required to fund losses. As the redemption was contingent upon future events outside of the Company's control which were not probable, the Company classified the non-controlling interest as temporary equity at its fair value on the date of issuance, adjusted for any earnings in HC LLC. As of June 30, 2023, no non-controlling interest was outstanding following the Sale of HC LLC on January 3, 2023. Refer to Note 4 - Assets and Liabilities Held for Sale and Discontinued Operations for details on the Sale of HC LLC to Quipt.

#### ***HC LLC – Non-controlling interest classified as permanent equity***

The Company issued a 9.95% common stock equity ownership in HC LLC. The rights were consistent with the non-controlling interest classified as temporary equity, other than the holder not having a contingent put right. Accordingly, the Company classified the non-controlling interest as permanent equity at its fair value on the date of issuance, adjusted for any earnings in HC LLC. As of June 30, 2023, no non-controlling interest was outstanding following the Sale of HC LLC on January 3, 2023. Refer to Note 4 - Assets and Liabilities Held for Sale and Discontinued Operations for details on the Sale of HC LLC to Quipt.

#### ***GEC GP – Non-controlling interest classified as permanent equity***

GEC GP owned the rights to the profit sharing agreement with GECM as well as an intercompany obligation under a senior secured note payable issued by Great Elm GECC GP Corp in consideration for the assets acquired from MAST Capital Management, LLC. During the year ended June 30, 2022, the Company purchased the remaining shares of GEC GP. As of June 30, 2023, no non-controlling interest was outstanding.

#### ***Consolidated Fund – Non-controlling interest classified as permanent equity***

As of June 30, 2022, the Company held 73.4% of the capital in the Consolidated Fund and the remaining capital was recorded as a non-controlling interest that included affiliated individuals and entities. In July 2022, the Consolidated Fund began to wind down and distributed its remaining assets to non-controlling interests in the total amount of \$0.6 million.

#### ***Forest – Non-controlling interest classified as permanent equity***

In December 2020, the Company sold to JPM a 20.0% common stock interest in Forest in exchange for \$2.7 million. As of June 30, 2023, no non-controlling interest was outstanding following the Sale of Controlling Interest in Forest on December 30, 2022. See Note 3 - Forest Note and Transactions with JPM.

#### **Redeemable Preferred Stock of Subsidiaries**

##### ***Forest Preferred Stock classified as a liability***

On December 29, 2020, Forest issued 35,010 shares of preferred stock in Forest with a face value of \$1,000 per share at issuance (**Forest Preferred Stock**). The preferred shares provided for a 9% annual dividend, which was payable quarterly. As the preferred shares were mandatorily redeemable by the Company at their face value of \$1,000 per share on December 29, 2027, or at a 0-3% premium decreasing over time based upon the occurrence of certain redemption events prior to December 29, 2027, the security was classified as a liability in the consolidated balance sheet as of June 30, 2022. Following the Sale of Controlling Interest in Forest on December 30, 2022, there was no outstanding balance in respect to Forest Preferred Stock. See Note 3 - Forest Note and Transactions with JPM.

The dividends on Forest Preferred Stock were included in interest expense in the consolidated statements of operations. During the years ended June 30, 2023 and 2022, the Company recorded interest expense, inclusive of non-cash interest related to amortization of discounts and debt issuance costs, of \$1.7 million and \$3.5 million, respectively, related to Forest Preferred Stock.

## 16. Share-Based and Other Non-Cash Compensation

### Tax Benefits Preservation Agreement

On December 29, 2020, 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**). 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 Plan); (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, 2023, the Company had no shares outstanding under the Directors' Plan.

In June 2016, the Company's stockholders approved the Great Elm Group, Inc. 2016 Long-Term Incentive Plan (the **2016 Long-Term Incentive Plan**), as subsequently amended, and the Great Elm Group, Inc. 2016 Employee Stock Purchase Plan (the **2016 Employee Stock Purchase Plan**). In November 2022, the Company's stockholders approved an increase to the number of shares available for issuance under the 2016 Long-Term Incentive Plan by 2,900,000 shares. The 2016 Long-Term Incentive Plan is administered by the Compensation Committee of the Board of Directors (the **Compensation Committee**) and provides for the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, cash-based awards and other stock-based awards. As of June 30, 2023, the Company had a total of 4,392,713 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, 2023:

<b>Shares of Common Stock Available for Future Issuance</b>	<b>Shares</b>
Directors' Plan	26,166
2016 Long-Term Incentive Plan	2,435,038
2016 Employee Stock Purchase Plan	944,000
<b>Total</b>	<b>3,405,204</b>

#### ***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 year ended June 30, 2023:

<b>Restricted Stock Awards and Restricted Stock Units</b>	<b>Shares (in thousands)</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at June 30, 2022	1,312	\$ 1.79
Granted	1,007	2.20
Vested	(981)	2.01
Forfeited	(16)	2.62
<b>Outstanding at June 30, 2023</b>	<b>1,322</b>	<b>\$ 1.93</b>

Restricted stock awards and restricted stock units have vesting terms between 1-4 years and are subject to service requirements. During the year ended June 30, 2023, the Company granted 1,006,825 restricted stock awards and did not grant any restricted stock units. The aggregate grant date fair value of restricted stock awards and restricted stock units granted during the years ended June 30, 2023 and 2022 was \$2.2 million and \$3.1 million, respectively. For the years ended June 30, 2023 and 2022, the total intrinsic value of restricted stock vested was \$2.0 million and \$2.2 million, respectively.

#### ***Stock Options***

The following table presents activity related to the Company's stock options for the year ended June 30, 2023:

<b>Stock Options</b>	<b>Shares (in thousands)</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
Outstanding at June 30, 2022	2,134	\$ 3.68	3.34	\$ -
Options granted	2,125	2.14	-	-
Forfeited, cancelled or expired	(995)	3.63	-	-
<b>Outstanding at June 30, 2023</b>	<b>3,264</b>	<b>\$ 2.70</b>	<b>7.45</b>	<b>\$ -</b>
<b>Exercisable at June 30, 2023</b>	<b>1,252</b>	<b>\$ 3.72</b>	<b>3.65</b>	<b>\$ -</b>

The weighted average grant date fair value of options, per share, granted during the years ended June 30, 2023 and 2022 was \$0.23 and \$1.02, respectively. The ranges of assumptions used to value options granted were as follows:

	<b>As of June 30,</b>	
	<b>2023</b>	<b>2022</b>
Expected volatility	30.0% - 70.5%	69.80%
Expected dividends	-	-
Expected term (years)	2.50 - 5.00	3.25
Risk-free rate	3.4% - 3.9%	0.60%

### ***Stock-Based Compensation Expense***

Stock-based compensation expense related to all restricted stock awards, restricted stock units, and stock options totaled \$2.6 million and \$2.8 million for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the Company had unrecognized compensation cost related to all unvested restricted stock awards, restricted stock units, and stock options totaling \$2.3 million and \$2.3 million, respectively, expected to be recognized as the awards and options vest over the next 1.7 years.

In November 2021, the Compensation Committee in its discretion determined that an aggregate of 580,023 performance shares previously awarded to certain employees had vested. These restricted stock awards granted had both performance and service requirements in connection with the formation of the investment management business. The vesting of these awards was 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. The discretionary vesting of shares, as determined by the Compensation Committee resulted in a charge to stock-based compensation expense of \$0.6 million during the year ended June 30, 2022.

### **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 June 30, 2023, there were 167,939 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), including 57,931 restricted stock awards, for which the service condition was met during the twelve months ended June 30, 2023.

