

# Great Elm Capital Management, Inc.

## FIRM BROCHURE *(PART 2A OF FORM ADV)*

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This brochure provides information about the qualifications and business practices of Great Elm Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at: (617) 375-3006, or by email at: [investorrelations@greatelmcap.com](mailto:investorrelations@greatelmcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Great Elm Capital Management, Inc. is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Great Elm Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

This is an update of Great Elm Capital Management, Inc.'s brochure. Since the last brochure dated March 31, 2023, we have updated this Form ADV Part 2A to reflect the new principal place of business address.

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### ITEM 3: TABLE OF CONTENTS

ITEM 2: MATERIAL CHANGES.....	2
ITEM 3: TABLE OF CONTENTS .....	3
ITEM 4: ADVISORY BUSINESS.....	5
<i>Firm Description and Principal Owners</i> .....	5
<i>Types of Advisory Services</i> .....	5
<i>Tailored Relationships</i> .....	5
<i>Wrap Fee Programs</i> .....	5
<i>Assets under Discretionary and Non-Discretionary Management</i> .....	5
ITEM 5: FEES AND COMPENSATION.....	5
<i>Description of Fees and Fee Billing</i> .....	5
<i>Other Fees or Expenses</i> .....	7
<i>Other Commissions and Sales Charges</i> .....	7
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7: TYPES OF CLIENTS.....	7
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	8
<i>Methods of Analysis and Investment Strategies</i> .....	8
<i>Risk of Loss</i> .....	8
ITEM 9: DISCIPLINARY INFORMATION.....	17
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	18
<i>Broker-Dealer Registration</i> .....	18
<i>Futures, Commodity Pool Operator, Commodity Trading Advisor</i> .....	18
<i>Arrangements with Other Investment Advisers</i> .....	18
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	18
<i>Code of Ethics</i> .....	18
<i>Participation or Interest in Client Transactions and Personal Trading</i> .....	19
ITEM 12: BROKERAGE PRACTICES .....	19
<i>Selecting Brokerage Firms</i> .....	19
<i>Research and Other Soft Dollar Benefits</i> .....	19
<i>Brokerage for Client Referrals</i> .....	19
<i>Directed Brokerage</i> .....	19
<i>Trade Aggregation and Allocation</i> .....	20

<b>ITEM 13: REVIEW OF ACCOUNTS.....</b>	<b>20</b>
<i>Reviews .....</i>	<i>20</i>
<i>Regular Reports for Investors in Clients.....</i>	<i>20</i>
<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>20</b>
<b>ITEM 15: CUSTODY .....</b>	<b>20</b>
<b>ITEM 16: INVESTMENT DISCRETION .....</b>	<b>21</b>
<b>ITEM 17: VOTING CLIENT SECURITIES.....</b>	<b>21</b>
<b>ITEM 18: FINANCIAL INFORMATION .....</b>	<b>21</b>

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## **ITEM 4: ADVISORY BUSINESS**

### ***Firm Description and Principal Owners***

Great Elm Capital Management, Inc. is a Delaware corporation with its principal office at 800 South Street, Suite 230, Waltham, Massachusetts 02453. Great Elm Capital Management, Inc. is registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) and is subject to the rules and regulations governing registered investment advisers under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Great Elm Capital Management, Inc. was formed in May of 2016. As used in this brochure, “Great Elm” refers to Great Elm Capital Management, Inc.

The principal owner of Great Elm is Great Elm Group, Inc. (a publicly traded corporation).

### ***Types of Advisory Services***

Great Elm manages one or more portfolios invested in debt instruments, equity securities and derivatives including credit default swaps (“CDS”). Great Elm offers investment advice with respect to both international and domestic securities.

Great Elm currently provides investment advisory services to several clients: a business development company, Great Elm Capital Corp. (the “BDC”); and three private investment funds sponsored by Great Elm, Great Elm Opportunities Fund I, L.P. - Series A, Great Elm Opportunities Fund I, L.P. - Series B and Great Elm Opportunities Fund I, L.P. - Series D (collectively, the “Series Funds”) which are offered to “accredited investors” and “qualified purchasers” only (each, a “Private Fund,” and together with the BDC, the “Clients”).

Great Elm may manage other pooled investment vehicles or separate accounts, or sub-advise other registered investment companies, in the future.

### ***Tailored Relationships***

Each of the BDC’s and each Private Fund’s investment strategy is set forth in its respective offering documents. Great Elm makes all investment decisions on behalf of all Clients, subject to the Client’s governing documents and advisory agreements. Investors in a Client will not participate in the decision of whether or not the Client makes any particular investment. Along with reviewing this brochure, it is crucial for any investor or prospective investor in the BDC or a Private Fund to closely review the applicable offering documents with respect to, among other things, the terms, conditions and risks of investing.

### ***Wrap Fee Programs***

Great Elm does not participate in any wrap fee programs.

### ***Assets under Discretionary and Non-Discretionary Management***

As of December 31, 2022, Great Elm had \$310,814,526 in regulatory assets under management on a discretionary basis. Great Elm does not manage assets on a non-discretionary basis.

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## **ITEM 5: FEES AND COMPENSATION**

### ***Description of Fees and Fee Billing***

Great Elm charges its Clients a combination of performance-based fees and/or an asset-based management fee. Management fees for products and investment vehicles will be negotiated in advance and set forth in a written fee agreement. The performance-based fees are charged in compliance with Rule 205-3 of the Advisers Act.

