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DELTA REPORT

10-Q

HNNA - HENNESSY ADVISORS INC

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	895
CHANGES	164
DELETIONS	275
ADDITIONS	456

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2023 December 31, 2023

☐ **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 001-36423

HENNESSY ADVISORS, INC.
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

68-0176227
(IRS Employer
Identification No.)

7250 Redwood Boulevard, Suite 200
Novato, California
(Address of principal executive office)

94945
(Zip code)

(415) 899-1555
(Registrant's telephone number)

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

Title of each class	Trading symbol	**Name of each exchange on which registered**
Common stock, no par value	HNNA	The Nasdaq Stock Market LLC
4.875% Notes due 2026	HNNAZ	The Nasdaq Stock Market LLC

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2023 February 5, 2024, there were 7,578,652 7,675,363 shares of common stock issued and outstanding.

HENNESSY ADVISORS, INC.

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PART I: FINANCIAL INFORMATION

Item 1: Unaudited Condensed Financial Statements

Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Assets				
Current assets				
Cash and cash equivalents	$ 59,399	$ 58,487	$ 59,605	$ 60,476
Investments in marketable securities, at fair value	10	9	11	10
Investment fee income receivable	1,920	2,051	2,155	2,046
Interest income receivable			264	253
Prepaid expenses	750	853	603	669
Other accounts receivable	237	257	251	247

Total current assets	62,316	61,657	62,889	63,701
Property and equipment, net of accumulated depreciation of $2,221 and $2,057, respectively	319	320		
Property and equipment, net of accumulated depreciation of $2,356 and $2,287, respectively			282	305
Operating lease right-of-use asset	383	651	206	295
Management contracts	81,221	80,868	81,466	81,262
Other assets	157	156	163	156
Total assets	$ 144,396	$ 143,652	$ 145,006	$ 145,719
Liabilities and Stockholders' Equity				
Current liabilities				
Accrued liabilities and accounts payable	$ 2,569	$ 3,320	$ 1,616	$ 3,165
Accrued management contract payment	62	210		
Operating lease liability	372	367	186	279
Income taxes payable	486	820	978	748
Total current liabilities	3,489	4,717	2,780	4,192
Notes payable, net of issuance costs	39,089	38,870	39,240	39,164
Long-term operating lease liability	-	279		
Net deferred income tax liability	14,393	13,488	14,825	14,611
Total liabilities	56,971	57,354	56,845	57,967
Commitments and contingencies (Note 9)				
Stockholders' equity				
Common stock, no par value, 22,500,000 shares authorized; 7,578,432 shares issued and outstanding as of June 30, 2023, and 7,571,741 as of September 30, 2022	21,772	20,951		
Common stock, no par value, 22,500,000 shares authorized; 7,673,869 shares issued and outstanding as of December 31, 2023, and 7,671,099 as of September 30, 2023			22,064	21,800
Retained earnings	65,653	65,347	66,097	65,952
Total stockholders' equity	87,425	86,298	88,161	87,752
Total liabilities and stockholders' equity	$ 144,396	$ 143,652	$ 145,006	$ 145,719

See Notes to Unaudited Condensed Financial Statements

Statements of Income

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,		Three Months Ended December 31,	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue						

Investment advisory fees	$ 5,236	$ 6,375	$ 16,325	$ 21,499	$ 5,665	$ 5,654
Shareholder service fees	465	534	1,437	1,689	479	491
Total revenue	5,701	6,909	17,762	23,188	6,144	6,145
Operating expenses						
Compensation and benefits	1,942	1,987	5,730	6,360	1,866	1,858
General and administrative	1,304	1,227	4,149	3,790	1,724	1,569
Fund distribution and other	116	117	343	450	149	95
Sub-advisory fees	898	1,195	2,797	4,642	911	969
Depreciation	59	52	164	155	69	49
Total operating expenses	4,319	4,578	13,183	15,397	4,719	4,540
Net operating income	1,382	2,331	4,579	7,791	1,425	1,605
Interest expense	565	562	1,690	1,560	567	563
Interest income	(711)	(17)	(1,758)	(20)	(786)	(467)
Income before income tax expense	1,528	1,786	4,647	6,251	1,644	1,509
Income tax expense	412	485	1,217	1,435	444	390
Net income	$ 1,116	$ 1,301	$ 3,430	$ 4,816	$ 1,200	$ 1,119
Earnings per share						
Basic	$ 0.15	$ 0.17	$ 0.45	$ 0.64	$ 0.16	$ 0.15
Diluted	$ 0.15	$ 0.17	$ 0.45	$ 0.63	$ 0.16	$ 0.15
Weighted average shares outstanding						
Basic	7,576,790	7,480,796	7,574,528	7,477,372	7,672,191	7,572,454
Diluted	7,605,689	7,577,134	7,597,167	7,548,851	7,673,688	7,581,157
Cash dividends declared per share	$ 0.14	$ 0.14	$ 0.41	$ 0.41	$ 0.14	$ 0.14

See Notes to Unaudited Condensed Financial Statements

Statements of Changes in Stockholders' Equity

(In thousands, except share data)

(Unaudited)

	Nine Months Ended June 30, 2023			
	Common Stock		Retained	Total Stockholders'
	Shares	Amount	Earnings	Equity
Balance at September 30, 2022	7,571,741	$ 20,951	$ 65,347	$ 86,298
Net income	-	-	1,119	1,119
Dividends paid	-	-	(1,041)	(1,041)
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	215	2	-	2
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	1,750	15	-	15

Stock-based compensation	-	262	-	262
Balance at December 31, 2022	7,573,706	$ 21,230	$ 65,425	$ 86,655
Net income	-	-	1,195	1,195
Dividends paid	-	-	(1,041)	(1,041)
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	199	2	-	2
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	1,924	16	-	16
Stock-based compensation	-	262	-	262
Balance at March 31, 2023	7,575,829	$ 21,510	$ 65,579	$ 87,089
Net income	-	-	1,116	1,116
Dividends paid	-	-	(1,042)	(1,042)
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	402	3	-	3
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	2,201	16	-	16
Stock-based compensation	-	260	-	260
Employee restricted stock forfeiture	-	(17)	-	(17)
Balance at June 30, 2023	7,578,432	$ 21,772	$ 65,653	$ 87,425

	Three Months Ended December 31, 2023			
	Common Stock		Retained	Total Stockholders'
	Shares	Amount	Earnings	Equity
Balance at September 30, 2023	7,671,099	$ 21,800	$ 65,952	$ 87,752
Net income	-	-	1,200	1,200
Dividends paid	-	-	(1,055)	(1,055)
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	145	1	-	1
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	2,625	17	-	17
Stock-based compensation	-	246	-	246
Balance at December 31, 2023	7,673,869	$ 22,064	$ 66,097	$ 88,161

Statements of Changes in Stockholders' Equity

(In thousands, except share data)

(Unaudited)

	Nine Months Ended June 30, 2022				Three Months Ended December 31, 2022			
	Common Stock		Retained	Total Stockholders'	Common Stock		Retained	Total Stockholders'
	Shares	Amount	Earnings	Equity	Shares	Amount	Earnings	Equity

Balance at September 30, 2021	7,469,584	$ 19,964	$ 63,298	$ 83,262				
Net income	-	-	1,913	1,913				
Dividends paid	-	-	(1,027)	(1,027)				
Employee restricted stock vested	10,000	-	-	-				
Repurchase of vested employee restricted stock for tax withholding	(3,458)	(31)	(6)	(37)				
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	193	2	-	2				
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	1,729	19	-	19				
Stock-based compensation	-	388	-	388				
Employee restricted stock forfeiture	-	(3)		(3)				
Balance at December 31, 2021	7,478,048	$ 20,339	$ 64,178	$ 84,517				
Balance at September 30, 2022					7,571,741	$ 20,951	$ 65,347	$ 86,298
Net income	-	-	1,602	1,602	-	-	1,119	1,119
Dividends paid	-	-	(1,028)	(1,028)	-	-	(1,041)	(1,041)
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	64	1	-	1	215	2	-	2
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	1,952	19	-	19	1,750	15	-	15
Stock-based compensation	-	295	-	295	-	262	-	262
Employee restricted stock forfeiture	-	(12)	-	(12)				
Balance at March 31, 2022	7,480,064	$ 20,642	$ 64,752	$ 85,394				
Net income	-	-	1,301	1,301				
Dividends paid	-	-	(1,028)	(1,028)				
Shares issued for auto-investments pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	145	1	-	1				
Shares issued for dividend reinvestment pursuant to the 2021 Dividend Reinvestment and Stock Purchase Plan	1,919	20	-	20				
Stock-based compensation	-	291	-	291				
Balance at June 30, 2022	7,482,128	$ 20,954	$ 65,025	$ 85,979				
Balance at December 31, 2022					7,573,706	$ 21,230	$ 65,425	$ 86,655

See Notes to Unaudited Condensed Financial Statements

Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended June 30,		Three Months Ended December 31,	
	2023	2022	2023	2022
Cash flows from operating activities				
Net income	$ 3,430	$ 4,816	$ 1,200	$ 1,119
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	164	155	69	49
Unrealized gain on marketable securities	(1)	-	(1)	(1)
Change in right-of-use asset and operating lease liability	(6)	2	(4)	(1)
Amortization of note issuance costs	219	192	76	73
Deferred income taxes	905	1,253	214	262
Employee restricted stock forfeiture	(17)	(15)		
Stock-based compensation	784	974	246	262
Change in operating assets and liabilities				
Investment fee income receivable	131	627	(109)	(24)
Interest income receivable			(11)	(78)
Prepaid expenses	103	252	66	169
Other accounts receivable	20	(6)	(4)	-
Other assets	(1)	35	(7)	(1)
Accrued liabilities and accounts payable	(751)	(1,408)	(1,549)	(1,989)
Income taxes payable	(334)	(626)	230	128
Net cash provided by operating activities	4,646	6,251		
Net cash provided by (used in) operating activities			416	(32)
Cash flows from investing activities				
Purchases of property and equipment	(163)	(156)	(46)	(64)
Payments related to management contracts	(501)	-	(204)	(317)
Net cash used in investing activities	(664)	(156)	(250)	(381)
Cash flows from financing activities				
Proceeds from issuance of notes, net of underwriting discount	-	39,042		
Payment of issuance costs on notes	-	(435)		
Repurchase of vested employee restricted stock for tax withholding	-	(37)		
Proceeds from shares issued pursuant to the 2021 Dividend Reinvestment and Stock Repurchase Plan	7	4	1	2
Dividend payments	(3,077)	(3,025)	(1,038)	(1,026)
Net cash (used in) provided by financing activities	(3,070)	35,549		
Net increase in cash and cash equivalents	912	41,644		
Net cash used in financing activities			(1,037)	(1,024)

Net decrease in cash and cash equivalents			(871)	(1,437)
Cash and cash equivalents at the beginning of the period	58,487	15,836	60,476	58,487
Cash and cash equivalents at the end of the period	$ 59,399	$ 57,480	$ 59,605	$ 57,050
Supplemental disclosures of cash flow information				
Cash paid for income taxes	$ 646	$ 810		
Cash paid for interest	$ 1,472	$ 1,368	$ 491	$ 491
Dividend reinvestment issued in shares	$ 47	$ 58	$ 17	$ 15

See Notes to Unaudited Condensed Financial Statements

HENNESSY ADVISORS, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(1) Basis of Financial Statement Presentation

The accompanying unaudited condensed balance sheet as of September 30, 2022 2023, which has been derived from audited financial statements, and the unaudited interim condensed financial statements as of and for the three and nine months ended June 30, December 31, 2023, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and include the accounts of Hennessy Advisors, Inc. (the “Company,” “we,” “us,” or “our”). Certain information and footnote disclosures in these unaudited interim condensed financial statements, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission for Quarterly Reports on Form 10-Q. In the opinion of management, the unaudited interim condensed financial statements reflect all adjustments necessary for a fair statement of the Company’s financial position at June 30, December 31, 2023, the Company’s operating results for the three and nine months ended June 30, December 31, 2023 and 2022, and the Company’s cash flows for the nine three months ended June 30, December 31, 2023 and 2022. These unaudited interim condensed financial statements and notes should be read in conjunction with the Company’s audited financial statements and notes thereto for fiscal year 2022, 2023, which are included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2022. 2023.