### **Other Non-Cash Compensation**

During the year ended June 30, 2023, 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 year ended June 30, 2023 was \$0.4 million, of which \$0.1 million vested immediately, and the balance will vest annually pro-rata over a three year period. Related compensation expense was \$0.3 million for the year ended June 30, 2023.

During the year ended June 30, 2023, the Company issued compensation to certain employees in the form of restricted membership interest rights in MP II to be settled with the membership interest currently held by the Company. The total value of the MP II restricted membership interests awarded for the year ended June 30, 2023 was \$0.1 million, which will vest on the third anniversary of the grant date. Related compensation expense was \$22 thousand for the year ended June 30, 2023.

## **17. Income Taxes**

The Company had income (loss) before income taxes from continuing operations of \$14.7 million and \$(19.2) million, respectively, for the years ended June 30, 2023 and 2022. There was no foreign activity during these years.

The provision for income taxes includes the following:

<i>(in thousands)</i>	<b>For the years ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Current	\$ 200	\$ 83
Deferred	-	-
Income tax expense	<u>\$ 200</u>	<u>\$ 83</u>

The Company recognized an income tax expense from continuing operations of \$0.2 million and \$0.1 million for the years ended June 30, 2023 and 2022, respectively. This expense consisted solely of state and local taxes. No federal income taxes were incurred for the years ended June 30, 2023 and 2022.

The following table reconciles the expected corporate federal income tax expense, computed by multiplying the Company's income (loss) before income taxes by the statutory tax rate of 21%, to the total tax expense.

<i>(in thousands)</i>	<b>For the years ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Federal tax expense (benefit) at statutory rate	\$ 3,083	\$ (4,037)
State taxes net of federal impact	(85)	(507)
Sale of Controlling Interest in Forest	4,598	-
Change in valuation allowance	(192,363)	(26,165)
Adjustment to prior years	557	108
Interest expense on Forest Preferred Stock	328	700
Net operating loss and credit expirations	184,011	30,059
Other	71	(75)
Income tax expense	<u>\$ 200</u>	<u>\$ 83</u>

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

<i>(in thousands)</i>	<b>As of June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$ 5,019	\$ 190,535
Accruals and allowances not deductible for tax purposes	615	1,646
Identifiable intangible assets	343	13
Unrealized loss on investments	2,969	5,361
Investment in partnerships	2,856	10,464
Other	1,091	2,169
Total deferred tax assets, gross	<u>\$ 12,893</u>	<u>\$ 210,188</u>
Less: valuation allowance	<u>\$ (12,057)</u>	<u>\$ (207,085)</u>
Total deferred tax assets, net	<u>\$ 836</u>	<u>\$ 3,103</u>
<b>Deferred Tax Liabilities:</b>		
Goodwill	\$ -	\$ (2,225)
Other	(836)	(1,164)
Total deferred tax liabilities	<u>\$ (836)</u>	<u>\$ (3,389)</u>
Total deferred tax liabilities, net	<u>\$ -</u>	<u>\$ (286)</u>

In light of the 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 \$195.0 million in the overall valuation allowance relates primarily to the expiration of federal tax attributes, as well as the Sale of Controlling Interest in Forest and Sale of HC LLC.

As of June 30, 2023, the Company had net operating loss (**NOL**) carryforwards for federal income tax purposes of approximately \$16.2 million, of which approximately \$8.2 million will expire in fiscal years 2024 through 2025 and \$8.0 million can be carried forward indefinitely. As of June 30, 2023, the Company also had \$25.5 million of state NOL carryforwards, principally in Massachusetts, Arizona, and Nebraska, that will expire from 2031 to 2043.

The utilization of a corporation's NOL carryforwards is limited following a change in ownership (as defined by Internal Revenue Code section 382) 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 years ended June 30, 2023 and 2022, the total amount of gross unrecognized tax benefit activity was as follows:

*(in thousands)*

Balance as of June 30, 2021	\$	36,019
Addition for tax positions of prior years		509
Reductions for tax positions of prior years		(71)
Lapse of statute of limitations		(4,127)
Balance as of June 30, 2022	\$	32,330
Reductions for tax positions of prior years		(27,706)
Lapse of statute of limitations		(4,116)
Balance as of June 30, 2023	\$	508

As of June 30, 2023 and 2022, the Company had approximately \$0.5 million and \$32.3 million, respectively, of unrecognized tax benefits. The reduction for tax positions of prior years of \$27.7 million was attributable to unrecognized tax benefits of Forest that was sold during the year ended June 30, 2023, as discussed in Note 3 - Forest Note and Transactions with JPM.

These unrecognized tax benefits, if recognized, would ordinarily impact the effective tax rate by a corresponding amount. However, because of the Company's history of cumulative operating losses, any recognized tax benefits would be fully offset by a valuation allowance without any impact on our consolidated results.

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, 2023 and 2022, the accrual for interest and penalties associated with tax liabilities was immaterial.

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 in several states. Tax years remain open to examination to the extent that NOLs generated in those years are utilized in a later year. Accordingly, the Company's fiscal years 2004, 2005, 2018, and 2020 through 2023 remain open to examination by federal tax authorities. State tax returns generally remain open to examination for fiscal years 2017 through 2023.

## **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 pending or threatened litigation that we expect to have a material adverse impact on our business, results of operations, financial condition or cash flows.

Notice of Stock Option Grant

\_\_\_\_\_ (“Participant”)

Great Elm Group, Inc.  
ID: 85-3622015  
800 South Street, Suite 230  
Waltham, MA 02453

You have been granted an option (the “Option”) to purchase shares of common stock, par value \$0.001 per share (the “Common Stock”), of Great Elm Group Inc. (the “Company”) as detailed below:

This Notice of Stock Option Grant (this “Notice”), together with the Great Elm Group, Inc. Amended and Restated 2016 Long-Term Incentive Plan (the “Plan”) as in effect as of the Date of Grant, and the terms and conditions of this Notice (the “Award Agreement”) attached hereto, contain the terms of your Option.

Date of Grant:	_____
Number of Shares of Common Stock:	_____
Exercise Price Per Share of Common Stock:	_____
Vesting Schedule:	_____
Fully Vested Date:	_____
Expiration Date:	_____

**Vesting Schedule:**

Subject to Section 2 of the Award Agreement, the right to purchase [ ] % of the shares shall, subject to your continuous service, vest on the first anniversary of the Date of Grant and thereafter [ ]% of the shares shall, subject to your continuous service, vest on each monthly anniversary of the Date of Grant. The Option shall not be exercisable for fractional shares and such fraction shall be rounded up to the nearest number of whole shares.

**Termination Period:**

Except as set forth in the Award Agreement, this Option, to the extent then exercisable, may be exercised (a) on the date of termination if you are terminated for Cause, (b) for a period of two months following cessation of your employment and (c) for a period of one year following your death or Disability, but (d) in no event after the Expiration Date. You are responsible for keeping track of these dates. The Company has no duty to, and will not, provide further notice of such period.

The foregoing is qualified in its entirety by the Award Agreement.

**Acknowledgements and Agreements:**

By your signature and the signature of the representative for the Company, below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and the Award Agreement, all of which are hereby incorporated by reference and made a part hereof.