Great Elm may receive performance-based compensation. The specific payment terms and other conditions of the performance-based compensation available to Great Elm are set forth in the relevant governing documents of its clients. All performance-based compensation payable will be consistent with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder. Generally, performance-based compensation is payable quarterly, annually or more frequently in arrears on a deal-by-deal basis.

### BDC

With respect to the BDC, Great Elm receives a quarterly management fee in arrears in an amount equal to 0.375% (1.50% annually) of gross asset value.

For its services rendered under the investment management agreement with the BDC, Great Elm charges an incentive fee. The incentive fee consists of two parts, as follows:

The first is a quarterly income incentive fee, which will be charged to the BDC at an amount equal to (i) 100% of income in excess of 1.75% per quarter (7% annualized) (*i.e.*, the “hurdle” rate), but less than 2.1875% per quarter (8.75% annualized) and (ii) 20% of income thereafter.

The second is an annual capital gains incentive fee, which is determined and payable by the BDC in arrears as of the end of each calendar year (or upon termination of the investment management agreement, as of the termination date) and will be charged at an amount equal to 20% of any aggregate realized capital gains (after accounting for realized capital losses and unrealized capital depreciation) beginning April 1, 2023.

Payment of any performance fee otherwise earned by Great Elm from the BDC will be deferred (“Deferred Incentive Fees”) if, during the most recent four full calendar quarter period beginning April 1, 2023 and ending on or prior to the date such payment is to be made, the sum of (i) the BDC’s aggregate distributions to its stockholders and (ii) the change in the BDC’s net assets (before taking into account any incentive fees payable during that period) is less than 7.0% of the BDC’s net assets at the beginning of such period. These calculations will be appropriately adjusted for any share issuances or repurchases during the relevant period. Any Deferred Incentive Fees will be carried over for payment in subsequent calculation periods by the BDC, provided such payment would not still be subject to the deferral concept discussed above.

### Private Funds

With respect to the Series Funds, Great Elm receives a quarterly management fee payable in arrears in an amount equal to 1/4 1.00% of the net asset value of the Series Fund. Great Elm may waive, reduce or modify the management fee for certain investors in the Series Funds.

In addition, the general partner of the Private Funds, who is an affiliate of Great Elm (the “General Partner”) or Great Elm may receive performance-based compensation consistent with the governing documents of the Private Funds. As is more fully set forth in the governing documents of the Series Funds, the General Partner is entitled to receive a performance allocation of up to 10% from the Series Fund, which is calculated after investors receive a return of their capital contributions to the Private Fund and a preferred return of a specified rate, subject to catch-up allocations to the General Partner after such preferred return is achieved. The General Partner may waive, reduce or modify the performance-based compensation for certain investors in the Private Funds.

Although the foregoing is a brief summary of the management fee and performance-based compensation arrangements applicable to our Clients, please note that this brief summary is not a substitute for the detailed terms provided in the relevant governing documents of each Client.

### ***Other Fees or Expenses***

Each Client is responsible for its organizational and ongoing operating expenses, including, but not limited to, legal, accounting and audit expenses. Without limiting the foregoing, pursuant to an administration agreement (the “Administration Agreement”) with Great Elm, the BDC will reimburse Great Elm for compensation and overhead attributable to Great Elm’s employees providing certain operational services and all other expenses incurred by the BDC, Great Elm and the BDC’s third-party sub-administrator in connection with administering the BDC’s business, such as the BDC’s allocable portion of overhead under the Administration Agreement, including rent and an allocable portion of the costs of the Chief Compliance Officer, Chief Financial Officer and related staff.

Each Client also incurs custodial, brokerage and other transaction costs. For more information regarding Great Elm’s brokerage arrangements, see Item 12 below.

The expenses to be paid by each Client are set forth in detail in the applicable governing documents of such Client. Thus, although the foregoing is a brief summary of the types of expenses a Client will generally bear, it is not an exhaustive or complete list. Clients, prospective clients, and investors and prospective investors in a Client should therefore review the applicable governing documents carefully because such documents, and not this brochure summary, describe the exact expenses the applicable Client will bear.

Great Elm or its affiliates may also receive fees for providing consulting or other services to their clients’ portfolio companies and Great Elm employees may receive directors’ fees for serving on the boards of its clients’ portfolio companies.

Great Elm pays for its own overhead expenses, subject to the Client’s governing documents.

### ***Other Commissions and Sales Charges***

Neither Great Elm nor any of its supervised persons will accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted in response to Item 5, “Fees and Compensation”, Great Elm and its affiliates may receive performance-based compensation from its Clients. While Great Elm currently advises only the Clients, Great Elm may also provide services to other clients in the future. We have addressed this conflict by adopting and following a trade allocation policy (applicable to all employees) that no allocation decisions may be based on the fees or allocations paid by a particular client. A description of our policy on addressing potential portfolio trading conflicts can be found below under “Trade Aggregation and Allocation” under Item 12.

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## **ITEM 7: TYPES OF CLIENTS**

Currently, Great Elm provides its services solely to the Clients identified in Item 4 above. Great Elm may provide investment advice to other clients in the future, including other pooled investment vehicles, registered investment companies and separate accounts.

Each Private Fund is a private investment partnership whose interests are offered to investors on a private placement basis. An investment in a Private Fund is generally limited to investors that are “accredited investors” within the meaning of Regulation D under the Securities Act and “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act.