The preparation of financial statements requires management to make estimates and assumptions. Making estimates requires management to exercise significant judgment. Accordingly, the actual results could differ substantially from those estimates.

The Company’s operating activities consist primarily of providing investment advisory services to 16 open-end mutual funds and one exchange-traded fund (“ETF”) branded as the Hennessy Funds. The Company serves as the investment advisor to all classes of the Hennessy Cornerstone Growth Fund, the Hennessy Focus Fund, the Hennessy Cornerstone Mid Cap 30 Fund, the Hennessy Cornerstone Large Growth Fund, the Hennessy Cornerstone Value Fund, the Hennessy Total Return Fund, the Hennessy Equity and Income Fund, the Hennessy Balanced Fund, the Hennessy Energy Transition Fund, the Hennessy Midstream Fund, the Hennessy Gas Utility Fund, the Hennessy Japan Fund, the Hennessy Japan Small Cap Fund, the Hennessy Large Cap Financial Fund, the Hennessy Small Cap Financial Fund, and the Hennessy Technology Fund (collectively, the “Hennessy Mutual Funds”), as well as to the Hennessy Stance ESG ETF. The Company also provides shareholder services to investors in the Hennessy Mutual Funds.

The employee retention credit (“ERC”), as originally enacted on March 27, 2020, by the CARES Act, was a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees and allowed claims through December 31, 2021, by eligible employers who retained employees during the Covid- COVID-19 pandemic. The Company filed Form 941-X to request an ERC from the Internal Revenue Service. In May 2023, the Company received an ERC of approximately $0.3 million plus accrued interest. For-profit entities do not have specific guidance to apply under accounting principles generally accepted in the United States to account for ERCs and therefore follow guidance in accordance with Accounting for

Government Grants and Disclosure of Government Assistance (IAS ("IAS 20 20"). In accordance with IAS 20, the Company is netting netted the credit against related payroll expense in the current period. period received.

The Company's operating revenues consist of contractual investment advisory and shareholder service fees paid to it by the Hennessy Funds. The Company earns investment advisory fees from each Hennessy Fund by, among other things:

- acting as portfolio manager for the fund or overseeing the sub-advisor acting as portfolio manager for the fund, which includes managing the composition of the fund's portfolio (including the purchase, retention, and disposition of portfolio securities in accordance with the fund's investment objectives, policies, and restrictions), seeking best execution for the fund's portfolio, managing the use of soft dollars for the fund, and managing proxy voting for the fund;
- performing a daily reconciliation of portfolio positions and cash for the fund;
- monitoring the liquidity of the fund;
- monitoring the fund's compliance with its investment objectives and restrictions and federal securities laws;
- maintaining a compliance program (including a code of ethics), conducting ongoing reviews of the compliance programs of the fund's service providers (including any sub-advisor), including their codes of ethics, as appropriate, conducting onsite visits to the fund's service providers (including any sub-advisor) as feasible, monitoring incidents of abusive trading practices, reviewing fund expense accruals, payments, and fixed expense ratios, evaluating insurance providers for fidelity bond, directors and officers and errors and omissions insurance, and cybersecurity insurance coverage, managing regulatory examination compliance and responses, conducting employee compliance training, reviewing reports provided by service providers, and maintaining books and records;
- if applicable, overseeing the selection and continued employment of the fund's sub-advisor, reviewing the fund's investment performance, and monitoring the sub-advisor's adherence to the fund's investment objectives, policies, and restrictions;
- overseeing service providers that provide accounting, administration, distribution, transfer agency, custodial, sales, marketing, public relations, audit, information technology, and legal services to the fund;
- maintaining in-house marketing and distribution departments on behalf of the fund;
- preparing or directing the preparation of all regulatory filings for the fund, including writing and annually updating the fund's prospectus and related documents;
- for each annual report of the fund, preparing or reviewing a written summary of the fund's performance during the most recent 12-month period;
- monitoring and overseeing the accessibility of the fund on third-party financial institution platforms;
- paying the incentive compensation of the fund's compliance officer and employing other staff such as legal, marketing, national accounts, distribution, sales, administrative, and trading oversight personnel, as well as management executives;

- providing a quarterly compliance certification to the Board of Trustees of Hennessy Funds Trust (the “Funds’ Board of Trustees”); and

- preparing or reviewing materials for the Funds’ Board of Trustees, presenting to or leading discussions with the Funds’ Board of Trustees, preparing or reviewing all meeting minutes, and arranging for training and education of the Funds’ Board of Trustees.

The Company earns shareholder service fees from Investor Class shares of the Hennessy Mutual Funds by, among other things, maintaining a toll- toll free number that the current investors in the Hennessy Funds may call to ask questions about their accounts or the funds and actively participating as a liaison between investors in the Hennessy Funds and U.S. Bank Global Fund Services. These

Investment advisory and shareholder service fee revenues are earned and calculated daily by the Hennessy Funds’ accountants at U.S. Bank Global Fund Services and are subsequently reviewed by management.

The Company recognizes revenues when its obligations related to the investment advisory and shareholder services are satisfied, and it is probable that a significant reversal of the revenue amount would not occur in future periods. Management judgment is required in assessing the probability of significant revenue reversal and in identification of distinct services. Investment advisory and shareholder services are performed over time because investors in the Hennessy Funds are receiving and consuming the benefits as they are provided by the Company. Fees are based on contractual percentages of net asset values and recognized for services provided during the period, which are distinct from services provided in other periods. Such fees are affected by changes in net asset values, including market appreciation or depreciation, foreign exchange translation, and net inflows or outflows. Assets under management represent the broad range of financial assets the Company manages for the Hennessy Funds on a discretionary basis pursuant to investment management and shareholder servicing agreements that are expected to continue for at least 12 months. In general, reported assets under management reflect the valuation methodology that corresponds to the basis used for determining revenue. The fees are computed and billed monthly, at which time they are recognized in accordance with Accounting Standards Codification 606 — Revenue from Contracts with Customers.

The Company waives a portion of its fees with respect to the Hennessy Midstream Fund, the Hennessy Technology Fund, and the Hennessy Stance ESG ETF to comply with contractual expense ratio limitations. The fee waivers are calculated daily by the Hennessy Funds’ accountants at U.S. Bank Global Fund Services, reviewed by management, and then charged to expense monthly as offsets to the Company’s revenues. Each waived fee is then deducted from investment advisory fee income and reduces the aggregate amount of advisory fees the Company receives from such fund in the subsequent month. To date, the Company has only waived fees based on contractual obligations, but the Company has the ability to waive fees at its discretion. Any decision to waive fees would apply only on a going-forward basis.

The Company’s contractual agreements for investment advisory and shareholder services prove that a contract exists with fixed and determinable fees, and the services are rendered daily. The collectability is deemed probable because the fees are received from the Hennessy Funds in the month subsequent to the month in which the services are provided.

(2) Management Contracts Purchased

Throughout its history, the Company has completed 11 12 purchases of the assets related to the management of 31 32 investment funds, some of which were reorganized into already existing Hennessy Funds. In accordance with Financial Accounting Standards Board (“FASB”) guidance, the Company periodically reviews the carrying value of its management contracts asset to determine if any impairment has occurred. The fair value of the management contracts asset was estimated as of September 30, 2022, 2023, by applying the income approach and is based on management estimates and assumptions, including third-party valuations that utilize appropriate valuation techniques. It was determined there was no impairment as of such date. As of June 30, December 31, 2023, management performed a qualitative analysis and determined it was more likely than not that there continued to be no impairment.

Under Accounting Standards Codification 350 — Intangibles – - Goodwill and Other, intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment. The Company reviews considered various factors, such as likelihood of continued renewal, whether there are foreseeable limits on net cash flows, and whether the Company is dependent on a limited number of investors, in determining the useful life of the management contracts each reporting period contracts. Based on analysis, the Company considers the management contract asset to determine if they continue to have be an intangible asset with an indefinite useful life. life and no impairment as of the end of the current period.

The Company completed its most recent asset purchase on December November 22, 10, 2022, 2023, when it purchased certain assets related to the management of the Stance Equity ESG Large Cap Core ETF (the “Stance ETF”). CCM Small/Mid-Cap Impact Value Fund. This asset purchase added approximately $43 $12 million to the Company’s assets under management at the time of closing. The purchase was consummated in accordance with the terms and conditions of the that certain Transaction Agreement, dated as of August April 26, 2023, 29,2022, among between the Company Stance and Community Capital Management, LLC and Red Gate Advisers, LLC, among others. (the “CCM Transaction Agreement”). Upon completion of the transaction, the assets related to the management of the Stance ETF CCM Small/Mid-Cap Impact Value Fund were reorganized into a newly formed series of Hennessy Funds Trust named the Hennessy Stance ESG ETF. In connection with the transaction, Stance Capital, LLC and Vident Investment Advisory, LLC became sub-advisors to the Hennessy Stance ESG ETF.

On As of April December 31, 2023, there was a 26, second 2023, asset purchase pending under the Company announced that it has signed a definitive agreement with Community Capital Management, LLC (“CCM”) CCM Transaction Agreement, which is for the purchase of assets related to the management of the CCM Core Impact Equity Fund. The purchase is subject to customary closing conditions, including the approval of the shareholders of the CCM Core Impact Equity Fund. At the Special Meeting of Shareholders of the CCM Core Impact Equity Fund on January 31, 2024, shareholders approved the purchase of assets related to the management of the CCM Core Impact Equity Fund and the CCM Small/Mid-Cap Impact Value Fund (the “CCM Equity Funds”). The definitive agreement includes customary representations, warranties, and covenants of the parties to the agreement. It provides for payment by the Company to be made upon closing equal to 1.25% of the aggregate current net asset value of the CCM Equity Funds measured as of the close of business Company. See Note two 13, trading days prior to the closing date of the transaction. The Company expects to complete the transaction during calendar 2023."Subsequent Events," for additional information.

In the current period, the Company capitalized $0.1 million $0.2 million in legal costs related to the transaction. Upon completion of the transaction, the CCM Equity Funds will be reorganized into the Hennessy Stance ESG ETF. The transaction is subject to customary closing conditions, including the approval of the CCM Equity Funds’ shareholders.
Transaction Agreement.

(3) Investment Advisory Agreements

The Company has investment advisory agreements with Hennessy Funds Trust under which it provides investment advisory services to all classes of the 16 Hennessy Mutual Funds and the Hennessy Stance ESG ETF.

The investment advisory agreements must be renewed annually (except in limited circumstances) by (a) (i) the Funds’ Board of Trustees or the vote of a majority of the outstanding shares of the applicable Hennessy Fund and (b) (ii) the vote of a majority of the trustees of Hennessy Funds Trust who are not interested persons of the Hennessy Funds. If an investment advisory agreement is not renewed, it terminates automatically. There are two additional circumstances in which an investment advisory agreement terminates. First, an investment advisory agreement automatically terminates if the Company assigns them to another advisor (assignment includes “indirect assignment,” which is the transfer of the Company’s common stock in sufficient quantities deemed to constitute a controlling block). Second, an investment advisory agreement may be terminated prior to its expiration upon 60 days’ written notice by either the applicable Hennessy Fund or the Company.