\_\_\_\_\_

**PARTICIPANT**

**GREAT ELM GROUP, INC.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

By: \_\_\_\_\_

Title: General Counsel

\_\_\_\_\_  
Date

## TERMS AND CONDITIONS OF OPTION

1. **GRANT OF STOCK OPTION.** The Company hereby awards to Participant, as of the Date of Grant indicated in the accompanying notice of award, an award (the “Award”) of a number of an option to purchase shares of Common Stock under the Company’s 2016 Amended and Restated Long-Term Incentive Plan (as amended from time to time, the “Plan”). Each Option is issued on the terms and conditions governing the Award, including the applicable time-based vesting requirements, as set forth in this Award Agreement.
2. **VESTING TERMS.** Except as otherwise expressly provided herein, all unvested Options shall be forfeited, and all rights of Participant to such Options shall immediately terminate, upon the termination of Participant’s employment with the Company or its Affiliates.
  - 2.1 **Vesting Upon Involuntary Termination Prior to a Change of Control.** If, prior to the five (5) year anniversary of the Effective Date of Hire, you experience a separation from service (as defined in Treasury Regulations Section 1.409A-1(n) by GEG (or a successor, if appropriate) without Cause – other than as a result of your death or Disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code (the “Code”)) – or as a result of your resignation for Good Reason (as defined below) (such termination or resignation, an “Involuntary Termination”), in either case, prior to a Change of Control, and provided you comply with the Conditions, then the Service-Based Vesting Requirement of the Option will be deemed satisfied and the remaining unvested shares subject to the Option will remain outstanding and eligible to vest for a period of one (1) year following the date of such Involuntary Termination, subject to satisfaction of the applicable Stock Price Vesting Trigger within such one (1) year period following the date of such Involuntary Termination. Any portion of the Option that vests according to this section shall be exercisable until the earlier of (x) the ten-year expiration date of the Option and (y) a Change of Control or other corporate event at GEG contemplated by the Plan, in which case exercise shall, in each case, be as provided under the Plan.
  - 2.2 **Vesting Following a Change of Control.** Upon a Change of Control or other corporate vent at GEG contemplated by the Plan, the Service-Based Vesting Requirement and all Stock Price Vesting Triggers of the Option will be deemed satisfied. In the event your Option is not exercised in connection with such Change of Control pursuant to the Plan, your Option shall be exercisable until the earlier of (x) the ten-year expiration date of the Option and (y) a Change of Control or other corporate event at GEG contemplated by the Plan, in which case exercise shall, in each case, be as provided under the Plan.
  - 2.3 **Vesting Following Termination Due to Death or Disability.** If, prior to the 5 year anniversary of the Effective Date of Hire, you experience a separation from service (as defined in Treasury Regulations Section 1.409A-1(n)) by GEG (or a successor, the Service-Based Vesting Requirement of the Option will be deemed satisfied and the remaining unvested shares subject to the Option will remain outstanding and eligible to vest for a period of one (1) year following the date of separation of service due to death or Disability, subject to satisfaction of the applicable Stock Price Vesting Trigger within such one (1) year period following the date of such separation of service. Any portion of the Option that vests according to this section shall be exercisable until the earlier of (x) the ten-year expiration date of the Option and (y) a Change of Control or other corporate event at GEG contemplated by the Plan, in which case exercise shall, in each case, be as provided under the Plan.

- (a) For purposes of this Award Agreement, "Cause" means (a) your theft, dishonesty, misconduct, or falsification of any of the Great Elm's or its affiliates' records; (b) any action by you outside of the scope of your employment agreement with Great Elm that has a material detrimental effect on Great Elm's reputation or business as reasonably determined by the GEG Board; (c) your substantial failure or inability to perform any reasonably assigned duties within the scope of your employment agreement with Great Elm that has not been cured within thirty days of written notice from Great Elm to you, in each case, as determined by the GEG Board in its sole discretion; (d) your material violation of any Great Elm policy; (e) your charge, indictment or conviction (including any plea of guilty or no contest) of any criminal act (other than traffic violations); or (f) a material breach by you of any written agreement with Great Elm or its affiliates which, to the extent curable, has not been cured within ten business days' of written notice from Great Elm to you thereof.
- (b) For purposes of this Award Agreement, "Conditions" means (i) you have returned all material Great Elm property in your possession that was obtained in connection with your employment within ten (10) business days of written request therefor, (ii) you have complied with your continuing obligations under the Terms of Employment and (iii) you have executed a full and complete separation and release agreement, in the form attached hereto as Exhibit B (the "Release"), which shall include, among other provisions, a mutual general release of all claims that you may have against Great Elm and its affiliates and a mutual nondisparagement in favor of you and Great Elm and its affiliates, and such Release has become effective no later than the 30th day after the date of your separation from service or such later date as may be required by applicable law (the "Release Deadline").
- (c) For purposes of this Award Agreement, "Good Reason" means your resignation from GEG within six (6) months after the occurrence of any of the following events: (a) without your prior written consent, the significant reduction of your duties, authority, responsibilities, job title, or reporting relationships relative to your duties, authority, responsibilities, job title, or reporting relationships as in effect immediately prior to such reduction, or the assignment to you of such significantly reduced duties, authority, responsibilities, job title, or reporting relationships; (b) without your express prior written consent, a reduction of your base salary as in effect immediately prior to such reduction or GEG's failure to pay such amounts when due; or (c) the relocation of your principal place of work to a facility or a location more than twenty five miles from your then present location, without your prior written consent; provided, however, that in each case, your resignation shall not constitute Good Reason unless (i) you provide GEG with written notice of the applicable event or circumstance within ninety (90) days after you first have knowledge of it, which notice reasonably identifies the event or circumstance that you believe constitutes grounds for Good Reason, and (ii) GEG fails to correct the event or circumstance so identified within thirty (30) days after receipt of such notice.
3. **LIMITED TRANSFERABILITY.** Except to the extent the Option has been exercised, the Participant may not transfer any interest in the Option or the shares of Common Stock subject to this Award or pledge or otherwise hedge the sale of those shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of the Common Stock. Participant may also direct the Company to record the ownership of any shares of Common Stock purchased under this Option in the name of a bona fide retirement planning, estate planning or charitable donation vehicle. Participant may make such a beneficiary designation or ownership directive at any time by completing the required forms and filing the completed form with the Committee or its designee.
4. **NO STOCKHOLDER RIGHTS AND DIVIDENDS.** Except to the extent the Option has been exercised, the Participant shall have none of the rights and privileges of a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any of the shares of Common Stock that may be acquired under the Option.

5. **ADJUSTMENT IN SHARES.** The Committee shall adjust the Option as set forth in Section 3.2 of the Plan.
6. **WITHHOLDING.** The Company shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the grant or vesting of the Award. The Company has directed Participant to seek independent advice regarding the applicable provisions of the Code, the tax laws of any municipality, state or foreign country in which Participant may reside.  
  
PARTICIPANT UNDERSTANDS THAT PARTICIPANT MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PARTICIPANT'S PURCHASE OR DISPOSITION OF SHARES AND PARTICIPANT REPRESENTS THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.
7. **COMPLIANCE WITH LAWS AND REGULATIONS.** The issuance of the Option and exercise of the Option pursuant to the Award shall be subject to compliance by the Company and the Participant with all applicable laws relating thereto.
8. **CONSTRUCTION.** Except as otherwise provided in the letter agreement, dated as of May 5, 2023, by and between the participant and the company (the "Employment Agreement") this Award Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Award Agreement, the terms of the Plan, and the Employment Agreement, the terms of the Employment Agreement shall be controlling. All decisions of the Committee with respect to any question or issue arising under the Plan or this Award Agreement shall be conclusive and binding on all persons having an interest in the Award. Articles 11-18 of the Plan shall apply mutatis mutandis as if set forth herein. Capitalized terms used herein without definition have the meaning given to them in the Plan. Notwithstanding anything to the contrary in the Plan, this Award Agreement may not be modified in any manner adverse to the Participant other than pursuant to a written agreement signed by the Participant.
9. **GOVERNING LAW.** The interpretation, performance and enforcement of this Award Agreement shall be governed by the laws of the State of Delaware applicable to contracts made in and to be solely performed in the State of Delaware.
10. **EMPLOYMENT AT WILL.** Nothing in this Award Agreement or in the Plan shall confer upon Participant any right to remain in employment or service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary of Affiliate employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service or employment at any time for any reason, with or without Cause.
11. **PARTICIPANT ACCEPTANCE.** Participant must accept the terms and conditions of this Award Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any shares be issued or option granted under this Award Agreement in the absence of such acceptance.

