Risk Factors Comparison 2024-02-29 to 2023-03-02 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Investing in our securities involves a number of significant risks. You should carefully consider these risk factors, together with all of the other information included in this Annual Report and other reports and documents filed by us with the SEC. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment. SUMMARY OF RISK FACTORS The following is a summary of the principal risks that you should carefully consider before investing in our securities. These and other risk factors are described more fully in this " Item 1A. Risk Factors. " Risks Relating to Our Business and Structure • We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses. We may have potential conflicts of interest related to obligations that our investment advisor may have to other clients. We may have conflicts related to other arrangements with our investment advisor. The Funds are licensed by the SBA, and, therefore, are subject to SBA regulations. SBA regulations limit the amount of SBA- guaranteed debt that may be borrowed by an SBIC. ~~Changes relating to the~~ **The alterative reference rates that have replaced** LIBOR ~~calculation process may adversely affect~~ **in our credit arrangements and** ~~the~~ **other** ~~value of~~ **financial instruments may not yield the same** ~~our~~ **or** ~~portfolio of~~ **similar economic results as** LIBOR **over the life of such transactions** ~~- indexed, floating- rate debt securities~~. Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability. We are currently operating in a period of capital markets disruption and economic uncertainty. We may not be able to pay you distributions, our distributions may not grow over time, a portion of distributions paid to you may be a return of capital, and investors in our debt securities may not receive all of the interest income to which they are entitled. We may choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive. Due to current market conditions, we may reduce or defer our dividends and choose to incur U. S. federal excise tax in order preserve cash and maintain flexibility. Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively. Public health threats may impact the businesses in which we invest and affect our business, operating results and financial condition. Risks Relating to Our Investments Economic recessions or downturns could impair our portfolio companies and harm our operating results. Our investments in portfolio companies may be risky, and we could lose all or part of our investment. The lack of liquidity in our investments may adversely affect our business. We may not have the funds to make additional investments in our portfolio companies that could impair the value of our portfolio. Defaults by our portfolio companies will harm our operating results. We are a non- diversified investment company within the meaning of the 1940 Act; therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer. Risks Relating to Our Common Stock Shares of closed- end investment companies, including business development companies, frequently trade at a discount to their net asset value. If, in the future, we sell common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material. Our net asset value may have changed significantly since our last valuation. The market price of our securities may fluctuate significantly. Sales of substantial amounts of our common stock may have an adverse effect on the market price of our common stock. We are dependent upon our investment advisor' s managing members and our executive officers for our future success. If our investment advisor was to lose any of its managing members or we lose any of our executive officers, our ability to achieve our investment objective could be significantly harmed. We depend on the investment expertise, skill and network of business contacts of the managing members of our investment advisor, who evaluate, negotiate, structure, execute and monitor our investments. Our future success will depend to a significant extent on the continued service and coordination of the investment professionals of our investment advisor and executive officers. Certain investment professionals and executives may not devote all of their business time to our operations and may have other demands on their time as a result of other activities. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective. Our business model depends, to a significant extent, upon strong referral relationships with financial institutions, sponsors and investment professionals. Any inability of our investment advisor to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business. We depend upon the investment professionals of our investment advisor to maintain their relationships with financial institutions, sponsors and other investment professionals, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the investment professionals of our investment advisor fail to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the investment professionals of our investment advisor have relationships are not obligated to provide us with investment opportunities, and, therefore, we can offer no assurance that these relationships will generate investment opportunities for us in the future. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition and results of operations. Our ability to achieve our investment objective and grow depends on our ability to manage our business and deploy our capital effectively. This depends, in turn, on our investment advisor' s ability to identify, evaluate and monitor companies that meet our investment criteria. Accomplishing our investment objectives on a cost- effective basis depends upon our investment advisor' s execution of our investment process, its ability to provide competent, attentive and efficient services to us and, to a lesser extent, our ability to access financing on acceptable terms. Our investment advisor has substantial responsibilities under the Investment Advisory Agreement. In addition, our investment advisor' s investment professionals may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them or slow our rate of investment. We may suffer credit losses and our investments could be rated below investment grade. Private debt in the form of second lien, subordinated, and first lien loans (senior secured or unitranche loans) to corporate and asset- based borrowers is highly speculative and involves a high degree of risk of credit loss, and therefore an investment in our shares of common stock may not be suitable for someone with a low tolerance for risk. These risks are likely to increase during an economic downturn or recession. In addition, investments in our portfolio typically are not rated by any rating agency. We believe that if such investments were rated, the vast majority would be rated below investment grade (which is sometimes referred to as " junk ") due to speculative characteristics of the issuer' s capacity to pay interest and repay principal. Our investments may result in an amount of risk, volatility or potential loss of principal that is greater than that of alternative investments. Because we borrow money and may in the future issue additional senior securities, including preferred stock and debt securities, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us. Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in us. The Funds borrow from and issue debt securities to the SBA, and we may borrow from banks and other lenders in the future. The SBA has fixed dollar claims on the Funds' assets that are superior to the claims of our stockholders. We may also borrow from banks and other lenders or issue additional senior securities including preferred stock and debt securities in the future. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not used leverage. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distributions to our stockholders. Leverage is generally considered a speculative investment technique. Our ability to achieve our investment objectives may depend in part on our ability to achieve additional leverage on favorable terms by borrowing from the SBA, banks or other lenders, and there can be no assurance that such additional leverage can in fact be achieved. As a BDC, we are generally required to meet a coverage ratio at least equal to 150 ~~. 0~~ % of total assets to total borrowings and other senior securities, which include all of our borrowings (other than the Funds' SBA leverage under the terms of SEC exemptive relief) and any preferred stock we may issue in the future. If this ratio declines below 150 ~~. 0~~ %, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions to our stockholders. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below. Assumed Return on Our Portfolio (Net of Expenses) (10. 0) % (5. 0) % 0. 0 % 5. 0 % 10. 0 % Corresponding return to common stockholder (1) (~~23~~ **22** . 0) % (~~13~~ **12** . ~~3~~ **8**) % (3. 5) % ~~6~~ **5** . ~~2~~ **7** % ~~16~~ **15** . 0 % (1) Assumes $ ~~935~~ **1** , ~~960~~ **090, 898** in total assets, $ ~~153~~ **210** , 000 in outstanding SBA debentures, no borrowings under the Credit Facility (as defined below), $ ~~16~~ **15** , 880 in Secured Borrowings, $ 250, 000 outstanding of our unsecured notes, $ ~~480~~ **589** , ~~343~~ **474** in net assets as of December 31, ~~2022~~ **2023** , and an average cost of funds of 4. ~~037~~ **346** %. Effective April 29, 2020, our asset coverage requirement was reduced from 200 % to 150 %, which could increase the risk of investing in the Company. The 1940 Act generally prohibits the Company from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200 % (i. e., the amount of debt may not exceed 50 % of the value of our assets) **or** ~~. However, in March 2018, the Small Business Credit Availability Act (" the " SBCA ") modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200 % to an asset coverage ratio of~~ 150 % ~~,~~ if certain requirements under the 1940 Act are met. On April 29, 2019, our Board, including a majority of the **independent** ~~non- interested~~ directors, approved a minimum asset coverage ratio of 150 % as set forth in Section 61 (a) (2) of the 1940 Act. As a result, we are subject to the 150 % asset coverage ratio, effective as of April 29, 2020. We are required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage. Leverage is generally considered a speculative investment technique and increases the risk of investing in our securities. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, our stockholders will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the NAV attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause NAV to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments, or other payments related to our securities. Increased leverage may also cause a downgrade of our credit rating. Leverage is generally considered a speculative investment technique. All of our portfolio investments are recorded at fair value as determined in good faith by our board of directors, and, as a result, there is uncertainty as to the value of our portfolio investments and the valuation process for certain of our portfolio holdings creates a conflict of interest. All of our portfolio investments take the form of debt and equity securities that are not publicly- traded. The debt and equity securities in which we invest for which market quotations are not readily available are valued at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: • a comparison of the portfolio company' s securities to comparable publicly- traded securities; • the enterprise value of a portfolio company; • the nature and realizable value of any collateral; • the portfolio company' s ability to make payments and its earnings and discounted cash flow; • the markets in which the portfolio company does business; and • changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. The fair value of each investment in our portfolio is determined quarterly by our board of directors. Any changes in fair value of portfolio securities from the prior period are recorded in our consolidated statement of operations as net change