As provided in each investment advisory agreement, the Company receives investment advisory fees monthly based on a percentage of the applicable fund’s average daily net asset value.

The Company has entered into sub-advisory agreements for the Hennessy Focus Fund, the Hennessy Equity and Income Fund, the Hennessy Japan Fund, the Hennessy Japan Small Cap Fund, and the Hennessy Stance ESG ETF. Under each of these sub-advisory agreements, the sub-advisor is responsible for the investment and reinvestments of the assets of the applicable Hennessy Fund in accordance with the terms of such agreement and the applicable Hennessy Fund's Prospectus and Statement of Additional Information. The sub-advisors are subject to the direction, supervision, and control of the Company and the Funds' Board of Trustees. The sub-advisory agreements must be renewed annually (except in limited circumstances) in the same manner as, and are subject to the same termination provisions as, the investment advisory agreements.

In exchange for the sub-advisory services, the Company (not the Hennessy Funds) pays sub-advisory fees to the sub-advisors out of its own assets. Sub-advisory fees are calculated as a percentage of the applicable sub-advised fund's average daily net asset value.

(4) Fair Value Measurements

The Company applies Accounting Standards Codification 820 — Fair Value Measurement for all financial assets and liabilities, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." It also establishes a fair value hierarchy consisting of the following three levels that prioritize the inputs to the valuation techniques used to measure fair value:

- Level 1 – Unadjusted, quoted prices in active markets for identical assets or liabilities that an entity has the ability to access at the measurement date;

- Level 2 – Other significant observable inputs (including, but not limited to, quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets); and

- Level 3 – Significant unobservable inputs (including the entity's own assumptions about what market participants would use to price the asset or liability based on the best available information) when observable inputs are not available.

Based on the definitions, the following tables represent the Company's assets categorized in the Level 1 to Level 3 hierarchies:

	June 30, 2023				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)				(In thousands)			
Money market fund deposits	$ 58,633	$ -	$ -	$ 58,633	$ 59,406	$ -	$ -	$ 59,406
Mutual fund investments	10	-	-	10	11	-	-	11
Total	$ 58,643	$ -	$ -	$ 58,643	$ 59,417	$ -	$ -	$ 59,417
Amounts included in:								
Cash and cash equivalents	$ 58,633	$ -	$ -	$ 58,633	$ 59,406	$ -	$ -	$ 59,406
Investments in marketable securities	10	-	-	10	11	-	-	11
Total	$ 58,643	$ -	$ -	$ 58,643	$ 59,417	$ -	$ -	$ 59,417

	September 30, 2022				September 30, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)				(In thousands)			
Money market fund deposits	$ 54,225	$ -	$ -	$ 54,225	$ 59,382	$ -	$ -	$ 59,382
Mutual fund investments	9	-	-	9	10	-	-	10
Total	$ 54,234	$ -	$ -	$ 54,234	$ 59,392	$ -	$ -	$ 59,392
Amounts included in:								
Cash and cash equivalents	$ 54,225	$ -	$ -	$ 54,225	$ 59,382	$ -	$ -	$ 59,382
Investments in marketable securities	9	-	-	9	10	-	-	10
Total	$ 54,234	$ -	$ -	$ 54,234	$ 59,392	$ -	$ -	$ 59,392

There were no transfers between levels during the three months ended June 30, December 31, 2023, or the year ended September 30, 2022. 2023.

The fair values of receivables, payables, and accrued liabilities approximate their book values given the short-term nature of those instruments.

The fair value of the 2026 Notes (see Note 7) was approximately $36.93 million $38.2 million as of June 30, December 31, 2023, based on the last trading price of the notes on that date (Level 1).

(5) Leases

The Company determines if an arrangement is an operating lease at inception. Operating leases are included in operating lease right-of-use assets and current and long-term operating lease liabilities on the Company's balance sheet. During the quarter ended March 31, 2021, the Company renewed the lease for its office in Novato, California for an additional three years, which created a long-term operating lease as of such date. Upon renewal of the lease, the Company recorded a right-of-use asset of $1.1 million on its balance sheet. The renewed lease expires on July 31, 2024. 2024, and is therefore a short-term operating lease as of December 31,2023. There were no other long-term operating leases as of June 30, December 31, 2023, and September 30, 2022. 2023.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses its incremental borrowing rate based on the information available at the lease commencement date. The Company's lease terms may include options to extend the lease when it is reasonably certain that it will exercise any such options. For its leases, the Company concluded that it is not reasonably certain that any renewal options would be exercised, and, therefore, the amounts are not recognized as part of operating lease right-of-use assets or operating lease liabilities. Leases with initial terms of 12 months or less, and certain office equipment leases that are deemed insignificant, are not recorded on the balance sheet and are expensed as incurred and included within rent expense under general and administrative expense. Lease expense related to operating leases is recognized on a straight-line basis over the expected lease terms.

The Company's most significant leases are real estate leases of office facilities. The Company leases office space under non-cancelable operating leases. Its principal executive office is located in Novato, California, and it has additional offices in Austin, Texas, Dallas, Texas, Boston, Massachusetts, and Chapel Hill, North Carolina. Only the office lease in Novato, California has been capitalized because the other operating leases have terms of 12 months or less, including leases that are month-to-month in nature. The classification of the Company's operating lease right-of-use assets and operating lease liabilities and other supplemental information related to the Company's operating leases are as follows:

	June 30, 2023		December 31, 2023	
	(In thousands, except years and percentages)		(In thousands, except years and percentages)	
Operating lease right-of-use assets	$	383	$	206
Current operating lease liability	$	372	$	186
Long-term operating lease liability	$	-	$	-
Weighted average remaining lease term		1.1		0.6
Weighted average discount rate		0.90%		0.90%

For the nine three months ended June 30, December 31, 2023, rent expense for all offices, which is recorded under general and administrative expense in the statements of income, totaled $0.4 million. $0.1 million.

The undiscounted cash flows for future maturities of the Company's operating lease liabilities and the reconciliation to the balance of operating lease liabilities reflected on the Company's balance sheet are as follows:

	June 30, 2023		December 31, 2023	
	(In thousands)		(In thousands)	
Remainder of fiscal year 2023	$	95		
Fiscal year 2024		286		
Remainder of fiscal year 2024			$	191
Total undiscounted cash flows		381		191
Present value discount		(9)		(5)
Total operating lease liabilities		372		186

(6) Accrued Liabilities and Accounts Payable

Details relating to accrued liabilities and accounts payable reflected on the Company's balance sheet are as follows:

	June 30, 2023		September 30, 2022		December 31, 2023		September 30, 2023	
	(In thousands)				(In thousands)			
Accrued bonus liabilities	$	1,728	$	2,207	$	554	$	2,260
Accrued sub-advisor fees		307		336		317		310
Other accrued expenses		534		777		745		595
Total accrued liabilities and accounts payable	$	2,569	$	3,320	$	1,616	$	3,165

(7) Debt Outstanding

On October 20, 2021, the Company completed a public offering of 4.875% notes due 2026 in the aggregate principal amount of $40,250,000 (the "2026 Notes"), which included the full exercise of the underwriters' overallotment option. The initial net proceeds received were approximately $38,607,000 after considering the impact of issuance costs and underwriter discounts. The 2026 Notes bear interest at 4.875% per annum, payable on the last day of each calendar quarter and at maturity, beginning December 31, 2021. The 2026 Notes mature on December 31, 2026.

The 2026 Notes are direct unsecured obligations, rank equally in right of payment with any of the Company's future unsecured unsubordinated indebtedness, senior to any of the Company's future indebtedness that expressly provides that it is subordinate to the 2026 Notes, effectively subordinate to all of the Company's existing and future secured indebtedness, and structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's future subsidiaries.

(8) Income Taxes

The Company's effective income tax rates for the nine three months ended June 30, December 31, 2023 and 2022, were 26.2% 27.0% and 23.0% 25.8%, respectively. For the nine months ended June 30, 2022, the effective income tax rate was lower than the federal statutory rate due to the recognition of a tax benefit related to a California tax refund of $0.2 million.

The Company is subject to income tax in the U.S. federal jurisdiction and various state jurisdictions. As of June 30, December 31, 2023, the Company has identified 22 state tax jurisdictions in which it is subject to income tax.

(9) Commitments and Contingencies

In addition to the operating leases discussed in Note 5, the Company has contractual expense ratio limitations in place with respect to the Hennessy Midstream Fund, the Hennessy Technology Fund, and the Hennessy Stance ESG ETF. The contractual expense ratio limitations with respect to the Hennessy Midstream Fund and the Hennessy Technology Fund will expire February 28, 2024. 2024, unless extended. The contractual expense ratio limitation with respect to the Hennessy Stance ESG ETF expires will expire December 31, 2024. 2024, unless extended. Total fees waived during the nine three months ended June 30, December 31, 2023 and June 30, December 31, 2022, were $0.11 million $0.04 million and $0.08 million, $0.03 million, respectively. To date, the Company has only waived fees based on contractual obligations but has the ability to waive fees at its discretion. Any decision to waive fees would apply only on a going forward basis.

The Company has no other commitments and no significant contingencies with original terms in excess of one year.

(10) Equity

<u>Amended and Restated 2013 Omnibus Incentive Plan</u>

The Company has adopted, and the Company's shareholders have approved, the Amended and Restated 2013 Omnibus Incentive Plan (the "Omnibus Plan"). Under the Omnibus Plan, participants may be granted restricted stock units ("RSUs"), each of which represents an unfunded, unsecured right to receive a share of the Company's common stock on the date specified in the recipient's award. The Company issues new shares of its common stock when it is required to deliver shares to an RSU recipient. The RSUs granted under the Omnibus Plan vest over four years at a rate of 25% per year. The Company recognizes stock-based compensation expense on a straight-line basis over the four-year vesting term of each award.

A summary of RSU activity is as follows:

	Nine Months Ended June 30, 2023		Three Months Ended December 31, 2023	
	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share
Non-vested balance at beginning of period	315,561	$ 8.15	349,613	$ 6.92
Granted	-	-	-	-
Vested (1)	(95,009)	(8.26)	-	-
Forfeited	(5,361)	(8.12)	-	-
Non-vested balance at end of period	215,191	$ 8.11	349,613	$ 6.92

(1) Represents partially vested RSUs for which the Company already has recognized the associated compensation expense but has not yet issued to employees the related shares of common stock.

Additional information related to RSUs is as follows:

	June 30, 2023	December 31, 2023
	(In thousands, except years)	(In thousands, except years)
Total expected compensation expense related to RSUs	$ 18,082	
Recognized compensation expense related to RSUs	(16,338)	
Unrecognized compensation expense related to RSUs	$ 1,744	$ 2,140
Weighted average remaining years to expense for RSUs	2.5	2.9

Dividend Reinvestment and Stock Purchase Plan

In January 2021, the Company adopted a Dividend Reinvestment and Stock Purchase Plan (the “DRSPP”), replacing the previous Dividend Reinvestment and Stock Purchase Plan that had been in place since 2018. The DRSPP provides shareholders and new investors with a convenient and economical means of purchasing shares of the Company’s common stock and reinvesting cash dividends paid on the Company’s common stock. Under the DRSPP, the Company issued 6,691 2,770 and 6,002 1,965 shares of common stock during the nine three months ended June 30, December 31, 2023 and 2022, respectively. The maximum number of shares of common stock that may be issued under the DRSPP is 1,470,000, of which 1,446,154 shares 1,440,540 remained available for issuance as of June 30, 2023 December .31,2023.