**Notice of Restricted Stock Unit Grant**

\_\_\_\_\_ (“Grantee”)

**Great Elm Group, Inc.**  
**ID: 85-3622015**  
**800 South Street, Suite 230**  
**Waltham, MA 02453**

You have been granted restricted stock units with respect to shares of Common Stock of Great Elm Group, Inc. as detailed below (the “Units”):

This Notice of Restricted Stock Unit Grant (this “Notice”), together with the Great Elm Group, Inc. (the “Company”) Amended and Restated 2016 Long-Term Incentive Compensation Plan (the “Plan”) and the corresponding Restricted Stock Unit Agreement (the “Agreement”) in effect as of the Date of Grant, contain the terms of your Units.

Date of Grant: \_\_\_\_\_  
Number of Restricted Stock Units: \_\_\_\_\_  
Vesting Schedule: \_\_\_\_\_  
Vesting Commencement Date: \_\_\_\_\_  
Vesting Completion Date: \_\_\_\_\_

**Vesting Schedule:**

The Units shall vest in equal installments on each monthly anniversary of the Vesting Commencement Date such that they shall be vested in full on the twelve month anniversary of the Vesting Commencement Date, subject to Grantee’s Continuous Status as a Director on each such monthly anniversary. In all cases, vesting of the Units is subject to the conditions set forth in the Agreement.

**Acknowledgements and Agreements:**

By your signature and the signature of the representative for the Company below, you and the Company agree that these Units are granted under and governed by the terms and conditions of the Plan and the Agreement, all of which are attached and hereby incorporated by reference and made a part hereof.

**GRANTEE**

\_\_\_\_\_  
Print Name:  
Date: \_\_\_\_\_

**GREAT ELM GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title: General Counsel  
Date: \_\_\_\_\_

\_\_\_\_\_

**GREAT ELM GROUP, INC.**

**2016 AMENDED AND RESTATED LONG TERM INCENTIVE COMPENSATION PLAN**

**RESTRICTED STOCK UNIT AGREEMENT**

- 1. Grant of Units.** Great Elm Group, Inc., a Delaware corporation (the “Company”), hereby grants to the Grantee (“Grantee”) named in the corresponding Notice of Restricted Stock Unit Grant (the “Notice”) the number of restricted stock units (the “Units”) set forth in the Notice, subject to the terms of the Company’s Amended and Restated 2016 Long-Term Incentive Compensation Plan (“Plan”), which is incorporated herein by reference, and the terms of this Restricted Stock Unit Agreement (the “Agreement”). Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail.
- 2. Payment.** No payment is required by Grantee for the Units.
- 3. Responsibility for Taxes.** The Company is not responsible for withholding any income tax, social security, unemployment, disability insurance or other tax obligations that Grantee becomes legally obligated to pay in connection with any aspect of these Units, including the award, vesting or settlement of the Units, or sale of the underlying shares of Common Stock (“Tax-Related Items”). Grantee is solely responsible for timely reporting on Grantee’s personal income tax return all income derived from the Units and for paying all Tax-Related Items, and shall indemnify the Company and hold it harmless from and against all claims, damages, losses and expenses, including reasonable fees and expenses of attorneys, relating to any obligation imposed by law on the Company to pay any Tax-Related Items. Notwithstanding the foregoing, in the event that the Company has any obligation to withhold Tax-Related Items under any applicable law, Grantee may satisfy the obligations with regard to all Tax-Related items by one or a combination of the following: (a) tendering a cash payment; (b) authorizing the Company to withhold from any cash compensation paid to Grantee by the Company; (c) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to Grantee, *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (d) delivering to the Company owned and unencumbered shares of Common Stock.
- 4. Vesting.** Subject to Grantee’s Continuous Service as a Director and the limitation contained herein, the Units will vest as provided in the Grant Notice. Vesting will cease upon the interruption or termination of Grantee’s Continuous Status as a Director. Upon interruption or termination of Grantee’s Continuous Status as a Director, the unvested Units will expire.

5. **Conversion of Units and Issuance of Shares.** Unless Grantee has made a valid deferral election pursuant to procedures established by the Board, upon the Vesting Date, one share of Common Stock shall be issuable for each whole Unit that vests on such date (the “Shares”), subject to the terms and provisions of the Plan and this Agreement. The vesting and release of Units are conditioned on Grantee making adequate provision for federal, state and local or foreign tax withholding obligations, if any, which arise upon the vesting and settlement of the Units, by any of the methods described in Section 3 above. The number of Units may be adjusted from time to time to reflect a Corporate Transaction or Change in Control, as provided in the Plan.

6. **Securities Law Compliance.** Grantee will not be issued any Shares upon the vesting of the Units unless the Shares are either (a) then registered under the Securities Act of 1933, as amended (the “Securities Act”), or (b) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. The terms of Grantee’s Units must also comply with other applicable laws and regulations governing the Units, and Grantee will not receive such Shares if the Company determines that such receipt would not be in material compliance with such laws and regulations.
7. **Transferability.** None of the Units or any beneficial interest therein may be transferred in any manner other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. Notwithstanding the foregoing, Grantee may designate a beneficiary for the Shares that may be issuable upon the vesting of the Units, in the event of Grantee’s death, by completing the Company’s approved beneficiary designation form and filing such form with the Company’s Human Resources Department. The terms of this Agreement shall be binding upon Grantee’s executors, administrators, heirs, successors, and transferees.
8. **Rights as a Stockholder.** Neither Grantee nor any of Grantee’s successors shall have any rights as a stockholder of the Company in respect of the Shares subject to the Units, including the right to vote or to receive cash dividends and other distributions, until delivery of the Shares in satisfaction of the Units.
9. **Tax Consequences.** Grantee agrees that Grantee has had the opportunity to review with Grantee’s own tax advisors the federal, state, local and foreign income and other tax consequences of the grant to Grantee of the Units and the vesting of the Units. Grantee is relying solely on the advice of Grantee’s own advisors and not on statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) will be responsible for Grantee’s own tax liability as a result of the grant, vesting or settlement of the Units.
10. **Notices.** Any notices provided for in this Agreement or the Plan shall be given in writing and shall be deemed effective upon receipt or, in the case of notices delivered by the Company to Grantee, five days after deposit in the United States mail, postage prepaid, addressed to Grantee at the last address Grantee provided to the Company.
11. **Miscellaneous.**
  - (a) The rights and obligations of the Company under this Agreement shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company’s successors and assigns.