in unrealized appreciation or depreciation. In connection with that determination, investment professionals from our investment advisor prepare portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, certain members of our board of directors have a pecuniary interest in our investment advisor. The participation of our investment advisor' s investment professionals in our valuation process, and the pecuniary interest in our investment advisor by certain members of our board of directors, may result in a conflict of interest as the management fees that we pay our investment advisor are based on our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts). Our board of directors engages one or more independent third- party valuation firm (s) to conduct independent appraisals of a selection of our portfolio investments for which market quotations are not readily available. Each portfolio company investment is generally appraised by the valuation firm (s) at least once every calendar year and each new portfolio company investment is appraised at least once in the twelve- month period following the initial investment. In certain instances, we may determine that it is not cost- effective, and as a result it is not in our stockholders' best interest, to request the independent appraisal of certain portfolio company investments. Such instances include, but are not limited to, situations where we determine that the fair value of the portfolio company investment is relatively insignificant to the fair value of the total portfolio. Our board of directors consulted with the independent valuation firm (s) in arriving at our determination of fair value for **18 and** 16 ~~and 17~~ of our portfolio company investments representing 29. **9 % and 29.** 5 ~~% and 21. 8~~ % of the total portfolio investments at fair value (exclusive of new portfolio company investments made during the three months ended December 31, **2023 and** 2022 ~~and 2021~~, respectively) as of December 31, **2023 and** 2022 ~~and 2021~~, respectively. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market ~~value~~ **quotation** , the fair value of our investments may differ significantly from the values that would have been used had a readily available market ~~value~~ **quotation** existed for such investments, and the differences could be material. Declines in prices and liquidity in the corporate debt markets may also result in significant net unrealized depreciation in our debt portfolio. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such investments. A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, other BDCs **, SBICs** , commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience a decrease in net investment income or an increase in risk of capital loss. A significant part of our competitive advantage stems from the fact that the lower middle- market is underserved by traditional commercial and investment banks, and generally has less access to capital. A significant increase in the number and / or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source- of- income, asset diversification and distribution requirements we must satisfy to maintain our RIC tax treatment. The competitive pressures we face may have a material adverse effect on our business, financial condition and results of operations. As a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective. Our management and incentive fee structure may create incentives for our investment advisor that are not fully aligned with the interests of our stockholders and may encourage our investment advisor to make speculative investments. The management and incentive fees paid to our investment advisor are based on our total assets (other than cash or cash equivalents but including assets purchased with borrowed amounts), and our investor advisor may therefore benefit when we incur debt or use leverage. This fee structure may encourage our investment advisor to cause us to borrow money to finance additional investments. Under certain circumstances, the use of borrowed money may increase the likelihood of default, which would disfavor our stockholders. Our board of directors is charged with protecting our interests by monitoring how our investment advisor addresses these and other conflicts of interests. Our board of directors is not expected to review or approve each borrowing or incurrence of leverage. However, our board of directors periodically reviews our investment advisor' s portfolio management decisions and portfolio performance. In addition, our board of directors at least annually reviews the services provided by and fees paid to our investment advisor. In connection with these reviews, our board of directors, including a majority of our Independent Directors, considers whether the fees and expenses (including those related to leverage) that we pay to our investment advisor are fair and reasonable in relation to the services provided and must approve renewal of our Advisory Agreement. The part of the incentive fee payable to our investment advisor that relates to our net investment income is computed and paid on income that includes interest income that has been accrued but not yet received in cash. This fee structure may encourage our investment advisor to favor debt financings that provide for deferred interest (PIK interest), rather than current cash payments of interest. Our investment advisor may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because our investment advisor is not obligated to reimburse us for any incentive fees received even if we subsequently incur losses or never receive in cash the deferred interest that was previously accrued. The incentive fee is based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our investment advisor may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. We may be obligated to pay our investment advisor incentive compensation even if we incur a loss and may pay more than 20 ~~.0~~% of our net capital gains because we cannot recover payments made in previous years. Our investment advisor will be entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our