As discussed in Note 13, the Company began offering to investors an updated Dividend Reinvestment and Stock Purchase Plan in January 2024 that replaced the DRSPP.

Stock Buyback Program

In August 2010, the Company's Board of Directors adopted a stock buyback program pursuant to which the Company was authorized to repurchase up to 1,500,000 shares of its common stock in the open market, in privately negotiated transactions, or otherwise. The program has no expiration date. In August 2022, the Board of Directors increased the number of shares that may be repurchased under the program to 2,000,000 shares. As a result, a total of 1,096,368 shares remains available for repurchase under the stock buyback program. The Company did not repurchase any shares of its common stock pursuant to the stock buyback program during the nine three months ended June 30, December 31, 2023.

(11) Earnings per Share and Dividends per Share

Basic The weighted average common shares outstanding used in the calculation of basic earnings per share is determined by dividing net earnings by the and weighted average number of common shares of outstanding, adjusted for common stock outstanding, while equivalents, used in the computation of diluted earnings per share is determined by dividing net earnings by the weighted average number of shares of common stock outstanding adjusted for the dilutive effect of common stock equivalents, which consist of RSUs. were as follows:

	December 31,	
	2023	2022
Weighted average common stock outstanding, basic	7,672,191	7,572,454
Dilutive impact of RSUs	1,497	8,703
Weighted average common stock outstanding, diluted	7,673,688	7,581,157

For the nine three months ended June 30, December 31, 2023 and 2022, the Company excluded 99,869 244,051 and 241 165,868 common stock equivalents, respectively, from the diluted earnings per share calculations because they were not dilutive. In each case, the excluded common stock equivalents consisted of non-vested RSUs.

The Company paid a quarterly cash dividend of $0.1375 per share on June 5, November 27, 2023, to shareholders of record as of May 23, November 13, 2023.

(12) Recently Issued and Adopted Accounting Standards

The Company has reviewed accounting pronouncements issued between the filing date of its most recent Form 10-K, which was December 7, 2022, 2023, and the filing date of this Form 10-Q and has determined that no accounting pronouncements issued would have a material impact on the Company's financial position, results of operations, or disclosures. disclosures, except as disclosed below.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is required to adopt this standard prospectively in fiscal year 2026. The Company is currently in the process of evaluating the impact of adoption on its financial statements.

(13) Subsequent Events

On The Company has evaluated subsequent events through the date these financial statements were issued and has concluded that July 14, no material events occurred during this period that require recognition or disclosure, other than as discussed below.

In 2023, January 2024, the Company began offering to investors an updated Dividend Reinvestment and Stock Purchase Plan. The maximum number of shares of common stock that one may be issued under the updated plan is 1,530,000 shares.

At the Special Meeting of Shareholders of the sub-advisors CCM Core Impact Equity Fund on January 31, 2024, shareholders approved the purchase of assets related to the management of the CCM Core Impact Equity Fund by the Company. It is anticipated that the assets of the CCM Core Impact Equity Fund will be reorganized into the Hennessy Stance ESG ETF Vident Investment Advisory, LLC ("VIA"), completed an acquisition transaction that resulted in a change of control of VIA and an automatic termination of our sub-advisory agreement with VIA. As a result of the transaction, VIA ceased to exist and Vident Advisory, LLC ("Vident Advisory") is now the sole Vident enterprise carrying out Vident's business and operations. On the same date, the Company entered into a new sub-advisory agreement with Vident Advisory pursuant to which Vident Advisory now provides sub-advisory services to the Hennessy Stance ESG ETF. The new sub-advisory agreement has been approved by the Funds' Board of Trustees and the shareholders of the Hennessy Stance ESG ETF.

In addition, at the same special meeting of shareholders of the Hennessy Stance ESG ETF at which the new sub-advisory agreement with Vident Advisory was approved, the shareholders of the Hennessy Stance ESG ETF approved the implementation of a manager of managers structure for the Fund. In the absence of a manager of managers structure, a sub-advisory agreement automatically terminates if it is assigned. Assignment is generally defined under the Investment Company Act of 1940 (the "1940 Act") and the Investment Advisers Act of 1940 (the "Advisers Act") to include direct assignments as well as assignments that are deemed to occur due to the change in control of the investment advisor, which includes the Company or one of the sub-advisors that the Company has engaged on behalf of certain of the Hennessy Funds. However, a transaction is not February 23, 2024. an assignment under the 1940 Act or the Advisers Act if it does not result in a change of actual control or management of the Company or, in the context of a sub-advisor, a change of actual control or management of the sub-advisor.

Upon the occurrence of an assignment due to a change of control of a sub-advisor, but not a change of control of the Company, the Company can continue acting as an advisor to the impacted Hennessy Fund, but the shareholders of such Fund would have to approve a new sub-advisory agreement for the sub-advisor. Because obtaining shareholder approval for a new sub-advisor can be costly, both in terms of expense and time, the Company recently sought and received an exemptive order from the SEC to operate under a manager of managers structure. The manager of managers structure permits the Company to appoint and replace unaffiliated sub-advisors and to enter into and make material amendments to the related sub-advisory contracts on behalf of the Hennessy Funds without shareholder approval, but subject in each case to the approval of the Funds' Board of Trustees. Under the manager of managers structure, the Company has ultimate responsibility, subject to oversight by the Funds' Board of Trustees, for overseeing the Hennessy Funds' unaffiliated sub-advisors and recommending their hiring, termination, or replacement. The manager of managers structure cannot be implemented on behalf of a particular Hennessy Fund until the shareholders of such Fund approve its implementation. As stated above, the shareholders of the Hennessy Stance ESG ETF recently approved this arrangement. The Company is evaluating the timing and process for implementing a manager of managers structure for the Hennessy Funds that have sub-advisors other than the Hennessy Stance ESG ETF.

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

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the securities laws, for which we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as "expect," "anticipate," "intend," "may," "plan," "will," "should," "could," "would," "assume," "believe," "estimate," "predict," "potential," "project," "continue," "seek," and similar expressions, as well as statements in the future tense. We have based these forward-looking statements on our current expectations and projections about future events, based on information currently available to us. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at which, or means by which, such performance or results will be achieved.

Forward-looking statements are subject to risks, uncertainties, and assumptions, including those described in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 September 30, 2023, including under the section entitled "Risk Factors" in each such report. Unforeseen developments could cause actual performance or results to differ substantially from those expressed in or suggested by the forward-looking statements. Management does not assume responsibility for the accuracy or completeness of these forward-looking statements. There is no regulation requiring an update of any of the forward-looking statements after the date of this report to conform these statements to actual results or to changes in our expectations.

Our business activities are affected by many factors, including, without limitation, redemptions by investors in the Hennessy Funds, taxes, general economic and business conditions, interest rate movements, inflation, the personal savings rate, competitive conditions, industry regulation, and fluctuations in the stock market, many of which are beyond the control of our management. Further, the business and regulatory environments in which we operate remain complex, uncertain, and subject to change. We expect that regulatory requirements and developments will cause us to incur additional administrative and compliance costs. Notwithstanding the variability in our economic and regulatory environments, we remain focused on the investment performance of the Hennessy Funds and on providing high-quality customer service to investors.

Our business strategy centers on (a) (i) the identification, completion, and integration of future acquisitions and (b) (ii) organic growth, through both the retention of the fund assets we currently manage and the generation of inflows into the funds we manage. The success of our business strategy may be influenced by the factors discussed in the section titled “Risk Factors” in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 September 30, 2023. All statements regarding our business strategy, as well as statements regarding market trends and risks and assumptions about changes in the marketplace, are forward-looking by their nature.

Overview

Our primary business activity is providing investment advisory services to a family of 16 open-end mutual funds and one ETF branded as the Hennessy Funds. We manage 12 of the 17 Hennessy Funds internally. For the remaining five funds, we have delegated the day-to-day portfolio management responsibilities to sub-advisors, subject to our oversight. We oversee the selection and continued employment of each sub-advisor, review each fund’s investment performance, and monitor each sub-advisor’s adherence to each applicable fund’s investment objectives, policies, and restrictions. In addition, we conduct ongoing reviews of the compliance programs of sub-advisors and make onsite visits to sub-advisors, as feasible. Our secondary business activity is providing shareholder services to investors in the Hennessy Mutual Funds.

We derive our operating revenues from investment advisory fees paid to us by the Hennessy Funds and shareholder service fees paid to us by the Hennessy Mutual Funds. These fees are calculated as a percentage of the average daily net assets of each Hennessy Fund. The percentage amount of the investment advisory fees varies by fund. The percentage amount of the shareholder service fees is consistent across all of the Hennessy Mutual Funds, but shareholder service fees are charged on Investor Class shares only. The dollar amount of the fees we receive fluctuates with changes in the average net asset value of each Hennessy Fund, which is are affected by each fund’s investment performance, purchases and redemptions of shares, general market conditions, and the success of our marketing, sales, and public relations efforts.

On a total return basis, the Dow Jones Industrial Average was up 21.73% 13.09% for the nine three months ended June 30, 2023 December 31, 2023. During the most recent quarter, equity prices advanced as investors appeared reacted positively to continue to focus on a resilient, albeit slowing economy. encouraging signs that inflation is moderating. While the rate of inflation continues to moderate in be above the United States, in other countries it remains stubbornly high. The consensus expectation Federal Reserve’s stated 2% target, the market increasingly seems to believe that the Federal Reserve would start potential for slowing economic growth could bring inflation close to lower the Federal Funds Rate Reserve's stated goal. Notwithstanding this past quarter’s anemic revenue and earnings growth for S&P 500 companies, earnings broadly came in higher than consensus estimates, which may speak to the fall has been put on hold as Federal Reserve officials continue to insist idea that they companies are not likely done with raising rates. The market’s strong advance this year, especially reining in technology-related shares, continues to defy expectations that higher interest rates would depress equity valuations. expenses, which may in turn bolster margins in 2024.

Long-term U.S. bond yields increased decreased meaningfully during the three months ended June 30, 2023 December 31, 2023, as encouraging inflation remained above data pointed to the potential that the Federal Reserve’s target of 2%. Although inflation has moderated, Reserve could be done raising rates for the Fed foreseeable future. While the Federal Reserve continues to be vigilant indicate that it reserves the right to raise rates, the market believes that the Federal Reserve is more likely to cut rates in signaling that more rate hikes could come 2024 rather than raise them. According to Bloomberg, the market is pricing in the back half of 2023. six rates cuts in 2024. With the labor market continuing to show signs of strength, there is we expect investors to focus on any weakness as a belief signal that consumer demand inflation could keep upward pressure on prices. According to estimates compiled by Bloomberg, the consumer price index moderate further. Economic growth in 2024 is expected to rise 4.1% be 1.3% versus an expectation of 2.4% in 2023, with an expectation according to Bloomberg. Any unexpected strength in either the labor market or the economy at large could pose a risk to the market's belief that it will moderate to 2.6% in 2024. We believe that investors will continue to monitor expectations for economic growth to get a gauge lower rates are on how many more rate hikes could be forthcoming. the horizon.

The Japanese equity market was up 26.87% 8.00% in U.S. dollar terms over the nine three months ended June 30, 2023 December 31, 2023, as measured by the Tokyo Stock Price Index. During the period, Japanese equities traded higher as robust domestic consumer demand coupled with increased foreign demand for Japanese equities propelled shares higher. an emphasis on increasing shareholder value has taken root in Japan. Investors have applauded an increasing focus on corporate governance, capital allocation, and shareholder returns.