- (b) Grantee agrees upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of Grantee's Units.
- (c) Grantee acknowledges and agrees that Grantee has reviewed the Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting Grantee's Units and fully understand all provisions of Grantee's Units.
- 12. Repayment/Forfeiture.** Any benefits the Grantee may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (a) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, (b) similar rules under the laws of any other jurisdiction and (c) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to Grantee.
- 13. Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 14. Whole Agreement.** The Plan and Notice are hereby incorporated by reference and made a part hereof. The Units and this Agreement shall be subject to all terms and conditions of the Plan and the Notice. Grantee acknowledges that the Notice, this Agreement and the Plan set forth the entire understanding between Grantee and the Company regarding the terms and conditions of the Units and supersede all prior oral and written agreements on the subjects set forth herein, except as, and only to the extent that, such other agreements are expressly incorporated by reference herein.
- 15. Amendment.** This Agreement may be amended or modified at any time only by an instrument in writing signed by each of the parties hereto.
- 16. Choice of Law; Governing Law.** The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to such state's conflict of laws rules. Grantee hereby agrees to submit to the jurisdiction and venue of the court of Chancery of the State of Delaware (or if such court shall lack subject matter jurisdiction) the Superior Court of the County of New Castle Delaware for all actions relating to the Units, the Shares, the Notice of Grant, this Agreement, or the Plan. Grantee further agrees that service may be made upon Grantee in any such action or proceeding by first class, certified or registered mail, to the last address Grantee provided to the Company

**Notice of Restricted Stock Unit Award**

\_\_\_\_\_ (“Participant”)

**Great Elm Group, Inc.**  
**ID: 85-3622015**  
**800 South Street, Suite 230**  
**Waltham, MA 02453**

You have been awarded restricted stock units, which represent a right to receive Shares of Great Elm Group, Inc. (the “Company”), as detailed below (the “RSUs”):

This Notice of Restricted Stock Unit Award, together with the Company’s Amended and Restated 2016 Long-Term Incentive Plan (as may be amended from time to time, the “Plan”) as in effect as of the Date of Grant, and the terms and conditions of the restricted stock unit award (the “Award Agreement”) attached hereto, contain the terms of your RSUs. Capitalized terms used but not defined herein will have the meanings given to them in the Plan.

Date of Grant: \_\_\_\_\_  
Number of Restricted Stock Units: \_\_\_\_\_  
Vesting Schedule: \_\_\_\_\_  
Fully Vested Date: \_\_\_\_\_

**Vesting Schedule:**

Subject to Section 2 of the Award Agreement, [\_\_\_\_\_] % of the RSUs shall, subject to your continued employment, vest on the first anniversary of the Date of Grant and thereafter, [\_\_\_\_\_] % of the RSUs shall, subject to your continued employment, vest on each monthly anniversary of the Date of Grant.

The foregoing is qualified in its entirety by the Award Agreement.

**Acknowledgements and Agreements:**

By your signature and the signature of the representative for the Company below, you and the Company agree that these RSUs are granted under and governed by the terms and conditions of the Plan and the Award Agreement, all of which are attached and hereby incorporated by reference and made a part hereof.

**PARTICIPANT**

\_\_\_\_\_  
Print Name:  
Date: \_\_\_\_\_

**GREAT ELM GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title: General Counsel  
Date: \_\_\_\_\_

\_\_\_\_\_

# GREAT ELM GROUP, INC.

## TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

1. **GRANT OF RESTRICTED STOCK UNITS.** The Company hereby grants to Participant, as of the Date of Grant indicated in the accompanying notice of award (the “Notice”), an award (the “Award”) of the number of Restricted Stock Units (“RSUs”) set forth in such Notice under the Company’s Amended and Restated 2016 Long-Term Incentive Compensation Plan (the “Plan”). Each RSU represents the right of Participant to receive one Share, subject to and upon the terms and conditions governing the Award, including the applicable time-based vesting requirements, as set forth in this Award Agreement. Capitalized terms used but not defined herein will have the meanings given to them in the Plan.
2. **VESTING TERMS.** Vesting is dependent upon Participant’s continued employment by the Company or its Affiliates through each applicable vesting date. Except as otherwise provided herein, all unvested RSUs shall be forfeited, and all rights of Participant to such RSUs shall immediately terminate, upon the termination of Participant’s employment with the Company or its Affiliates.
  - 2.1 **Vesting Upon Disability or Death.** If Participant’s employment is terminated by reason of Participant’s death or Disability, then the number of RSUs that would have vested during the twelve months following such termination had Participant remained continuously employed through the end of such twelve-month period shall vest on the date of such termination. For purposes of this Award Agreement, “Disability” shall mean the inability of Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of Participant’s position with the Company or an Affiliate of the Company because of the sickness or injury of the individual, or as may be otherwise defined under applicable local laws.
  - 2.2 **Vesting Upon Termination Without Cause or Resignation for Good Reason.** If Participant’s employment is terminated by the Company or an Affiliate of the Company without Cause or Participant resigns for Good Reason, all unvested RSUs will vest in full immediately upon such termination.
    - (a) For purposes of this Award Agreement, “Cause” shall mean: (i) Participant’s theft, dishonesty, misconduct, or falsification of any of the Company’s or its affiliates’ records; (ii) any action by Participant outside of the scope of Participant’s employment agreement with the Company that has a material detrimental effect on the Company’s reputation or business as reasonably determined by the Committee; (iii) Participant’s substantial failure or inability to perform any reasonably assigned duties within the scope of Participant’s employment agreement with the Company that has not been cured within 30 business days of written notice from the Company to Participant, in each case, as determined by the Committee in its sole discretion; (iv) Participant’s violation of any Company policy; (v) Participant’s conviction (including any plea of guilty or no contest) of any criminal act; or (vi) Participant’s material breach of any written agreement with the Company which has not been cured within 10 business days’ of written notice from the Company to Participant thereof.
    - (b) For purposes of this Award Agreement, “Good Reason” shall mean Participant’s resignation from the Company within six months after the occurrence of any of the following events:

(i) without Participant's express prior written consent, the significant reduction of Participant's duties, authority, responsibilities, job title, or reporting relationships relative to your duties, authority, responsibilities, job title, or reporting relationships as in effect immediately prior to such reduction, or the assignment to Participant of such reduced duties, authority, responsibilities, job title, or reporting relationships; (ii) without Participant's express prior written consent, a reduction by the Company of Participant's base salary or bonus target as in effect immediately prior to such reduction or the Company's failure to pay such amounts when due; (iii) a material reduction by the Company in the kind or level of employee benefits, excluding salary and bonuses, to which Participant was entitled immediately prior to such reduction with the result that Participant's overall benefits package is significantly reduced (unless such reduction is part of a program generally applicable to other employees of the Company of a similar level); (iv) the relocation of Participant's principal place of work to a facility or a location more than twenty five miles from Participant's then present location, without Participant's express prior written consent or (v) breach by the Company of its obligations hereunder or under any incentive awards (including the related award agreements) held by Participant; *provided, however*, that in each case, Participant's resignation shall not constitute Good Reason under this provision unless (A) Participant provides the Company with written notice of the applicable event or circumstance within thirty days after Participant first has knowledge thereof, which notice reasonably identifies the event or circumstance that Participant believes constitutes grounds for Good Reason, and (B) the Company fails to correct the event or circumstance so identified within thirty days after receipt of such notice.

3. **ISSUANCE DATE.** Payment for the RSUs, after and to the extent they become vested, shall be made in the form of Shares. Unless Participant has made a valid deferral election pursuant to procedures established by the Board or the terms of this Award Agreement provide otherwise, the Shares shall be issued as soon as administratively practicable following (but in no event later than 30 days following), the date that the applicable RSUs vest pursuant to Section 2.
4. **LIMITED TRANSFERABILITY.** Prior to vesting, Participant may not transfer the RSUs subject to this Award or pledge or otherwise hedge the sale of those RSUs, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of the Shares underlying the RSUs. Participant may direct the Company to record the ownership of any Shares that become payable in respect of RSUs hereunder in the name of a bona fide retirement planning, estate planning or charitable donation vehicle. Participant may make such a beneficiary designation or ownership directive at any time by completing the required forms and filing the completed form with the Committee or its designee.
5. **NO STOCKHOLDER RIGHTS AND DIVIDENDS.** Participant shall have no rights or privileges of a stockholder of the Company and no right to vote the Shares underlying the RSUs until the date on which the Shares underlying the RSUs are issued or transferred to Participant pursuant to this Award Agreement. However, Participant shall be credited with dividend equivalents in respect of dividends paid to stockholders generally and such dividend equivalents shall be subject to the same terms and conditions (including vesting, payment and forfeitability) as the RSUs to which they were credited. Such dividend equivalents will be paid in cash at the same time as the RSUs to which they relate are settled in accordance with Section 3 and the other terms of this Award Agreement.