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## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The descriptions set forth in this brochure of specific advisory services that Great Elm anticipates offering to the Clients, and investment strategies anticipated to be pursued and investment made by Great Elm on behalf of the Clients, should not be understood to limit in any way Great Elm's investment activities. Great Elm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that Great Elm considers appropriate, subject to the applicable Client's investment objectives and guidelines.

### *Methods of Analysis and Investment Strategies*

Great Elm generally seeks to generate current interest and capital appreciation by investing in the capital structures of predominately middle-market companies that operate in a diverse range of industries. Great Elm expects to make multi-year investments primarily in secured and senior unsecured debt instruments that it purchases in secondary markets, though it may also originate investments or acquire them directly from issuers. Great Elm may also transact in equity and equity related securities, which may or may not be in connection with an investment in debt instruments of the same company. Great Elm will seek to protect against risk of loss by investing in borrowers with tangible and intangible assets, where those asset values exceed the market value of the cumulative debt through Great Elm's investment. Great Elm will seek investments whose total return potential (interest income plus capital appreciation and fees, if any) appropriately recognize potential investment risks. Great Elm's investment process includes a focus on an investment's related contractual documents, as it seeks to identify rights that enhance an investment's risk protection and avoid those that compromise potential returns or recoveries. Great Elm may also make investments in subordinated debt, mezzanine debt, and equity or equity-linked financial instruments.

As set forth in their respective governing documents, certain Client accounts have a more narrow investment mandate than the BDC.

The foregoing is a summary description of the strategies anticipated to be employed by Great Elm on behalf of its Clients. The exact strategy employed is set forth in and governed by the terms and conditions of the applicable governing documents of the applicable Client. Thus, any client, prospective client, or investor or prospective investor in a client is reminded that the disclosures in this brochure are qualified by and subject to such governing documents.

### *Risk of Loss*

Each of Great Elm's investment strategies entails a high degree of risk. There can be no assurance that Great Elm's Clients will be able to achieve their investment objectives or that holders of equity interests in its Clients will recoup any or all of their investment in the Client or receive a positive return on their capital. Furthermore, any returns generated by Clients may not adequately compensate investors for the business and financial risks assumed upon making an investment in such Clients. An investment in the equity interests of Great Elm's Clients may not be appropriate for all prospective investors. A prospective investor should carefully review the risk factors described in the applicable governing documents and consider his or her ability to assume these risks before making an investment in any Great Elm Client.

Investing in securities involves risk of loss that clients and investors in Clients should be prepared to bear. An investment in a Client may be deemed a speculative investment and is not intended as a complete investment program. Investment in a Client is suitable only for persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment and who meet the conditions set forth in the applicable Client's governing documents. There can be no assurances that a Client will achieve its investment objective. Investment in a Client involves significant risks. While the following summary of certain of these risks should be carefully evaluated before making an investment in any Client or establishing a client relationship with Great Elm, the following does not intend to describe all possible risks of such an investment.

Additional information about the risks involved with an investment in the BDC can be found in the BDC's most recently filed registration statement and the risks involved with an investment in a Private Fund can be found in the Private Fund's confidential private offering memorandum.

General Risks of Investing in Debt Instruments. The risks of debt investments include, but are not limited to: (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower during periods of economic downturn, (iv) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (v) if the investment is subordinated, subordination to the prior claims of other loans or senior lenders. Debt investments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for corporate debt and adversely affect the value of outstanding fixed income holdings and the ability of the borrowers thereunder to repay principal and interest. Moreover, defaults may prove to be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Debt instruments may become non-performing for a variety of reasons. Non-performing instruments may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal. The applicable Client may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a debt instrument. Although the applicable Client may have voting rights with respect to an individual holding, there can be no certainty that such Client will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such holding to determine the outcome of such vote.

Loans. The risks of loans include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower of such loan during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (vi) if subordinated, subordination to the prior claims of other loans or senior lenders. Loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and adversely affect the value of outstanding loans and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for loans is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Loans are generally illiquid and possess credit risks. Loans may become non-performing for a variety of reasons. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative to the market for high yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying borrower. In addition, a Client may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan. Although a Client may have voting rights with respect to an individual loan, there can be no certainty that the applicable Client will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such loan to determine the outcome of such vote.

Loan Assignments and Participations. Clients may acquire interests in loans either directly (by way of assignment) or indirectly (by way of participation). The purchaser of an assignment of a loan typically succeeds to all the rights and obligations of the selling institution and becomes a lender under the loan or credit agreement with respect to the loan. In contrast, participations ("Participation") acquired by a Client in a portion of a loan

held by a selling institution (a “Selling Institution”) typically result in a contractual relationship only with such Selling Institution, not with the borrower. The applicable Client would have the right to receive payments of principal, interest and any fees to which it is entitled under the Participation only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the borrower. In purchasing a Participation, a Client generally will have no right to enforce compliance by the borrower with the terms of the loan or credit agreement or other instrument evidencing such loan, nor any rights of set-off against the borrower, and the applicable Client may not directly benefit from the collateral supporting the loan in which it has purchased the Participation. As a result, the applicable Client will assume the credit risk of both the borrower and the Selling Institution. In the event of the insolvency of the Selling Institution, the applicable Client may be treated as a general creditor of the Selling Institution in respect of the Participation, may not benefit from any set-off exercised by the Selling Institution against the borrower and may be subject to any set-off exercised by the borrower against the Selling Institution.

Assignments and Participations are sold strictly without recourse to the seller or Selling Institution, and the seller and Selling Institution will generally make no representations or warranties about the loan, the borrower, the documentation of the loan or any collateral securing the loan. In addition, the applicable Client will be bound by provisions of the loan agreements that require the preservation of the confidentiality of information provided by the borrower.