For the nine twelve months ended June 30, 2023 December 31, 2023, 15 out of all 17 Hennessy Funds generated positive returns. For the three-year period ended June 30, 2023 December 31, 2023, 15 13 of the Hennessy Funds with at least three years of operating history posted positive annualized returns, with the exception of the Hennessy Japan Fund, the Hennessy Japan Small Cap Fund, and the Hennessy Large Cap Financial Fund. Over the longer term, all Hennessy Funds with at least 10 ten years of operating history posted positive returns in each of the five-year and ten-year periods ended June 30, 2022 December 31, 2023.

As always, we are committed to providing superior service to investors and employing a consistent and disciplined approach to investing based on a buy-and-hold philosophy that rejects the idea of market timing. Our goal is to provide products that investors can have confidence in, knowing their money is invested as promised and with their best interests in mind. Accordingly, we continually seek new and improved ways to support investors in the Hennessy Funds, including by providing market insights, sector highlights, and other resources to help them manage their fund investments with confidence. We operate a robust and leading-edge marketing automation and customer relationship management (CRM) system, with a database of over 100,000 financial advisors, in addition to retail investors. We utilize this technology both to help retain assets and drive new purchases into the Hennessy Funds. We employ a comprehensive marketing and sales program consisting of content, digital, social media, and traditional marketing initiatives and proactive meetings. In addition, our consistent annual public relations campaign has resulted in the Hennessy brand name appearing on TV, radio, print, or online media on average once every two to three days.

We provide service to over 138,500 147,500 fund accounts nationwide, including accounts held by investors who employ financial advisors to assist them with investing as well as accounts held by retail investors who invest directly with us. We serve approximately 11,500 11,400 financial advisors who utilize the Hennessy Funds on behalf of their clients, including approximately 210 300 who purchased one of our Funds for the first time during the most recent quarter. Approximately 17% of such advisors own two or more Hennessy Funds, and over 400 advisors hold a position of over $500,000. While numbers have declined in recent years, we continue to focus significant efforts on financial advisors who own two or more Hennessy Funds or hold a position of over $500,000 in an effort to build and maintain brand loyalty among our top tier of advisors.

Total assets under management as of June 30, 2023 December 31, 2023, was $3.0 $3.3 billion, a decrease an increase of $0.2 $0.3 billion, or 6.1% 9.0%, compared to June 30, 2022 December 31, 2022. The decrease increase in total assets was attributable to market appreciation and the purchase of the assets related to the CCM Small/Mid-Cap Impact Value Fund, partly offset by net outflows of the Hennessy Funds, partly offset by market appreciation.
Funds.

The following table illustrates the quarter-by-quarter changes in our assets under management since June 30, 2022 December 31, 2022:

Fiscal Quarter Ended	Fiscal Quarter Ended

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
			(In thousands)					(In thousands)		
Beginning assets under management	$ 2,843,963	$ 3,009,458	$ 2,895,717	$ 3,155,566	$ 3,804,028	$ 3,032,042	$ 2,964,013	$ 2,843,963	$ 3,009,458	$ 2,895,717
Acquisition inflows	-	-	43,088	-	-	12,436	-	-	-	43,088
Organic inflows	134,137	85,950	130,721	115,526	183,662	226,617	247,311	134,137	85,950	130,721
Redemptions	(177,687)	(276,391)	(314,704)	(209,600)	(351,556)	(253,058)	(146,614)	(177,687)	(276,391)	(314,704)
Market appreciation (depreciation)	163,600	24,946	254,636	(165,775)	(480,568)	262,335	(32,668)	163,600	24,946	254,636
Ending assets under management	$ 2,964,013	$ 2,843,963	$ 3,009,458	$ 2,895,717	$ 3,155,566	$ 3,280,372	$ 3,032,042	$ 2,964,013	$ 2,843,963	$ 3,009,458

As stated above, the fees we receive for providing investment advisory and shareholder services are based on average assets under management. The following table shows average assets under management for each quarter since June 30, 2022 December 31, 2022:

	Fiscal Quarter Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
			(In thousands)		
Hennessy Mutual Funds					
Investor Class	$ 1,864,583	$ 1,949,124	$ 1,949,185	$ 2,026,122	$ 2,141,224
Institutional Class	941,683	993,086	1,090,937	1,185,369	1,297,907
Hennessy Stance ESG ETF	44,647	43,692	4,125	-	-
Average assets under management	$ 2,850,913	$ 2,985,902	$ 3,044,247	$ 3,211,491	$ 3,439,131

	Fiscal Quarter Ended				
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
			(In thousands)		
Hennessy Mutual Funds					
Investor Class	$ 1,904,504	$ 1,957,980	$ 1,864,583	$ 1,949,124	$ 1,949,185
Institutional Class	1,082,938	1,081,288	941,683	993,086	1,090,937
Hennessy Stance ESG ETF	50,800	44,774	44,647	43,692	4,125
Average assets under management	$ 3,038,242	$ 3,084,042	$ 2,850,913	$ 2,985,902	$ 3,044,247

The principal asset on our balance sheet, the management contracts, contract asset, represents the capitalized costs incurred in connection with the purchase of the assets related to the management of investment funds. As of June 30, 2023 December 31, 2023, this asset had a net balance of $81.2

million, $81.5 million, compared to $80.9 $81.3 million as of September 30, 2022 September 30, 2023. The increase was due to the purchase of assets is related to the management of the Stance ETF and the ongoing acquisition of costs associated with the CCM Equity Funds. Transaction Agreement.

On October 20, 2021, we completed a public offering of the 2026 Notes in the aggregate principal amount of $40.25 million, which included the full exercise of the underwriters' overallotment option. The 2026 Notes mature on December 31, 2026, and may be redeemed in whole or in part at any time or from time to time at our option on or after December 31, 2023. The 2026 Notes bear interest at 4.875% per annum, payable on the last day of each calendar quarter and at maturity, beginning December 31, 2021. The 2026 Notes are direct unsecured obligations, rank equally in right of payment with any of our future unsecured unsubordinated indebtedness, senior to any of our future indebtedness that expressly provides that it is subordinate to the 2026 Notes, effectively subordinate to all of our existing and future secured indebtedness, and structurally subordinated to all existing and future indebtedness and other obligations of any future subsidiaries of ours.

The 2026 Notes are the principal liability on our balance sheet at $39.1 million $39.2 million, net of issuance costs.

Results of Operations

The following table sets forth items in the statements of income as dollar amounts and as percentages of total revenue:

	Three Months Ended June 30,			
	2023		2022	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
	(In thousands, except percentages)			
Revenue				
Investment advisory fees	$ 5,236	91.8 %	$ 6,375	92.3 %
Shareholder service fees	465	8.2	534	7.7
Total revenue	5,701	100.0	6,909	100.0
Operating expenses				
Compensation and benefits	1,942	34.1	1,987	28.8
General and administrative	1,304	22.9	1,227	17.7
Fund distribution and other	116	2.0	117	1.7
Sub-advisory fees	898	15.8	1,195	17.3
Depreciation	59	1.0	52	0.8
Total operating expenses	4,319	75.8	4,578	66.3
Net operating income	1,382	24.2	2,331	33.7
Interest expense	565	9.9	562	8.1
Interest income	(711)	(12.5)	(17)	(0.2)
Income before income tax expense	1,528	26.8	1,786	25.8
Income tax expense	412	7.2	485	7.0
Net income	$ 1,116	19.6 %	$ 1,301	18.8 %

	Nine Months Ended June 30,	
	2023	2022

	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
	(In thousands, except percentages)			
Revenue				
Investment advisory fees	$ 16,325	91.9 %	$ 21,499	92.7 %
Shareholder service fees	1,437	8.1	1,689	7.3
Total revenue	17,762	100.0	23,188	100.0
Operating expenses				
Compensation and benefits	5,730	32.3	6,360	27.4
General and administrative	4,149	23.4	3,790	16.4
Fund distribution and other	343	1.9	450	1.9
Sub-advisory fees	2,797	15.7	4,642	20.0
Depreciation	164	0.9	155	0.7
Total operating expenses	13,183	74.2	15,397	66.4
Net operating income	4,579	25.8	7,791	33.6
Interest expense	1,690	9.5	1,560	6.7
Interest income	(1,758)	(9.9)	(20)	(0.1)
Income before income tax expense	4,647	26.2	6,251	27.0
Income tax expense	1,217	6.9	1,435	6.2
Net income	$ 3,430	19.3 %	$ 4,816	20.8 %

	Three Months Ended December 31,			
	2023		2022	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
	(In thousands, except percentages)			
Revenue				
Investment advisory fees	$ 5,665	92.2 %	$ 5,654	92.0 %
Shareholder service fees	479	7.8	491	8.0
Total revenue	6,144	100.0	6,145	100.0
Operating expenses				
Compensation and benefits	1,866	30.4	1,858	30.2
General and administrative	1,724	28.1	1,569	25.5
Fund distribution and other	149	2.4	95	1.5
Sub-advisory fees	911	14.8	969	15.8
Depreciation	69	1.1	49	0.9
Total operating expenses	4,719	76.8	4,540	73.9
Net operating income	1,425	23.2	1,605	26.1
Interest expense	567	9.2	563	9.2
Interest income	(786)	(12.8)	(467)	(7.6)
Income before income tax expense	1,644	26.8	1,509	24.5
Income tax expense	444	7.3	390	6.3
Net income	$ 1,200	19.5 %	$ 1,119	18.2 %

Revenue – Investment Advisory Fees and Shareholder Service Fees

Total revenue comprises investment advisory fees and shareholder service fees. Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, total revenue decreased by 17.5%, from $6.9 million to $5.7 million remained flat at $6.1 million, investment advisory fees decreased by 17.9%, from $6.4 million to $5.2 million, remained flat at $5.7 million, and shareholder service fees decreased by 12.9% 2.4%, from $0.53 million $0.49 million to $0.47 million $0.48 million. Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, total revenue decreased by 23.4%, from $23.2 million to $17.8 million, investment advisory fees decreased by 24.1%, from $21.5 million to $16.3 million, and shareholder service fees decreased by 14.9%, from $1.7 million to $1.4 million.

In both periods, the decrease in investment advisory fees was due mainly to decreased average daily net assets of the Hennessy Funds, and the The decrease in shareholder service fees was due to a decrease in the average daily net assets held in Investor Class shares of the Hennessy Mutual Funds. Assets held in Investor Class shares of the Hennessy Mutual Funds are subject to a shareholder service fee, whereas assets held in Institutional Class shares of the Hennessy Mutual Funds are not subject to a shareholder service fee. In each case, the decrease in average daily net assets was attributable primarily to net outflows.

We collect investment advisory fees from each of the Hennessy Funds at differing annual rates. These annual rates range between 0.40% and 1.25% of average daily net assets. Average daily net assets of the Hennessy Funds for both the three months ended June 30, 2023, December 31, 2023 and 2022, was $2.9 billion, which represents a decrease of $0.6 billion, or 17.1%, compared to the three months ended June 30, 2022, and average daily net assets for the nine months ended June 30, 2023, was $3.0 billion, which represents a decrease of $0.8 billion, or 21.9%, compared to the nine months ended June 30, 2022 unchanged at $3.0 billion. The Hennessy Fund with the largest average daily net assets for the three and nine months ended June 30, 2023 December 31, 2023, was the Hennessy Cornerstone Mid Cap 30 Fund, with $0.64 billion. We collect an investment advisory fee from the Hennessy Cornerstone Mid Cap 30 Fund at an annual rate of 0.74% of average daily net assets. The Hennessy Fund with the second largest average daily assets for the three months ended December 31, 2023, was the Hennessy Focus Fund, with $0.7 billion in each period. $0.61 billion. We collect an investment advisory fee from the Hennessy Focus Fund at an annual rate of 0.90% of average daily net assets. However, we pay a sub-advisory fee at an annual rate of 0.29% to the fund's sub-advisor, which reduces the net operating profit contribution of the fund to our financial operations. The Hennessy Fund with the second largest average daily assets for the three and nine months ended June 30, 2023, was the Hennessy Gas Utility Fund, with $0.5 billion in each period. We collect an investment advisory fee from the Hennessy Gas Utility Fund at an annual rate of 0.40% of average daily net assets.