6. **ADJUSTMENT.** In the event of certain corporate transactions, the Committee shall adjust the RSUs as set forth in Section 3.2 of the Plan.
7. **TAXES AND WITHHOLDING.** Participant shall satisfy any sums required by federal, state or local tax law to be withheld related to the RSUs by paying the Company or its Affiliate in cash the amount of such tax obligations (including, without limitation, by the Company or its Affiliate withholding such amounts from the Participant's wages, which the Participant hereby authorizes). Notwithstanding the foregoing, the Committee, by specific prior approval, may permit Participant to satisfy such tax obligations by having the Company or its Affiliate deduct from the number of Shares otherwise deliverable to Participant in settlement of the RSUs a number of whole Shares having a Fair Market Value not in excess of the amount of such tax obligations determined by the maximum applicable statutory withholding rates. The Company shall not be obligated to guarantee any particular tax result for Participant hereunder, and Participant shall be responsible for any taxes imposed on Participant with respect to the RSUs and any Shares issued in respect thereof. Participant acknowledges and understands that Participant should consult a tax advisor regarding Participant's tax obligations related to the RSUs and the Shares issued in respect thereof.
8. **COMPLIANCE WITH LAWS AND REGULATIONS.** The issuance of the RSUs pursuant to the Award shall be subject to compliance by the Company and Participant with all applicable laws relating thereto.
9. **CONSTRUCTION.** This Award Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Award Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Committee with respect to any question or issue arising under the Plan or this Award Agreement shall be conclusive and binding on all persons having an interest in the Award. Articles 11-18 of the Plan shall apply mutatis mutandis as if set forth herein. Notwithstanding anything to the contrary in the Plan, this Award Agreement may not be modified in any manner adverse to Participant other than pursuant to a written agreement signed by Participant.
10. **GOVERNING LAW.** The interpretation, performance and enforcement of this Award Agreement shall be governed by the laws of the State of Delaware applicable to contracts made in and to be solely performed in the State of Delaware.
11. **EMPLOYMENT AT WILL.** Nothing in this Award Agreement or in the Plan shall confer upon Participant any right to remain in employment or service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary or Affiliate employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service or employment at any time for any reason, with or without Cause.
12. **PARTICIPANT ACCEPTANCE.** Participant must accept the terms and conditions of this Award Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any RSUs or Shares be issued under this Award Agreement in the absence of such acceptance.

**Notice of Restricted Stock Grant**

\_\_\_\_\_ (“Grantee”)

**Great Elm Group, Inc.**  
**ID: 85-3622015**  
**800 South Street, Suite 230**  
**Waltham, MA 02453**

You have been granted restricted shares (“Shares”) of common stock of Great Elm Group, Inc. (the “Company”) as detailed below:

This Notice of Restricted Stock Grant (this “Notice”), together with the Great Elm Group, Inc. Amended and Restated 2016 Long-Term Incentive Compensation Plan (the “Plan”) and the corresponding Restricted Stock Agreement (the “Agreement”) in effect as of the Date of Grant, contain the terms of your Shares.

Date of Grant: \_\_\_\_\_  
Number of Restricted Stock: \_\_\_\_\_  
Vesting Schedule: \_\_\_\_\_  
Vesting Completion Date: \_\_\_\_\_

**Vesting Schedule:**

\_\_\_\_\_ of the Shares will vest on each \_\_\_\_\_ end date of the calendar year \_\_\_\_\_ beginning on \_\_\_\_\_, subject to Grantee’s Continuous Status as a Director on each such date. In all cases, vesting of the Shares is subject to the conditions set forth in the Plan and the Agreement.

**Acknowledgements and Agreements:**

By your signature and the signature of the representative for the Company below, you and the Company agree that these Shares are granted under and governed by the terms and conditions of the Plan and the Agreement, all of which are attached and hereby incorporated by reference and made a part hereof.

**GRANTEE**

\_\_\_\_\_  
Print Name:  
Date: \_\_\_\_\_

**GREAT ELM GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title: General Counsel  
Date: \_\_\_\_\_

## GREAT ELM GROUP, INC.

## 2016 AMENDED AND RESTATED LONG TERM INCENTIVE COMPENSATION PLAN

## RESTRICTED STOCK AGREEMENT

1. **Grant of Shares.** Great Elm Group, Inc., a Delaware corporation (the “Company”), hereby grants to the Grantee (“Grantee”) named in the corresponding Notice of Restricted Stock Grant (the “Notice”) the number of restricted shares of common stock of the Company (the “Shares”) set forth in the Notice, subject to the terms of the Company’s Amended and Restated 2016 Long-Term Incentive Compensation Plan (“Plan”), which is incorporated herein by reference, and the terms of this Restricted Stock Agreement (the “Agreement”). Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail.
  2. **Payment.** No payment is required by Grantee for the Shares.
  3. **Responsibility for Taxes.** The Company is not responsible for withholding any income tax, social security, unemployment, disability insurance or other tax obligations that Grantee becomes legally obligated to pay in connection with any aspect of these Shares, including, without limitation, the award, vesting or settlement thereof or any tax election made by Grantee in connection therewith (“Tax-Related Items”). Grantee is solely responsible for timely reporting on Grantee’s personal income tax return all income derived from the Shares and for paying all Tax-Related Items and shall indemnify the Company and hold it harmless from and against all claims, damages, losses and expenses, including reasonable fees and expenses of attorneys, relating to any obligation imposed by law on the Company to pay any Tax-Related Items. Notwithstanding the foregoing, in the event that the Company has any obligation to withhold Tax-Related Items under any applicable law, Grantee may satisfy the obligations with regard to all Tax-Related items by one or a combination of the following: (a) tendering a cash payment; (b) authorizing the Company to withhold from any cash compensation paid to Grantee by the Company; (c) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to Grantee, *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (d) delivering to the Company owned and unencumbered shares of Common Stock.
  4. **Vesting.** The Shares will vest as provided in the Grant Notice.
  5. **Issuance of Shares.** The Shares will be issued on the Date of Grant, subject to the vesting conditions set forth in the Grant Notice. The vesting and release of Shares are conditioned on Grantee making adequate provision for federal, state, local or foreign tax withholding obligations, if any, which arise upon the vesting and settlement of the Shares, by any of the methods described in Section 3 above. The number of Shares may be adjusted from time to time to reflect a Corporate Transaction or Change in Control, as provided in the Plan.
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6. **Securities Law Compliance.** Grantee will not be issued any Shares upon vesting unless the Shares are either (a) then registered under the Securities Act of 1933, as amended (the "Securities Act"), or (b) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. The terms of Grantee's Shares must also comply with other applicable laws and regulations governing the Shares, and Grantee will not receive such Shares if the Company determines that such receipt would not be in material compliance with such laws and regulations.
  7. **Transferability.** None of the Shares may be transferred prior to vesting. Notwithstanding the foregoing, Grantee may designate a beneficiary for the Shares in the event of Grantee's death, by completing the Company's approved beneficiary designation form and filing such form with the Company's Human Resources Department. The terms of this Agreement shall be binding upon Grantee's executors, administrators, heirs, successors, and transferees.
  8. **Tax Consequences.** Grantee agrees that Grantee has had the opportunity to review with Grantee's own tax advisors the federal, state, local and foreign income and other tax consequences of the grant to Grantee of the Shares and the vesting thereof. Grantee is relying solely on the advice of Grantee's own advisors and not on statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) will be responsible for Grantee's own tax liability as a result of the grant, vesting or settlement of the Shares or any tax election which may be made by Grantee in connection therewith.
  9. **Notices.** Any notices provided for in this Agreement or the Plan shall be given in writing and shall be deemed effective upon receipt or, in the case of notices delivered by the Company to Grantee, five days after deposit in the United States mail, postage prepaid, addressed to Grantee at the last address Grantee provided to the Company.
  10. **Miscellaneous.**
    - (a) The rights and obligations of the Company under this Agreement shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.
    - (b) Grantee agrees upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of Grantee's Shares.
    - (c) Grantee acknowledges and agrees that Grantee has reviewed the Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting Grantee's Shares and fully understand all provisions of Grantee's Shares.
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11. **Repayment/Forfeiture.** Any benefits the Grantee may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (a) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, (b) similar rules under the laws of any other jurisdiction and (c) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to Grantee.
  12. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
  13. **Whole Agreement.** The Plan and Notice are hereby incorporated by reference and made a part hereof. The Shares and this Agreement shall be subject to all terms and conditions of the Plan and the Notice. Grantee acknowledges that the Notice, this Agreement and the Plan set forth the entire understanding between Grantee and the Company regarding the terms and conditions of the Shares and supersede all prior oral and written agreements on the subjects set forth herein, except as, and only to the extent that, such other agreements are expressly incorporated by reference herein.
  14. **Amendment.** This Agreement may be amended or modified at any time only by an instrument in writing signed by each of the parties hereto.
  15. **Choice of Law; Governing Law.** The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to such state's conflict of laws rules. Grantee hereby agrees to submit to the jurisdiction and venue of the court of Chancery of the State of Delaware (or if such court shall lack subject matter jurisdiction) the Superior Court of the County of New Castle Delaware for all actions relating to the Shares, the Notice of Grant, this Agreement, or the Plan. Grantee further agrees that service may be made upon Grantee in any such action or proceeding by first class, certified or registered mail, to the last address Grantee provided to the Company
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Notice of Restricted Stock Grant