When a Client holds a Participation in a loan, the applicable Client may not have the right to vote to waive enforcement of any default by a borrower. However, most participation agreements with respect to loans provide that the Selling Institution may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees or releases any material guarantee or collateral without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). A Selling Institution voting in connection with a potential waiver of a default by a borrower may have interests different from those of a Client, and the Selling Institution might not consider the interests of the applicable Client in connection with its vote. In addition, many participation agreements with respect to Loans that provide voting rights to the participant further provide that if the participant does not vote in favor of amendments, modifications or waivers, the Selling Institution may repurchase such Participation at par.

**Second Lien Loans.** Clients may invest in loans that (i) are not (and by their terms are not permitted to become) subordinate in right of payment to any other debt for borrowed money incurred by the obligor on the loan, other than another senior secured loan and (ii) are secured by a valid and perfected security interest or lien on specified collateral securing the obligors’ obligations on such loan, which security interest or lien is not subordinate to the security interest or lien securing any other debt for borrowed money other than another senior secured loan on such specified collateral; provided that, with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens (“Second Lien Loans”). Generally, Second Lien Loans are structured as senior debt obligations that rank *pari passu* in right of payment with the first lien debt. However, Second Lien Loans are secured by a junior lien on the same pool of collateral that secures the first priority debt. Second Lien Loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the second lien creditors to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the obligor. In addition, during a bankruptcy of the obligor, the holder of a Second Lien Loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

**High Yield Securities.** Clients may invest in fixed income securities rated lower than Baa by Moody’s or lower than BBB by S&P (or, if not rated, deemed by Great Elm to be of comparable quality). Securities rated lower

than Baa by Moody's or lower than BBB by S&P are sometimes referred to as "high yield" or "junk" bonds. Securities rated Baa are considered by Moody's to have some speculative characteristics. Lower-rated securities may include securities that have the lowest rating or are in default. Investing in lower-rated securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities, including a high degree of credit risk. Lower-rated securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Lower-rated securities may be more susceptible to losses and real or perceived adverse economic and competitive industry conditions than higher grade securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default and/or to be unlikely to have the capacity to pay interest and repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of a Client's portfolio. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market.

The use of credit ratings as the sole method of evaluating lower-rated securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-rated securities. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was rated.

Special Situations. Clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations and similar transactions. The companies may also be out of favor or financially leveraged and may be or have recently been involved in major strategic actions. These characteristics of these companies can cause their securities to be particularly risky investments, although they also may offer the potential for high returns. These companies' securities may be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the applicable Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the applicable Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by such Client of its entire investment in such companies.

General Risks on Investing in Equity Securities. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. The value of a security may decline due to adverse issuer-specific conditions, general market conditions unrelated to a particular issuer, such as changes in interest or inflation rates, or factors that affect a particular industry or industries. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. In addition, a Client may from time to time make non-control, equity investments in portfolio companies. The equity interests a Client may invest in may not appreciate in value and, in fact, may decline in value. Accordingly, a Client may not be able to realize gains from equity interests, and any gains that a Client does realize on the disposition of any equity interests may not be sufficient to offset any other losses a Client experiences. A Client also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow a Client to sell the underlying equity interests. A Client may seek puts or similar rights to give it the right to sell its equity securities back to the portfolio company. A

Client may be unable to exercise these put rights if the issuer is in financial distress or otherwise lacks sufficient liquidity to purchase the underlying equity investment.

Investments in SPACs. One or more Clients may have an investment in the common stock, rights, warrants, or other securities or interests of SPACs or other similar publicly-traded “blank check” entities or blind pools. A SPAC is a “blank check” public company, the purpose of which is to identify and effect an acquisition, merger or other transformative transaction (a “Transaction”) with one or more operating businesses or assets. SPACs have no operating history and are subject to significant event risk because their success depends largely on their ability to identify and complete a Transaction within a short and limited period of time. At the time a Client invests in a SPAC, a SPAC typically will not have conducted any discussions or made any plans, arrangements or understandings with any prospective targets for a Transaction. Also, while certain SPACs are formed to make Transactions in specified market sectors, others are complete “blank check” companies, and the management of the SPAC may have limited experience or knowledge of the market sector in which the Transaction is made. Thus, at the time that a Client invests in the SPAC, there may be little or no basis for Great Elm to evaluate a SPAC’s ability to achieve its business objective, the possible merits or risks of the particular industry in which the SPAC may ultimately operate, or the target business which the SPAC may ultimately acquire.

An investment in a SPAC is subject to a variety of additional risks, including that (i) a significant portion of the funds raised by the SPAC for the purpose of identifying and effecting an acquisition or merger may be expended during the SPAC’s search for a target Transaction; (ii) an attractive Transaction target may never be identified and the SPAC will be required to return any remaining funds to shareholders if it fails to complete a Transaction within its required time period; (iii) the SPAC may be unable to obtain the requisite approval, if any, of SPAC shareholders for a proposed Transaction; (iv) a Client may not be afforded a meaningful opportunity to vote on a proposed Transaction, and a proposed Transaction may be approved and completed without the approval of certain shareholders; (v) a Transaction, once effected, may prove unsuccessful and an investment in the SPAC may lose some or all of its value; (vi) the warrants or other rights held by a Client with respect to the SPAC may expire and become worthless or may be repurchased or retired by the SPAC at an unfavorable price; (vii) a Client will be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled; (viii) an investment in a SPAC may be diluted by additional later offerings of interests in the SPAC or by other investors exercising existing rights to purchase shares of the SPAC; (ix) the values of investments in SPACs may be highly volatile and may depreciate significantly over time; (x) some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices; and (xi) SPACs as an asset class may fall out of favor with investors more generally.