Total assets under management as of June 30, 2023 December 31, 2023, was $3.0 $3.3 billion, a decrease an increase of $0.2 billion $0.3 billion, or 6.1% 9.0%, compared to June 30, 2022 December 31, 2022. The decrease increase in total assets was attributable to market appreciation and the purchase of the assets related to the CCM Small/Mid Cap Impact Value Fund, partly offset by net outflows of the Hennessy Funds, partly offset by market appreciation. Funds.

The Hennessy Funds with the three largest amounts of net inflows were as follows:

Three Months Ended June 30, 2023		Nine Months Ended June 30, 2023 December 31, 2023	
Fund Name	Amount	Fund Name	Amount
Hennessy Japan Fund	$34 million	Hennessy Cornerstone Mid Cap 30 Fund	$18 million
Hennessy Cornerstone Mid Cap 30 Fund	$13 81 million		

Hennessy Japan Small Cap Fund	$155 million		
Hennessy Midstream Cornerstone Growth Fund	$2 million	Hennessy Midstream Fund	$3 million

The Hennessy Funds with the three largest amounts of net outflows were as follows:

Three Months Ended June 30, 2023		Nine Months Ended June 30, 2023 December 31, 2023	
Fund Name	Amount	Fund Name	Amount
Hennessy Focus Fund	$(32) million	Hennessy Focus Fund	$(165) (49) million
Hennessy Cornerstone Value Fund	$(18) million	Hennessy Japan Fund	$(106) million
Hennessy Cornerstone Growth Fund	$(12) million	Hennessy Gas Utility Fund	$(74) (21) million
Hennessy Japan Small Cap Fund	$(9) million		

Redemptions as a percentage of assets under management decreased from an average of 3.2% 3.4% per month during the three months ended June 30, 2022, to an average of 2.1% per month during the three months ended June 30, 2023. Redemptions as a percentage of assets under management increased from an average of 2.7% per month during the nine months ended June 30, 2022 December 31, 2022, to an average of 2.8% per month during the nine three months ended June 30, 2023 December 31, 2023.

Operating Expenses

Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, total operating expenses decreased increased by 5.7% 3.9%, from $4.6 million $4.5 million to $4.3 $4.7 million. As a percentage of total revenue, total operating expenses increased 9.5 2.9 percentage points to 75.8% 76.8%.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, total operating expenses decreased by 14.4%, from $15.4 million to $13.2 million. As a percentage of total revenue, total operating expenses increased 7.8 percentage points to 74.2%.

In both periods, the dollar value decrease The increase in operating expenses was due to decreases increases in all expense categories other than general sub-advisory fees, which decreased, and administrative expense compensation and depreciation expense, benefits, which moderately increased. remained flat.

Compensation and Benefits Expense: Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, compensation and benefits expense decreased by 2.3%, from $2.0 million to $1.9 million. As a percentage of total revenue, compensation and benefits expense increased 5.3 percentage points to 34.1%.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, compensation and benefits expense decreased by 9.9%, from $6.4 million to $5.7 million remained flat at $1.9 million. As a percentage of total revenue, compensation and benefits expense increased 4.9 0.2 percentage points to 32.3% 30.4%.

In both periods, the dollar value decrease in compensation and benefits expense was primarily due to the receipt of the Employee Retention Tax Credit from the Federal government in June 2023, which is recognized as a reduction to payroll expense.

General and Administrative Expense: Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, general and administrative expense increased by 6.3% 9.9%, from $1.2 million $1.6 million to $1.3 million. As a percentage of total revenue, general and administrative expense increased 5.2 percentage points to 22.9%.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, general and administrative expense increased by 9.5%, from $3.8 million to $4.1 million $1.7 million. As a percentage of total revenue, general and administrative expense increased 7.0 2.6 percentage points to 23.4% 28.1%.

In both periods, the The increase in general and administrative expense was primarily due to increased professional services expense.

Fund Distribution and Other Expense: Fund distribution and other expense consists primarily of third-party financial institution fees incurred by us for distribution of the Hennessy Funds and also for the operations of the Hennessy Stance ESG ETF. Fund distribution and other expense does not include sub-advisory fees, which are shown separately.

The distribution component of fund distribution and other expense consists of fees paid to various financial institutions that offer the Hennessy Funds as potential investments to their clients. When the Hennessy Funds are purchased through one of these financial institutions, the institution typically charges an asset-based fee, which is recorded as a fund distribution expense on our statement of operations to the extent paid by us. The Hennessy Mutual Funds, but not the Hennessy Stance ESG ETF, may be purchased directly and when purchased directly, we do not incur any such expense. These fees generally increase or decrease in line with the net assets of the Hennessy Funds held through these financial institutions, which are affected by inflows, outflows, and fund performance. In addition, some financial institutions charge a minimum fee if the average daily net assets of a Hennessy Fund held by such an institution are less than a threshold amount. In such cases, we pay the minimum fee.

The distribution component of fund distribution and other expenses is affected by many factors, including the following:

- average daily net assets held by financial institutions;
- the split of average daily net assets held by financial institutions in Institutional Class shares of the Hennessy Mutual Funds versus Investor Class shares of the Hennessy Mutual Funds; and
- fee minimums at various financial institutions.

The other component of fund distribution and other expense consists of fees incurred by us for the operations of the Hennessy Stance ESG ETF. We receive a unitary investment advisory fee from the Hennessy Stance ESG ETF and then pay all of its operating expenses (with limited exceptions), including fund administration, fund accounting, transfer agency, custody, licensing, audit, and tax services.

Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, fund distribution and other expense decreased increased by 0.9% 56.8%, from $0.117 million $0.10 million to $0.116 million $0.15 million. As a percentage of total revenue, fund distribution and other expense increased 0.3 0.9 percentage points to 2.0% 2.4%.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, fund distribution and other expense decreased by 23.8%, from $0.5 million to $0.3 million. As a percentage of total revenue, fund distribution and other expense remained the same at 1.9%.

In both periods, the dollar value decrease The increase in fund distribution and other expense was primarily due to decreased average daily net assets a full period of fees incurred by us for the operations of the Hennessy Funds. Stance ESG ETF in the current period. We began advising the Hennessy Stance ESG ETF on December 22, 2022, and therefore only a partial period of expenses related to its operations were incurred in the prior comparable period.

Sub-Advisory Fees Expense: Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, sub-advisory fees expense decreased by 24.9% 6.0%, from $1.2 million $1.0 million to $0.9 million. $0.9 million. As a percentage of total revenue, sub-advisory fees expense decreased 1.5 1.0 percentage points point to 15.8% 14.8%. The decrease in sub-advisory fees expense was due to decreased average daily net assets of the sub-advised Hennessy Funds, partly offset by the expense associated with new sub-advisory relationships relating to the Hennessy Stance ESG ETF that began in December 2022.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, sub-advisory fees expense decreased by 39.7%, from $4.6 million to $2.8 million became effective on December 22, 2022. As a percentage of total revenue, sub-advisory expense decreased 4.3 percentage points to 15.7%. The decrease in sub-advisory expense was due to decreased average daily net assets of the sub-advised Hennessy Funds, with an additional decrease as a result of us no longer paying sub-advisory fees with respect to the Hennessy Energy Transition Fund and the Hennessy Midstream Fund after January 31, 2022. The decrease was partly offset by the expense associated with new sub-advisory relationships relating to the Hennessy Stance ETF that began in December 2022.

Depreciation Expense: Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, depreciation expense increased by 13.5% 40.8%, from $0.05 million $0.05 million to $0.06 million. As a percentage of total revenue, depreciation expense increased 0.2 percentage points to 1.0%.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, depreciation expense increased by 5.8%, from $0.155 million to $0.164 million $0.07 million. As a percentage of total revenue, depreciation expense increased 0.2 percentage points to 0.9% 1.1%.

In both periods, the The increase in depreciation expense resulted from new fixed asset purchases, partially offset by the write-off of fully depreciated assets.

Interest Expense

Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, interest expense increased from $0.56 million $0.56 million to $0.57 million. $0.57 million. The increase in interest expense was due to the manner in which interest expense is calculated under accounting principles generally accepted in the United States. The issuance costs related to the 2026 Notes that have been capitalized are amortized over time and therefore increase the carrying amount of the 2026 Notes. As the carrying amount of the 2026 Notes increases, the interest expense on the 2026 Notes for financial statement purposes also increases.

Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, interest expense increased from $1.6 million to $1.7 million. The increase in interest expense was due to a full period of 2026 Notes interest expense in the current period. The 2026 Notes were issued on October 20, 2021, and therefore incurred a partial period of interest expense in the prior comparable period.

Interest Income

Interest income consists of interest earned on cash and cash equivalents. Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, interest income increased from $0.02 million $0.47 million to $0.71 million $0.79 million. Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, interest income increased from $0.02 million to $1.76 million. In both periods, the

The increase in interest income was due to rising resulted from increased interest rates. rates, as well as an increased cash balance.

Income Tax Expense

Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, income tax expense decreased by 15.1%, from $0.5 million to remained flat at $0.4 million. Comparing the nine months ended June 30, 2022, to the nine months ended June 30, 2023, income tax expense decreased by 15.2%, from $1.4 million to $1.2 million.

In both periods, the decrease in income tax expense was due primarily to lower net operating income in the current period, partly offset by a lower effective income tax rate in the prior period as previously discussed in the notes to the financial statements.

Net Income

Comparing the three months ended June 30, 2022 December 31, 2022, to the three months ended June 30, 2023 December 31, 2023, net income decreased increased by 14.2% 7.2%, from $1.3 million $1.1 million to $1.1 million. Comparing the nine months ended June 30, 2023, to the nine months ended June 30, 2022, net income decreased by 28.8%, from $4.8 million to $3.4 million $1.2 million.

In both periods, the decrease The increase in net income was primarily due to decreased assets under management, which resulted increased interest income in lower revenues and net operating income. the current period.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States, which require the use of estimates, judgments, 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. These accounting policies, methods, and estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods, and estimates are particularly sensitive because of their significance to the financial statements and because future events affecting them may differ markedly from management's current judgment. For a discussion of the accounting policies and estimates that we believe are most critical to understanding our results of operations and financial position, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 September 30, 2023.

Liquidity and Capital Resources

We continually review our capital requirements to ensure that we have funding available to support our business model. Management anticipates that cash and other liquid assets on hand as of June 30, 2023 December 31, 2023, will be sufficient to meet our capital requirements for one year from the issuance date of this report, as well as our longer-term capital requirements for periods beyond one year from the issuance date of this report. To the extent that liquid resources and cash provided by operations are not adequate to meet long-term capital requirements, management plans to raise additional capital by either, or both, seeking bank financing or accessing the capital markets. There can be no assurance that we will be able to raise additional capital.

On October 20, 2021, we completed a public offering of our 2026 Notes in the aggregate principal amount of $40.25 million, which included the full exercise of the underwriters' overallotment option. The 2026 Notes mature on December 31, 2026, and may be redeemed in whole or in part at any time or from time to time at our option on or after December 31, 2023. The 2026 Notes bear interest at 4.875% per annum, payable on the last day of each calendar quarter and at maturity, beginning December 31, 2021. The 2026 Notes are direct unsecured obligations, rank equally in right of payment with any of our future unsecured unsubordinated indebtedness, senior to any of our future indebtedness that expressly provides that it is subordinate to the 2026 Notes, effectively subordinate to all of our existing and future secured indebtedness, and structurally subordinated to all existing and future indebtedness and other obligations of any future subsidiaries of ours.