\_\_\_\_\_ (“Grantee”)

Great Elm Group, Inc.  
ID: 85-3622015  
800 South Street, Suite 230  
Waltham, MA 02453

You have been granted restricted shares (“Shares”) of common stock of Great Elm Group, Inc. (the “Company”) as detailed below:

This Notice of Restricted Stock Grant (this “Notice”), together with the Great Elm Group, Inc. Amended and Restated 2016 Long-Term Incentive Compensation Plan (the “Plan”) and the corresponding Restricted Stock Agreement (the “Agreement”) in effect as of the Date of Grant, contain the terms of your Shares.

Date of Grant:	_____
Number of Restricted Stock:	_____
Vesting Schedule:	1/3 on the first, second, and third year anniversaries of the grant date.
Vesting Completion Date:	_____

**Vesting Schedule:**

1/3 of the Shares will vest in equal one-third amounts on the first, second, and third year anniversaries of the grant date for such Restricted Shares, so long as you continue to be employed by Great Elm on those dates. In all cases, vesting of the Shares is subject to the conditions set forth in the Plan and the Agreement.

**Acknowledgements and Agreements:**

By your signature and the signature of the representative for the Company below, you and the Company agree that these Shares are granted under and governed by the terms and conditions of the Plan and the Agreement, all of which are attached and hereby incorporated by reference and made a part hereof.

**GRANTEE**

\_\_\_\_\_  
Print Name:  
Date: \_\_\_\_\_

**GREAT ELM GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title: General Counsel  
Date: \_\_\_\_\_

\_\_\_\_\_

GREAT ELM GROUP, INC.

2016 AMENDED AND RESTATED LONG TERM INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK AGREEMENT

1. **GRANT OF SHARES.** Great Elm Group, Inc., a Delaware corporation (the “Company”), hereby awards to the Participant, named in the corresponding Notice of Restricted Stock Award (the “Notice”) as of the Date of Award indicated in the accompanying Notice, the number of restricted shares of common stock of the Company (the “Shares) set forth in the Notice, subject to the terms of the Company’s Amended and Restated 2016 Long-Term Incentive Compensation Plan (“Plan”), which is incorporated herein by reference, and the terms of this Restricted Stock Agreement (the “Award Agreement”). Each Share is issued on the terms and conditions governing the Notice, including the applicable time-based vesting requirements, as set forth in this Award Agreement.
2. **VESTING TERMS.** Vesting is dependent upon Participant’s continued employment by the Company or its Affiliates through each applicable vesting date. Except as otherwise provided herein, all unvested Shares shall be forfeited, and all rights of Participant to such Shares shall immediately terminate, upon the termination of Participant’s employment with the Company or its Affiliates.
- 2.1 **Vesting Upon Disability or Death.** If Participant’s employment is terminated by reason of death or Disability, then a number of Restricted Shares that would have vested during the twelve months following such termination had the Participant remained in continuous service through the end of such twelve-month period shall vest and become exercisable on the date of such termination.
  - (a) For purposes of this Award Agreement, “Disability” shall mean the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of Participant’s position with the Company or an Affiliate of the Company because of the sickness or injury of the individual, or as may be otherwise defined under applicable local laws.
- 2.2 **Vesting Upon Termination Without Cause or Resignation for Good Reason.** If Participant’s employment is terminated by the Company or an Affiliate of the Company without Cause or Participant resigns for Good Reason, the Shares shall continue to vest in accordance with the terms hereof during any severance period under Participant’s employment agreement with the Company.
  - (a) For purposes of this Award Agreement, “Cause” shall mean: (i) Participant’s theft, dishonesty, misconduct, or falsification of any of the Company’s or its affiliates’ records; (ii) any action by Participant outside of the scope of Participant’s employment agreement with the Company that has a material detrimental effect on the Company’s reputation or business as reasonably determined by the Committee; (iii) Participant’s substantial failure or inability to perform any reasonably assigned duties within the scope of Participant’s employment agreement with the Company that has not been cured within 30 business days of written notice from the Company to Participant, in each case, as determined by the Committee in its sole discretion; (iv) Participant’s violation of any Company policy; (v) Participant’s conviction (including any plea of guilty or no contest) of any criminal act; or (vi) Participant’s material breach of any written agreement with the Company which has not been cured within 10 business days’ of written notice from the Company to Participant thereof.
  - (b) For purposes of this Award Agreement, “Good Reason” shall mean Participant’s resignation from the Company within six months after the occurrence of any of the following events: (i) without Participant’s express prior written consent, the significant reduction of Participant’s duties,

authority, responsibilities, job title, or reporting relationships relative to your duties, authority, responsibilities, job title, or reporting relationships as in effect immediately prior to such reduction, or the assignment to Participant of such reduced duties, authority, responsibilities, job title, or reporting relationships; (ii) without Participant's express prior written consent, a reduction by the Company of Participant's base salary or bonus target as in effect immediately prior to such reduction or the Company's failure to pay such amounts when due; (iii) a material reduction by the Company in the kind or level of employee benefits, excluding salary and bonuses, to which Participant was entitled immediately prior to such reduction with the result that Participant's overall benefits package is significantly reduced (unless such reduction is part of a program generally applicable to other employees of the Company of a similar level); (iv) the relocation of Participant's principal place of work to a facility or a location more than twenty five miles from Participant's then present location, without Participant's express prior written consent or (v) breach by the Company of its obligations hereunder or under any incentive awards (including the related award agreements) held by Participant; *provided, however*, that in each case, Participant's resignation shall not constitute Good Reason under this provision unless (A) Participant provides the Company with written notice of the applicable event or circumstance within thirty days after Participant first has knowledge thereof, which notice reasonably identifies the event or circumstance that Participant believes constitutes grounds for Good Reason, and (B) the Company fails to correct the event or circumstance so identified within thirty days after receipt of such notice.