Past Performance by SPAC Management. Any past experience and performance of a SPAC’s management team, if any, is not a guarantee either: (i) that a SPAC will be able to successfully identify a suitable candidate for its initial business Transaction; or (ii) of any results with respect to any initial business Transaction a SPAC may consummate. The historical record of a SPAC’s management team’s performance is not indicative of the future performance of an investment in a SPAC or the returns it will, or are likely to, generate going forward. An investment in a SPAC is not an investment in a SPAC’s management team.

Investments in PIPEs. A Client may indirectly invest in privately sourced and structured convertible and equity-linked securities of public companies (“PIPEs”). PIPEs generally involve purchasing securities directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company’s common stock. PIPEs offer the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period, and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Securities of any such company will likely be thinly traded and undercapitalized and will therefore be more sensitive to adverse business or financial developments. In the event that any such company is unable to generate sufficient cash

flow or raise additional equity capital to meet its projected cash needs, the value of a SPAC's investment in such company could be significantly reduced or even lost entirely. In addition, because securities issued in PIPE transactions are not registered under the Securities Act, the securities are "restricted" and cannot be immediately resold into the public markets. While the securities issued in PIPE transactions may contain provisions requiring the issuer to pay specified financial penalties to the holder if the issuer does not publicly register the PIPEs within a specified period of time, there is no assurance that the PIPEs will be publicly registered. Until a SPAC can sell such securities into the public markets, the SPAC's holdings of such securities will be less liquid, and any sales will need to be made pursuant to an exemption under the Securities Act (and thus may only be sold at a discount to the public market price).

Specialty Finance Investments. A Client may make debt or equity investments in companies and operating platforms that originate and/or service commercial specialty finance businesses, including factoring, equipment finance, inventory leasing, merchant cash advance and hard money real estate lending and may also invest directly (including via participation) in the investments made by such businesses. The form of investment may vary and may require reliance on management teams to provide the resources necessary to originate new receivables, manage portfolios of performing receivables, and work-out portfolios of stressed or non-performing receivables. Investments in the specialty finance industry are subject to various industry-specific risks (including additional risks related to the various segments of the specialty finance industry).

Credit Risk. Credit risk is the risk that a security in a Client's portfolio will decline in price or the issuer will fail to make dividend, interest or principal payments when due because the issuer of the security experiences a decline in its financial status. Issuers may be highly leveraged and financial covenants may affect the ability of issuers to operate effectively. If the principal payments of a corporate debt cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, the issuer's cash flow may not be sufficient to repay all maturing debt outstanding. In addition, an issuer's obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict a company's range of operating activity. An issuer, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making acquisitions, which may be beneficial to the operation of the issuer.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities will decline in value because of changes in market interest rates. Generally, when market interest rates rise, the market value of such securities will decline, and vice versa. Interest rate changes can be sudden and unpredictable, and are influenced by a number of factors, including government policy, monetary policy, inflation rates and/or investor expectations concerning such rates, perceptions of risk, and supply and demand of bonds. A Client's investment in such securities means that such Client's net asset value may tend to decline if market interest rates rise.

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled, which is generally known as call or prepayment risk. If this occurs, a Client may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

Swap Agreements. In addition to CDS, a Client may enter into various types of swap agreements. Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the applicable Client's exposure to equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors, which may increase or decrease the overall volatility of such Client. If a swap agreement calls for payments, the applicable Client must be prepared to make such payments when

due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses to the applicable Client.

**Risk of Fraud.** Of concern in investments in loans is the possibility of material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying a loan or may adversely affect the ability of a Client to perfect or effectuate a lien on the collateral securing the loan. Great Elm will rely upon the accuracy and completeness of representations made by borrowers to the originators of such loans to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Cybersecurity.** Great Elm's operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We may be the target of attempted cyber attacks, including denial-of-service attacks. In addition, due to our interconnectivity with third-party vendors/agents, we, and thus indirectly our clients, could be adversely impacted if any of them is subject to a successful cyber attack or other information security event. Although we take protective measures and endeavor to modify our computer systems, software and networks as circumstances warrant, they may be vulnerable to theft, unauthorized access or monitoring, misuse, loss, destruction or corruption of confidential and highly restricted data, computer viruses or other malicious code and other events that could have a security impact and render Great Elm unable to transact business on behalf of our clients. If one or more of such events occur, this potentially could jeopardize the confidential and other information of Great Elm or our clients, to the extent such information is processed and stored in, and transmitted through, our computer systems and networks. Such events could also cause interruptions or malfunctions in the operations of Great Elm or its clients as well as the operations of our client's portfolio companies, beneficial owners, clients and counterparties and the operations of third parties, which could impact their ability to transact with Great Elm or our clients or otherwise result in significant losses or reputational damage. The increased use of mobile and cloud technologies can heighten these and other operational risks. Despite the precautions that Great Elm may take, Great Elm and its clients may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance.