Our total assets under management as of June 30, 2023 December 31, 2023, was $3.0 $3.3 billion, a decrease an increase of $0.2 $0.3 billion, or 6.1% 9.0%, compared to June 30, 2022 December 31, 2022. The primary sources of our revenue, liquidity, and cash flow are our investment advisory fees and shareholder service fees, which are based on and generated by our average assets under management. Our average assets under management for both the three months ended June 30, 2023, December 31, 2023 and 2022, was $2.9 billion, a decrease of $0.6 billion, or 17.1%, compared to the three months ended June 30, 2022 unchanged at $3.0 billion. As of June 30, 2023 December 31, 2023, we had cash and cash equivalents of $59.4 million $59.6 million.

The following table summarizes key financial data relating to our liquidity and use of cash:

	For the Nine Months Ended June 30,	
	2023	2022
	(In thousands)	
Net cash provided by operating activities	$ 4,646	$
Net cash used in investing activities	(664)	
Net cash (used in) provided by financing activities	(3,070)	
Net increase in cash and cash equivalents	$ 912	$

	For the Three Months Ended December 31,	
	2023	2022
	(In thousands)	
Net cash provided by (used in) operating activities	$ 416	$
Net cash used in investing activities	(250)	
Net cash used in financing activities	(1,037)	
Net decrease in cash and cash equivalents	$ (871)	$

The decrease increase in cash provided by operating activities of $1.6 million $0.4 million was mainly primarily due to decreased timing of cash payments and also due to increased net income in the current period.

The increase in cash used in investing activities of $0.5 million was due to the purchase of assets related to the management of the Stance ETF and the ongoing CCM Equity Funds transaction in the current period.

The decrease in cash from financing used in investing activities of $38.6 $0.1 million was due to the issuance costs associated with the purchase of assets related to the 2026 Notes management of an ETF that was reorganized into the Hennessy Stance ESG ETF in the prior comparable period.

The increase in cash used in financing activities of $0.01 million was due the increased dollar amount of dividends paid as a result of having more shares outstanding in the current period than in the prior comparable period.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management performed an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on such evaluation, management, including the Company's principal executive officer and principal financial officer, concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting as defined in Rules 13a-15(f) of the Exchange Act that occurred during the fiscal quarter ended June 30, 2023 December 31, 2023, and that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended September 30, 2022, other than disclosed below. September 30, 2023.

The risk factor disclosure in our Annual Report on Form 10-K for the year ended September 30, 2022, set forth under the heading "We utilize unaffiliated sub-advisors to manage the portfolio composition of certain of the Hennessy Funds, and any matters that have an adverse impact on their businesses or any change in our relationships with our sub-advisors could lead to a reduction in assets under management, which would adversely affect our revenues." is replaced in its entirety with the following risk factor:**Item 5.Other Information**

We utilize unaffiliated sub-advisors to manage the portfolio composition of certain of the Hennessy Funds, and any matters that have an adverse impact on their businesses or any change in our relationships with our sub-advisors could lead to a reduction in assets under management, which would adversely affect our revenues.**Rule 10b5-1 Trading Plans**

We utilize unaffiliated sub-advisors to manage During the portfolio composition of somethree months ended December 31, 2023, no director or officer of the Hennessy Funds. Although we perform due diligence on our sub-advisors, we do not manage their day-to-day business activities. Our financial condition and profitability may be adversely affected by situations that are specific to such sub-advisors, such Company adopted or terminated a "Rule 10b5-1 trading arrangement," or "non-Rule 10b5-1 trading arrangement," as disruption each term is defined in Item 408(a) of their operations, their exposure to disciplinary action, or reputational harm to them.

We periodically negotiate the terms and conditions of these sub-advisory relationships, and there can be no assurance that such terms will remain acceptable to us or our sub-advisors. These relationships may also be terminated by us or the applicable sub-advisor without penalty on 60 days' notice. In addition, each sub-advisory agreement must be renewed annually by the Funds' Board of Trustees (or by the vote of a majority of the outstanding shares of the applicable Hennessy Fund), including a majority of the disinterested trustees. Furthermore, a sub-advisory agreement automatically terminates if it is assigned. Assignment is generally defined under the 1940 Act and the Advisers Act to include direct assignments as well as assignments that are deemed to occur due to the change in control of the investment advisor, which includes us or one of the sub-advisors that we have engaged on behalf of certain of the Hennessy Funds. However, a transaction is not an assignment under the 1940 Act or the Advisers Act if it does not result in a change of actual control or management of us or, in the context of a sub-advisor, a change of actual control or management of the sub-advisor.

Upon the occurrence of an assignment due to a change of control of a sub-advisor, but not a change of control of us, we can continue acting as an advisor to the impacted Hennessy Fund, but the shareholders of such Fund would have to approve a new sub-advisory agreement for the sub-advisor. Because obtaining shareholder approval for a new sub-advisor can be costly, both in terms of expense and time, we recently sought and received an exemptive order from the SEC to operate under a manager of managers structure. The manager of managers structure permits us to appoint and replace unaffiliated sub-advisors and to enter into and make material amendments to the related sub-advisory contracts on behalf of the Hennessy Funds without shareholder approval, but subject in each case to the approval of the Funds' Board of Trustees. Under the manager of managers structure, we have ultimate responsibility, subject to oversight by the Funds' Board of Trustees, for overseeing the Hennessy Funds' unaffiliated sub-advisors and recommending their hiring, termination, or replacement. The manager of managers structure cannot be implemented on behalf of a particular Hennessy Fund until the shareholders of such Fund approve its implementation.

As an example, our sub-advisory agreement with VIA, a sub-advisor for the Hennessy Stance ESG ETF, terminated automatically on July 14, 2023, in connection with an acquisition transaction that resulted in a change of control of VIA. As a result of the transaction, VIA ceased to exist and Vident Advisory became the sole Vident enterprise carrying out Vident's business and operations. On the same date, we entered into a new sub-advisory agreement with Vident Advisory pursuant to which Vident Advisory now provides sub-advisory services to the Hennessy Stance ESG ETF. The new sub-advisory agreement was approved by the Funds' Board of Trustees and by vote of the shareholders of the Hennessy Stance ESG ETF. At the same special meeting of shareholders of the Hennessy Stance ESG ETF at which the new sub-advisory agreement with Vident Advisory was approved, the shareholders of the Hennessy Stance ESG ETF also approved the implementation of the manager of managers structure for the Fund. If the manager of managers structure had already been in place for the Hennessy Stance ESG ETF prior to the change of control of VIA, we could have avoided the expense of a special meeting of shareholders. We are evaluating the timing and process for implementing a manager of managers structure for the remaining Hennessy Funds that have sub-advisors.

Any interruption or termination of our sub-advisory relationships, whether due to a change of control or any other circumstance, could affect our ability to market our sub-advised funds and result in a reduction in assets under management, which would adversely affect our revenues. Regulation S-K.

Item 6. Exhibits

Set forth below is a list of all exhibits to this Quarterly Report on Form 10-Q.

10.1	Hennessy Advisors, Inc. 2024 Omnibus Incentive Plan (1)
10.2	Form of Restricted Stock Unit Award Agreement for Employees (2)
10.3	Form of Restricted Stock Unit Award Agreement for Directors and Advisory Committee Members (2)
10.4	First Amendment to Fourth Amended and Restated Employment Agreement, dated as of February 8, 2024, between the registrant and Neil J. Hennessy (2)
10.5	First Amendment to Employment Agreement, dated as of February 8, 2024, between the registrant and Teresa M. Nilsen (2)
31.1	Rule 13a-14a Certification of the Principal Executive Officer.
31.2	Rule 13a-14a Certification of the Principal Financial Officer.
32.1	Written Statement of the Principal Executive Officer, Pursuant to 18 U.S.C. § 1350.
32.2	Written Statement of the Principal Financial Officer, Pursuant to 18 U.S.C. § 1350.
101	Financial statements from the Quarterly Report on Form 10-Q of Hennessy Advisors, Inc. for the quarter ended June 30, 2023 December 31, 2023, filed on August 2, 2023 February 8, 2024, formatted in Inline XBRL: (i) the Condensed Balance Sheets; (ii) the Condensed Statements of Income; (iii) the Condensed Statements of Changes in Stockholders' Equity; (iv) the Condensed Statements of Cash Flows; and (v) the Notes to Unaudited Condensed Financial Statements.
104	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101.

Notes:

(1) Incorporated by reference to Annex A of the Company's definitive proxy statement on Schedule 14A (SEC File No. 001-36423) filed December 13, 2023.

(2) Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

HENNESSY ADVISORS, INC.

Date: August 2, 2023 February 8, 2024

By: /s/ Teresa M. Nilsen

Teresa M. Nilsen

President

Exhibit 10.2

Form of Restricted Stock Unit Award Agreement for Employees

HENNESSY ADVISORS, INC.

2024 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

[Name]

[Address]

[Telephone]: (_____) ______-______

Dear ___________________:

You have been granted an award of restricted stock units of Hennessy Advisors, Inc. (the "Company") under the Hennessy Advisors, Inc. 2024 Omnibus Incentive Plan (the "Plan") and this Restricted Stock Unit Award Agreement (this "Agreement"). Capitalized terms used herein and not defined have the meaning given to them in the Plan.

Grant Date:	_______________, 20__
Number of Restricted Stock Units:	______________ (_______) Units
Vesting Schedule:	Your Restricted Stock Units shall vest as follows: ● Twenty-five percent (25%) of your Restricted Stock Units will vest on each of the first four anniversaries of the Grant Date, provided you are employed by the Company or an Affiliate on the applicable vesting date. ● If your employment terminates as a result of death, Disability or Retirement at a time when the Company could not terminate you for Cause, any unvested Restricted Stock Units will become fully vested on such date of termination. ● Upon any other termination of employment prior to the date the Restricted Stock Units are vested, the Restricted Stock Units will be immediately forfeited.
Settlement:	As soon as practicable (and in no event more than 30 days) after your Restricted Stock Units vest, the Company will deliver to you a whole number of Shares equal to the number of Restricted Stock Units that have vested.
Transferability of Shares:	By accepting this Agreement, you agree not to sell any Shares acquired under this Agreement at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale.
Rights as Shareholder:	You will not be deemed for any purposes to be a shareholder of the Company with respect to any of the Restricted Stock Units unless and until Shares are issued therefor upon vesting of the units.