- 2.3 Termination Following a Change of Control.** If within two years following a Change of Control, Participant's employment terminates without Cause or terminates for Good Reason, the Restricted Shares will vest in full immediately upon such termination.
- 3 LIMITED TRANSFERABILITY.** Except to the extent the Restricted Shares have been exercised, the Participant may not transfer any interest in the Restricted Shares subject to this Award or pledge or otherwise hedge the sale of those shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of the Common Stock. Participant may also direct the Company to record the ownership of any Restricted Shares that become vested hereunder in the name of a bona fide retirement planning, estate planning or charitable donation vehicle. Participant may make such a beneficiary designation or ownership directive at any time by completing the required forms and filing the completed form with the Committee or its designee.
- 4 STOCKHOLDER RIGHTS AND DIVIDENDS.** Subject to the other terms and restrictions set forth herein, including, but not limited to, the restriction on the right to transfer such Award prior to vesting, the holder of the Award shall have the rights and privileges of a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any Restricted Shares. However, any such dividends shall be paid based on the number of Restricted Shares, if any, that vest in accordance with the terms of this Award Agreement.
- 5 ADJUSTMENT IN SHARES.** In the event of certain corporate transactions at the Company, the Committee shall adjust the Restricted Shares as set forth in Section 3.2 of the Plan.

6 **WITHHOLDING.** The Company shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the grant or vesting of the Award and any dividends paid in relation to the Award. Participant understands that Section 83(a) of the Code taxes as ordinary income the difference between the amount, if any, paid for the Restricted Shares and the Fair Market Value of such Restricted Shares at the time the Restricted Shares vest. Participant understands that, notwithstanding the preceding sentence, Participant may elect to be taxed at the time of the Date of Grant, rather than at the time the Performance Shares vest, by filing an election under Section 83(b) of the Code (an "83(b) Election") with the Internal Revenue Service within 30 days of the Date of Grant. In the event Participant files an 83(b) Election, Participant shall provide the Company a copy thereof prior to the expiration of such 30 day period. Participant understands that if an 83(b) Election is filed with the Internal Revenue Service within such time period, Participant will recognize ordinary income in an amount equal to the difference between the amount, if any, paid for the Performance Shares and the Fair Market Value of such Performance Shares as of the Date of Grant. Participant further understands that an additional copy of such 83(b) Election form should be filed with his or her federal income tax return for the calendar year in which the date of this Award Agreement falls. Participant acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to the Award hereunder and does not purport to be complete. Participant further acknowledges that the Company is not responsible for filing the Participant's 83(b) Election, and the Company has directed Participant to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Participant may reside, and the tax consequences of Participant's death.

PARTICIPANT HEREBY ASSUMES ALL RESPONSIBILITY FOR FILING PARTICIPANT'S 83(b) ELECTION AND PAYING ANY TAXES RESULTING FROM SUCH ELECTION OR FROM FAILURE TO FILE THE ELECTION AND PAYING TAXES RESULTING FROM THE VESTING OF THE RESTRICTED SHARES.

PARTICIPANT UNDERSTANDS THAT PARTICIPANT MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PARTICIPANT'S PURCHASE OR DISPOSITION OF RESTRICTED SHARES AND PARTICIPANT REPRESENTS THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

7 **COMPLIANCE WITH LAWS AND REGULATIONS.** The issuance of the Restricted Shares pursuant to the Award shall be subject to compliance by the Company and the Participant with all applicable laws relating thereto.

8 **CONSTRUCTION.** This Award Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Award Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Committee with respect to any question or issue arising under the Plan or this Award Agreement shall be conclusive and binding on all persons having an interest in the Award. Articles 11-18 of the Plan shall apply mutatis mutandis as if set forth herein. Capitalized terms used herein without definition have the meaning given to them in the Plan. Notwithstanding anything to the contrary in the Plan, this Award Agreement may not be modified in any manner adverse to the Participant other than pursuant to a written agreement signed by the Participant.

9 **GOVERNING LAW.** The interpretation, performance and enforcement of this Award Agreement shall be governed by the laws of the State of Delaware applicable to contracts made in and to be solely performed in the State of Delaware.

- 10 EMPLOYMENT AT WILL.** Nothing in this Award Agreement or in the Plan shall confer upon Participant any right to remain in employment or service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary of Affiliate employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service or employment at any time for any reason, with or without Cause.
- 11 PARTICIPANT ACCEPTANCE.** Participant must accept the terms and conditions of this Award Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any Restricted Shares be issued under this Award Agreement in the absence of such acceptance.

## SUBSIDIARIES OF THE REGISTRANT

<b>Name</b>	<b>Jurisdiction of organization</b>
Great Elm Capital GP, LLC	Delaware
Great Elm Capital Management, Inc.	Delaware
Great Elm DME Holdings, Inc.	Delaware
Great Elm DME Manager, LLC	Delaware
Great Elm FM Acquisition, Inc.	Delaware
Great Elm Opportunities GP, Inc.	Delaware
Monomoy BTS Corporation	Delaware
Monomoy CRE, LLC	Delaware
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

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated September 20, 2023 with respect to the consolidated financial statements included in the Annual Report of Great Elm Group, Inc. on Form 10-K for the year ended June 30, 2023. We consent to the incorporation by reference of said report in the Registration Statements of Great Elm Group, Inc. on Forms S-3 (File No. 333-252236 and File No. 333-252237) and on Forms S-8 (File No. 333-251800, File No. 333-261272 and File No. 333-268504).

/s/ Grant Thornton LLP

Boston, Massachusetts

September 20, 2023

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-252236 and 333-252237 on Form S-3, and Registration Nos. 333-251800, 333-261272 and 333-268504 on Form S-8 of Great Elm Group, Inc. of our report dated March 2, 2023 relating to the consolidated financial statements of Great Elm Capital Corp. incorporated by reference in this Annual Report on Form 10-K of Great Elm Group, Inc. for the year ended June 30, 2023.

/s/ Deloitte & Touche LLP

Boston, MA  
September 20, 2023

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## CERTIFICATIONS

I, Jason W. Reese, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 20, 2023

By: /s/ Jason W. Reese

Name: Jason W. Reese

Title: Chief Executive Officer & Chairman

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## CERTIFICATIONS

I, Keri A. Davis, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 20, 2023

By: /s/ Keri A. Davis

Name: Keri A. Davis

Title: Chief Financial Officer

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**CERTIFICATION**

PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of Great Elm Group, Inc. (the "Company") for the year ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Jason W. Reese, as Chief Executive Officer of the Company, and Keri A. Davis, as Chief Financial Officer of the Company, each certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. 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 20, 2023

By: /s/ Jason W. Reese

Name: Jason W. Reese

Title: Chief Executive Officer & Chairman

By: /s/ Keri A. Davis

Name: Keri A. Davis

Title: Chief Financial Officer

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