Great Elm routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. Great Elm does not have, and may be unable to put in place, secure capabilities with all of its clients, vendors, service providers, counterparties and other third parties and Great Elm may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third-party could result in legal liability, regulatory action (including regulatory fines or penalties), compliance and remediation costs, and reputational harm to Great Elm or its clients. Clients' portfolio companies face similar cybersecurity risks with respect to their business and operations, which could result in losses to such clients.

**Basis Risk.** Generally, basis risk is the risk that arises when investments are comprised of multiple product classes. Prices or valuations of similar risks retained via different products may deviate due to product specific attributes. For example, hedging a bond position with a CDS incurs basis risk because changes in the swap spread may result in the hedge being imperfectly correlated. Basis risk increases the more the hedging instrument and the underlying investment are imperfect substitutes. During the fourth quarter of 2008, the CDS-bond market experienced widespread CDS-bond pricing dislocations due to funding markets shutting down after the bankruptcy of Lehman Brothers, a major participant in the CDS market. In the future, it is possible that a number of participants in the CDS market may declare bankruptcy or experience severe financial distress leading to further CDS-bond pricing dislocations.

**Non-Diversification.** Although the BDC is subject to certain diversification requirements under the Investment Company Act, the BDC's portfolio may not be diversified among geographic areas or types of securities. Further, the BDC's portfolio may not be diversified among a wide range of issuers or industries. Accordingly, the investment portfolio of a Client may be subject to more rapid change in value than would be the case if the

applicable Client were required to maintain a wide diversification among industries, areas, types of securities and issuers.

Leverage. As noted above, Great Elm may cause a Client to leverage its investment positions by borrowing funds from banks or others, subject to such Client's governing documents and, with respect to the BDC, subject to the limitations of the Investment Company Act. Such leverage increases both the possibilities for profit and the risk of loss. In a downward trending market the use of leverage for long positions could have a material adverse effect on the applicable Client's profitability and operations. Extensions of credit and guarantees of performance of a Client's obligations will typically be secured by the applicable Client's securities and other assets. Under certain circumstances, a counterparty may demand an increase in the collateral that secures a Client's obligations, and if the Client were unable to provide additional collateral, the counterparty could liquidate assets held in the account to satisfy the Client's obligation to the counterparty. Liquidation in such manner could have materially adverse consequences. In addition, the amount of the applicable Client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Client's profitability.

Non-U.S. Securities. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies, and utilization of currency forward contracts and options on currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. While Great Elm may cause all of its Clients to invest in non-U.S. securities, the BDC's desire to be taxed as a regulated investment company ("RIC") for U.S. federal income tax purposes limits the BDC's ability to invest in issuers not domiciled in the United States.

Contingent Liabilities. From time to time Clients may incur contingent liabilities in connection with an investment. For example, subject to the applicable Client's governing documents, a Client may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, such Client would be obligated to fund the amounts due. A Client may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to such Client.

Regulated Investment Company Status. The BDC desires to be taxed as a RIC. Great Elm will be required to adjust the portfolio of investments held by the BDC in order to meet diversification, domestic issuer and other tests in the Internal Revenue Code of 1986, as amended, applicable U.S. Treasury Regulations and administrative guidance from the Internal Revenue Service, each as in effect from time to time. While the BDC has elected to be taxed as a RIC, it is not subject to all of the investor protections of a registered investment fund. The Private Funds are not RICs, and as such Great Elm's relationship with the Private Funds is not subject to the limitations and protections of the Investment Company Act afforded to RICs.

High Growth Industry Related Risks. Subject to the applicable governing documents, Clients may invest in the securities of high growth companies. To the extent that a Client does invest in such securities, it is noted that these securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

Directorships on Boards of Portfolio Companies or Participation on Creditors' Committees. Great Elm or its affiliates or designees may serve as directors of, or in a similar capacity with, portfolio companies, the securities

of which are purchased or sold on behalf of a Client, and Great Elm may also serve as a member of an official or unofficial creditors' committee in connection with activist investments in companies. This activity may increase the likelihood that Great Elm (or its affiliates or designees) or a Client may be named as defendants in civil proceedings relating to such investments. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the applicable Client(s) and would reduce net assets or could require investors to return to such Client(s) distributed capital and earnings. Additionally, in the event that Great Elm, its employees or its affiliates obtain material, non-public information with respect to such companies or a Client becomes subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, Great Elm and/or its Clients (including a Client that did not participate in the applicable investment) may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on one or more Clients. As a result, the investment activities of one client may materially impact Great Elm's ability to make investments or divestments on behalf of other clients.

Exchange Rate Risk. The BDC maintains accounts in U.S. dollars and occasionally in local currencies as well to facilitate trading. Volatility in international exchange rates between the United States Dollar and foreign currencies may affect pricing and the profit margin on sales of certain securities. This, in turn, could adversely affect a Client's rate of return.

Distressed Securities Risk. Clients may invest in securities of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses.

Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, often there is no minimum credit standard that is a prerequisite to a Client's investment in any instrument, and a significant portion of the obligations and securities in which a Client invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Great Elm will correctly evaluate the value of the assets underlying a Client's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client invests, it may lose the entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the investments may not compensate its investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Client of the security in respect to which such distribution was made.

Conflicts Relating to Equity and Debt Ownership by Our Clients. In certain circumstances, our Clients may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent, restructures or suffers financial distress, there may be a conflict between the interests of our clients insofar as the issuer may be unable (or in the case of

a restructuring prior to bankruptcy may be expected to be unable) to satisfy the claims of all classes of its creditors and security holders and our clients may have competing claims for the remaining assets of such issuers. Under these circumstances it may not be feasible for Great Elm to reconcile the conflicting interests of our clients in a way that protects their interests. Additionally, Great Elm or its nominees may hold board memberships or may in the future hold other board or creditors' committee memberships which may require them to vote or take other actions in such capacities that might be conflicting with respect to our clients in that such votes or actions may favor the interests of one client over another client. Furthermore, Great Elm's fiduciary responsibilities in these capacities might conflict with the best interests of our clients.