Transferability of Award:	You may not transfer or assign this Agreement for any reason, other than under your will or as required by intestate laws. Any attempted transfer or assignment will be null and void.
Change of Control:	Upon a Change of Control, all Restricted Stock Units shall become vested in full provided you are an employee of the Company or an Affiliate on the date of such Change of Control. The remaining terms of the Agreement shall remain in effect without change.
Tax Withholding:	To the extent that the vesting of, or other event with respect to, the Restricted Stock Units results in income to you for Federal, state, or local income tax purposes, or the Company or an Affiliate is otherwise required to withhold taxes with respect to the Restricted Stock Units, you shall deliver to the Company at the time the Company is obligated to withhold taxes such amount as the Company requires to meet its withholding obligation, and if you fail to do so, the Company has the right and authority to deduct or withhold from other compensation payable to you an amount sufficient to satisfy its withholding obligations. You may satisfy the withholding requirement, in whole or in part, by electing to have the Company withhold for its own account that number of Shares otherwise deliverable to you upon vesting or settlement having an aggregate Fair Market Value on the date the tax is to be determined equal to the taxes to be withheld in connection with the vesting or settlement of the Restricted Stock Units; provided that the amount to be withheld may not exceed the maximum statutory Federal, state, and local tax withholding obligations associated with the transaction to the extent needed for the Company to avoid an accounting charge. Your election must be irrevocable, in writing, and submitted to the Secretary of the Company before the applicable vesting or settlement date. The Fair Market Value of any fractional Share not used to satisfy the withholding obligation (as determined on the date the tax is determined) will be paid to you in cash.
Recoupment; Rescission of Exercise:	If the Company determines that recoupment of incentive compensation paid to or otherwise received by you pursuant to your Restricted Stock Units is required under any law or any recoupment policy of the Company, then your Restricted Stock Units will terminate immediately on the date of such determination to the extent required by such law or recoupment policy, any prior vesting of such Restricted Stock Units may be deemed to be rescinded and the Company may recoup any such incentive compensation in accordance with such recoupment policy or as required by law. The Company shall have the right to offset against any amounts due from the Company to you the amount owed by you hereunder and any withholding amount tendered by you with respect to any such incentive compensation. In addition, if (i) the Company or an Affiliate terminates you for Cause, (ii) you terminate your employment or service at a time when you could be terminated for Cause, or (iii) your termination is not for Cause, but the Administrator later determines that you could have been terminated for Cause if all of the facts had been known at the time of termination of employment or service, then any Restricted Stock Units that became vested during the period beginning six months prior to such termination and ending on the date of your termination may be rescinded by the Company within two years of such termination of employment or service by written notice to you at your last address on file with the Company. In the event of any such rescission, you shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded Restricted Stock Units in such manner and on such terms and conditions as may be required, and the Company shall be entitled to offset against any amounts due from the Company to you the amount owed by you hereunder and any withholding amount tendered by you with respect to such Restricted Stock Units.

Miscellaneous:	● The existence of this Agreement shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred, or prior preference stock senior to or affecting the common stock of the Company or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business or any other corporate act or proceeding, whether of a similar character or otherwise. ● As a condition of the granting of the Restricted Stock Units, you agree, for yourself and your legal representatives or guardians, that this Agreement shall be interpreted by the Administrator and that any interpretation by the Administrator of the terms of this Agreement and any determination made by the Administrator pursuant to this Agreement shall be final, binding and conclusive. ● This Agreement may be amended only by written consent signed by both you and the Company, unless the amendment is not to your detriment. Notwithstanding the foregoing, this Agreement may be amended without your consent in accordance with the provisions of the Plan. ● This Agreement may be executed in counterparts.

This Agreement is granted under and governed by the terms and conditions of the Plan. Additional provisions regarding this Agreement can be found in the Plan.

[The remainder of this page is intentionally left blank.]

By signing below and accepting this Restricted Stock Unit Award Agreement, you agree to all of the terms and conditions described herein and in the Plan. You also acknowledge receipt of the Plan and the Prospectus describing the Plan.

______________________________	______________________________
Authorized Officer	Recipient

Exhibit 10.3

Form of Restricted Stock Unit Award Agreement for

Directors and Advisory Committee Members

HENNESSY ADVISORS, INC.

2024 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

[Name]

[Address]

[Telephone]: (____) ______-______

Dear ___________________:

You have been granted an award of restricted stock units of Hennessy Advisors, Inc. (the "Company") under the Hennessy Advisors, Inc. 2024 Omnibus Incentive Plan (the "Plan") and this Restricted Stock Unit Award Agreement (this "Agreement"). Capitalized terms used herein and not defined have the meaning given to them in the Plan.

Grant Date:	_________________, 20__
Number of Restricted Stock Units:	____________________ (_________) Units
Vesting Schedule:	Your Restricted Stock Units shall vest as follows: ● Twenty-five percent (25%) of your Restricted Stock Units will vest on each of the first four anniversaries of the Grant Date, provided you remain in service with the Company until the applicable vesting date. ● If your service with the Company terminates as a result of death, Disability, or Retirement, any unvested Restricted Stock Units will become fully vested on such date of termination. ● Upon any other termination of service with the Company prior to the date the Restricted Stock Units are vested, the Restricted Stock Units will be immediately forfeited.

Settlement:	As soon as practicable (and in no event more than 30 days) after your Restricted Stock Units vest, the Company will deliver to you a whole number of Shares equal to the number of Restricted Stock Units that have vested.
Transferability of Shares:	By accepting this Agreement, you agree not to sell any Shares acquired under this Agreement at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale.

Rights as Shareholder:	You will not be deemed for any purposes to be a shareholder of the Company with respect to any of the Restricted Stock Units unless and until Shares are issued therefor upon vesting of the units.
Transferability of Award:	You may not transfer or assign this Agreement for any reason, other than under your will or as required by intestate laws. Any attempted transfer or assignment will be null and void.
Change of Control:	Upon a Change of Control, all Restricted Stock Units shall become vested in full provided you remain in service with the Company until the date of such Change of Control. The remaining terms of the Agreement shall remain in effect without change.
Tax Withholding:	To the extent that the Company or an Affiliate is required to withhold taxes with respect to the Restricted Stock Units, you shall deliver to the Company at the time the Company is obligated to withhold taxes such amount as the Company requires to meet its withholding obligation, and if you fail to do so, the Company has the right and authority to deduct or withhold from other compensation payable to you an amount sufficient to satisfy its withholding obligations. You may satisfy the withholding requirement, in whole or in part, by electing to have the Company withhold for its own account that number of Shares otherwise deliverable to you upon vesting or settlement having an aggregate Fair Market Value on the date the tax is to be determined equal to the taxes to be withheld in connection with the vesting or settlement of the Restricted Stock Units; provided that the amount to be withheld may not exceed the maximum statutory Federal, state, and local tax withholding obligations associated with the transaction to the extent needed for the Company to avoid an accounting charge. Your election must be irrevocable, in writing, and submitted to the Secretary of the Company before the applicable vesting or settlement date. The Fair Market Value of any fractional Share not used to satisfy the withholding obligation (as determined on the date the tax is determined) will be paid to you in cash.
Recoupment; Rescission of Exercise:	If the Company determines that recoupment of incentive compensation paid to or otherwise received by you pursuant to your Restricted Stock Units is required under any law or any recoupment policy of the Company, then your Restricted Stock Units will terminate immediately on the date of such determination to the extent required by such law or recoupment policy, any prior vesting of such Restricted Stock Units may be deemed to be rescinded and the Company may recoup any such incentive compensation in accordance with such recoupment policy or as required by law. The Company shall have the right to offset against any amounts due from the Company to you the amount owed by you hereunder and any withholding amount tendered by you with respect to any such incentive compensation.
Miscellaneous:	● The existence of this Agreement shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred, or prior preference stock senior to or affecting the common stock of the Company or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business or any other corporate act or proceeding, whether of a similar character or otherwise. ● As a condition of the granting of the Restricted Stock Units, you agree, for yourself and your legal representatives or guardians, that this Agreement shall be interpreted by the Administrator and that any interpretation by the Administrator of the terms of this Agreement and any determination made by the Administrator pursuant to this Agreement shall be final, binding, and conclusive. ● This Agreement may be amended only by written consent signed by both you and the Company, unless the amendment is not to your detriment. Notwithstanding the foregoing, this Agreement may be amended without your consent in accordance with the provisions of the Plan. ● This Agreement may be executed in counterparts.

This Agreement is granted under and governed by the terms and conditions of the Plan. Additional provisions regarding this Agreement can be found in the Plan.

[The remainder of this page is intentionally left blank.]

3

By signing below and accepting this Restricted Stock Unit Award Agreement, you agree to all of the terms and conditions described herein and in the Plan. You also acknowledge receipt of the Plan and the Prospectus describing the Plan.

Authorized Officer	Recipient

4

Exhibit 10.4

FIRST AMENDMENT

TO

FOURTH AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Amendment"), effective as of February 8, 2024, is made by and between Hennessy Advisors, Inc. (the "Company") and Neil J. Hennessy (the "Employee").

RECITALS

WHEREAS, the Company and the Employee previously entered into a Fourth Amended and Restated Employment Agreement, dated as of February 22, 2019 (the "Agreement"); and

WHEREAS, the parties now desire to amend the Agreement as provided for herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. The last sentence in Section 3(b)(i) of the Agreement is hereby replaced its entirety with the following: "The Quarterly Bonus shall be paid under, and subject to the terms and conditions of, the Hennessy Advisors, Inc. 2024 Omnibus Incentive Plan or any successor plan thereto, as long as any such plan remains in effect."

2. Except as herein modified or amended, the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

3. This Amendment may be executed by facsimile or electronic signature, and a facsimile or electronic signature shall constitute an original for all purposes.

* * * * *

IN WITNESS WHEREOF, each party has caused this Amendment to be duly executed as of the date first written above.

COMPANY:

HENNESSY ADVISORS, INC.

By: /s/ Daniel B. Steadman

Daniel B. Steadman

Executive Vice President

EMPLOYEE:

/s/ Neil J. Hennessy

Neil J. Hennessy

Exhibit 10.5

FIRST AMENDMENT

TO

EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment"), effective as of February 8, 2024, is made by and between Hennessy Advisors, Inc. (the "Company") and Teresa M. Nilsen (the "Employee").

RECITALS

WHEREAS, the Company and the Employee previously entered into an Employment Agreement, dated as of January 26, 2018 (the "Agreement"); and

WHEREAS, the parties now desire to amend the Agreement as provided for herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. The last sentence in Section 3(b)(i) of the Agreement is hereby replaced its entirety with the following: "The Quarterly Bonus shall be paid under, and subject to the terms and conditions of, the Hennessy Advisors, Inc. 2024 Omnibus Incentive Plan or any successor plan thereto, as long as any such plan remains in effect."

2. Except as herein modified or amended, the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

3. This Amendment may be executed by facsimile or electronic signature, and a facsimile or electronic signature shall constitute an original for all purposes.

* * * * *

IN WITNESS WHEREOF, each party has caused this Amendment to be duly executed as of the date first written above.

COMPANY:

HENNESSY ADVISORS, INC.

By: /s/ Daniel B. Steadman

Daniel B. Steadman

Executive Vice President

EMPLOYEE:

/s/ Teresa M. Nilsen

Teresa M. Nilsen

Exhibit 31.1

Rule 13a – 14a Certification of the Principal Executive Officer

I, Teresa M. Nilsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hennessy Advisors, 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(s) 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(s) 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.

/s/ Teresa M. Nilsen

Teresa M. Nilsen, President
Hennessy Advisors, Inc.

Date: August 2, 2023 February 8, 2024

Exhibit 31.2

Rule 13a – 14a Certification of the Principal Financial Officer

I, Kathryn R. Fahy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hennessy Advisors, 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(s) 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(s) 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.

/s/ Kathryn R. Fahy

Kathryn R. Fahy, Chief Financial Officer
Hennessy Advisors, Inc.

Date: August 2, 2023 February 8, 2024

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Exhibit 32.1

Written Statement of the Principal Executive Officer

Pursuant to 18 U.S.C. § 1350

Solely for the purposes of complying with 18 U.S.C. § 1350, I, the undersigned President of Hennessy Advisors, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, December 31, 2023 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Teresa M. Nilsen

Teresa M. Nilsen, President

Hennessy Advisors, Inc.

Date: August 2, 2023 February 8, 2024

Exhibit 32.2

Written Statement of the Principal Financial Officer

Pursuant to 18 U.S.C. § 1350

Solely for the purposes of complying with 18 U.S.C. § 1350, I, the undersigned Chief Financial Officer of Hennessy Advisors, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, December 31, 2023 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kathryn R. Fahy

Kathryn R. Fahy, Chief Financial Officer
Hennessy Advisors, Inc.

Date: August 2, 2023 February 8, 2024

DISCLAIMER