**Co-Investments.** Generally, Great Elm has the ability to determine its Clients' appetite for a given investment opportunity. Pursuant to exemptive relief granted by the SEC with respect to the BDC, Great Elm may allocate all or a portion of a given investment opportunity to co-investors. Pursuant to the exemptive relief, the BDC and the Private Funds may (a) co-invest with each other in investment opportunities in which Great Elm negotiates terms in addition to price and (b) make additional investments in such issuers, including through the exercise of warrants, conversion privileges, and other rights to purchase securities of the issuers through a proposed co-investment program where such participation would otherwise be prohibited under Section 17(d) or Section 57(a)(4) and the rules under the Investment Company Act. The allocation of all or a portion of an investment opportunity to co-investors could result in lower returns for the Client than had the Client taken the full opportunity for itself. Furthermore, unless separately negotiated with investors in other Great Elm vehicles (or vehicles advised by the investment advisor to which certain of Great Elm's employees also provide services), Great Elm generally reserves the right to allocate co-investment opportunities among its clients (and clients of the investment advisor to which certain of Great Elm's employees also provide services), investors in its clients and third parties as Great Elm may determine in its sole discretion. This could result in third parties receiving co-investment opportunities from Great Elm prior to such opportunities being presented or offered to clients or investors in clients or clients of the investment advisor to which certain of Great Elm's employees also provide services.

**Terrorist Acts, Acts of War, Natural Disasters, Epidemics and Pandemics.** Terrorist acts, acts of war, natural disasters or an epidemic or pandemic may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts or events have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. For example, the outbreak of the Coronavirus Disease 2019 (COVID-19) which was declared by the World Health Organization to be a "public health emergency of international concern," spread across the globe and impacted worldwide economic activity. A public health epidemic or pandemic, such as COVID-19, poses the risk that Great Elm, the Clients and their investments may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. While it is not possible at this time to estimate the impact that a public health epidemic or pandemic could have on business, the measures taken by the governments of countries affected to combat such public health epidemic or pandemic could disrupt the supply chain and the manufacture or shipment of products and adversely impact the business, financial condition or results of operations of the Clients.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Client. Prospective investors should read the Client's offering documents and consult with their own legal, tax and financial advisers before deciding to invest in the Client.

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## **ITEM 9: DISCIPLINARY INFORMATION**

Great Elm has no legal or disciplinary events to report.

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## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### ***Broker-Dealer Registration***

Great Elm does not have a registration or an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### ***Futures, Commodity Pool Operator, Commodity Trading Advisor***

Great Elm does not have a registration or an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### ***Arrangements with Other Investment Advisers***

Great Elm does not recommend or select other investment advisers for its clients.

Great Elm has entered into a shared services agreement with Imperial Capital Asset Management, LLC (“ICAM”), pursuant to which ICAM will make available to Great Elm employees of ICAM to provide services to Great Elm in exchange for reimbursement by Great Elm of the allocated portion of such person’s time. Each person providing services will be an access person of Great Elm for all purposes of the Advisers Act. Imperial Capital, LLC (“Imperial Capital”), an affiliate of ICAM, is a broker-dealer registered with the SEC. In certain instances, Imperial Capital may act and receive compensation as an underwriter for one or more SPACs in which a Client may invest. Imperial Capital may also receive compensation for providing execution services in connection with any secondary trading by a Client. Imperial Capital’s investment banking division may also provide services to companies being acquired by a SPAC in which a Client invests and may be compensated in connection with any such acquisition. Great Elm has implemented best execution policies and procedures designed to ensure that all transactions involving a Client and Imperial Capital are conducted on an arm’s length basis. Additional information regarding these policies and procedures is available upon request from Great Elm.

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## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### ***Code of Ethics***

Great Elm has adopted a Code of Ethics (the “Code”) in accordance with Rule 204A-1 of the Advisers Act and Rule 17j-1 of the Investment Company Act. A copy of the Code is available to clients and prospective clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by Great Elm as office policy for the guidance of all personnel and to specify the responsibility of all employees of Great Elm to act in accordance with their fiduciary duty to Great Elm’s clients and to comply with applicable federal and state laws and regulations. The Code requires that all employees conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry.

Among the topics covered by the Code are addressing conflicts of interest, reporting and monitoring of personal securities transactions by Great Elm personnel, prohibitions against insider trading, and the protection of client confidential information. Great Elm’s Code recognizes that Great Elm and its employees have a fiduciary duty to Great Elm’s clients to act for the benefit of the clients and to take action on the clients’ behalf before taking action in the interest of any employee or Great Elm, at all times subject to Great Elm’s Code for conflict management. Great Elm’s Code provides that supervised persons must: (i) avoid conflicts of interest, including even the appearance of a conflict of interest; and (ii) promptly advise the Chief Compliance Officer of any potential conflict of interest.

## ***Participation or Interest in Client Transactions and Personal Trading***

Recommending to Clients Securities in Which Great Elm has a Material Financial Interest. Purchase and sale transactions may be effected among clients subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the current market price of the particular securities; (ii) no extraordinary brokerage commissions or fees (i.e., except for customary transfer fees or commissions) or other remuneration shall be paid in connection with any such transaction; and (iii) the transaction must be permissible under applicable law including ERISA.

Personal Trading. From time to time, Great Elm may determine that an investment already held by an employee represents an attractive investment for a client if it makes such determination without consideration of or regard for the investment held by such employee. If a situation arises in connection with such an investment where a conflict of interest may exist between the interests of a client and the interests of the employees who hold the investment, Great Elm shall resolve any such conflict in the best interests of such client consistent with its fiduciary duties. An employee may only purchase a company specific security then currently owned by a Client with the consent of the chief compliance officer; provided the employee may generally not sell such security until the Client has exited the position.

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## **ITEM 12: BROKERAGE PRACTICES**

### ***Selecting Brokerage Firms***

Great Elm will assume general supervision over placement of securities orders for the client portfolios it manages. Great Elm has the authority to determine pursuant to and subject to the applicable Client's governing documents the broker-dealer to be used in any securities transaction and the commission rate to be paid. While the primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors are considered by Great Elm when arranging for the purchase and sale of clients' portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, Great Elm will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency or confidentiality and the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, as well as any other matters Great Elm deems relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

### ***Research and Other Soft Dollar Benefits***

Great Elm does not currently use soft dollars to pay for research services or products, but reserves the right to do so in the future for some or all clients. In the event that Great Elm elects to avail itself of soft dollars in the future, it is expected that Great Elm will seek to qualify for the safe harbor under Section 28(e) of the Exchange Act.

### ***Brokerage for Client Referrals***

Great Elm will not consider whether it receives client referrals from a broker in selecting broker-dealers.

### ***Directed Brokerage***

Great Elm will not recommend, request or require that a client direct Great Elm to execute transactions through a specified broker-dealer.

## ***Trade Aggregation and Allocation***

**Allocation.** Allocations of investment opportunities among client accounts will be made in a fair and equitable manner in accordance with Great Elm's trade allocation policy. The SEC has granted co-investment exemptive relief from the SEC with respect to the BDC.

**Aggregation.** Great Elm may aggregate orders for the purchase or sale of securities on behalf of a client with orders on behalf of other portfolios it manages, or with orders for Great Elm's own account. Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each portfolio that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will generally be allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders. Transaction costs for any transaction are shared pro rata based on each portfolio's participation in the transaction.

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## **ITEM 13: REVIEW OF ACCOUNTS**

### ***Reviews***

Accounts will be reviewed on a periodic basis by the applicable portfolio manager as well as Great Elm's operations personnel.

### ***Regular Reports for Investors in Clients***

With respect to the BDC, certain annual, quarterly and other periodic reports (including financial statements) will be publicly available on the SEC's website at [www.sec.gov](http://www.sec.gov) and on Great Elm's [website](#).

The Private Funds' investors receive written reports regarding its activities as provided for in the governing documents of the Private Fund, including quarterly unaudited reports and annual audited financial statements.

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## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Great Elm does not receive an economic benefit from a person who is not a client for providing investment advice to a client or investor. Great Elm may from time to time pay compensation to third-party solicitors, placement agents, or to affiliates for client or private fund investor referrals (collectively, "Promoters"). Under these arrangements, Great Elm will generally pay a portion of the referred client's management fee earned by Great Elm to the referring party. In these circumstances, Great Elm will ensure that each Promoter complies with the applicable requirements in Rule 206(4)-1 under the Advisers Act. Such requirements may include, depending on the circumstances, maintenance of a written agreement between Great Elm and the Promoter, and delivery by the Promoter of certain disclosures to prospective clients or prospective private fund investors setting forth the nature of the relationship between the Promoter and Great Elm, any fees to be paid to the Promoter, and related conflicts of interest.

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## **ITEM 15: CUSTODY**

Great Elm does not currently have custody of the BDC's assets. Great Elm generally is deemed to have custody of the assets of the Private Funds. Where Great Elm is deemed to have custody, funds and negotiable instruments are generally held with an independent qualified custodian due to its role as the Private Fund's investment manager. Private Fund investors receive annual audited financial statements of the Private Fund in accordance with the governing documents of the Private Fund.

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**ITEM 16: INVESTMENT DISCRETION**

Great Elm has complete discretionary authority over the purchase and sale decisions for the BDC and the Private Funds, subject to the BDC's and the Private Funds' offering documents, as applicable, and Great Elm's agreement with the BDC and the Private Funds, as applicable.

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**ITEM 17: VOTING CLIENT SECURITIES**

Great Elm has adopted a written proxy voting policy and related procedures which are intended to assure that client securities are voted in the best interests of the client, and which address material conflicts of interest that may arise between the investment adviser and its clients. Great Elm's proxy policy is to review and vote every proxy received in the way that will be most beneficial to Great Elm's clients. Because Great Elm will invest primarily in bonds and syndicated loans, it is unusual that Great Elm's clients have the opportunity to vote on a matter. Such opportunities typically arise in the context of approving a debt restructuring plan. Great Elm will evaluate such plans on their merits and vote in a manner it believes preserves the most value for clients. If Great Elm believes that it has a material conflict of interest with respect to any proxy vote, it will disclose the issue to the client and consult with the client on how to vote. Any client may request to see how proxies were voted for its account and such information will be made available to them upon request. Inquiries should be directed to Adam Kleinman at (617) 375-3019.

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**ITEM 18: FINANCIAL INFORMATION**

Great Elm is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

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