pre- incentive fee net investment income for that quarter above a threshold return for that quarter. Our pre- incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our consolidated statement of operations for that quarter. Thus, we may be required to pay our investment advisor incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter. Further, if we pay an incentive fee of 20 ~~.0~~% of our realized capital gains (net of all realized capital losses and unrealized capital depreciation on a cumulative basis) and thereafter experience additional realized capital losses or unrealized capital depreciation, we will not be able to recover any portion of the incentive fee previously paid. A general increase in interest rates will likely have the effect of making it easier for the investment advisor to receive incentive fees, without necessarily resulting in an increase in our net earnings. We are currently in a rising interest rate environment. Given the structure of the Investment Advisory Agreement, any general increase in interest rates can be expected to lead to higher interest rates applicable to our debt investments and will likely have the effect of making it easier for the investment advisor to meet the quarterly hurdle rate for payment of income incentive fees under the Investment Advisory Agreement without any additional increase in relative performance on the part of the investment advisor. This may occur without a corresponding increase in distributions to our stockholders. In addition, in view of the catch- up provision applicable to income incentive fees under the Investment Advisory Agreement, the investment advisor could potentially receive a significant portion of the increase in our investment income attributable to such a general increase in interest rates. If that were to occur, our increase in net earnings, if any, would likely be significantly smaller than the relative increase in the investment advisor' s income incentive fee resulting from such a general increase in interest rates. Currently, the Company, the Funds, Fidus Credit Opportunities, L. P., Fidus Equity Opportunities Fund, L. P., and Fidus Equity Fund I, L. P. are the only investment vehicles managed by our investment advisor. The Investment Advisory Agreement does not limit our investment advisor' s ability to act as an investment advisor to other funds, including other BDCs, or other investment advisory clients. To the extent our investment advisor acts as an investment advisor to other funds or clients, including Fidus Credit Opportunities, L. P., Fidus Equity Opportunities Fund, L. P., and Fidus Equity Fund I, L. P., we may have conflicts of interest with our investment advisor or its other clients that elect to invest in similar types of securities as those in which we invest. Members of our investment advisor' s investment committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by our investment advisor. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. Our investment advisor will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with an allocation policy approved by our board of directors. To the extent our investment advisor forms affiliates, including Fidus Credit Opportunities, L. P., Fidus Equity Opportunities Fund, L. P., and Fidus Equity Fund I, L. P., we may co- invest on a concurrent basis with such affiliates, subject to compliance with applicable regulations and regulatory guidance and our allocation procedures. While we may co- invest with investment entities managed by our investment advisor or its affiliates, to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co- investment. On January 4, 2017, the SEC granted us an exemptive order that expands our ability to co- invest in portfolio companies with certain of our affiliates managed by our investment advisor in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the " Order "). Pursuant to the Order, we are permitted to co- invest with our affiliates if a " required majority " (as defined in Section 57 (o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co- investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching by us or our stockholders on the part of any person concerned, and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. We intend to co- invest, subject to the conditions included in the Order. However, neither we nor our affiliated funds are obligated to invest or co- invest when investment opportunities are referred to us or them. Our investment advisor or its investment committee may, from time to time, possess material non- public information, limiting our investment discretion. The investment professionals of our investment advisor may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material non- public information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us. We entered into a license agreement with Fidus Partners, LLC under which Fidus Partners, LLC granted us a non- exclusive (provided that there is not a change in control of Fidus Partners, LLC), royalty- free license to use the name “ Fidus. ” Some of the members of our investment advisor’ s investment committee and the senior origination professionals of our investment advisor are members of Fidus Partners, LLC. See Item 1. “ Business — Management and Other Agreements — License Agreement. ” In addition, we rent office space from our investment advisor and pay to our investment advisor our allocable portion of overhead and other expenses incurred in performing its obligations under the Administration Agreement, such as our allocable portion of the cost of our chief financial officer and chief compliance officer. This creates conflicts of interest that our board of directors must monitor. The Funds are licensed to operate as SBICs and are regulated by the SBA. Under current SBA regulations, a licensed SBIC can provide capital to eligible" small businesses" that have a tangible net worth not exceeding $ 24. 0 million and an average annual net income after U. S. federal income taxes not exceeding $ 8. 0 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 25 ~~. 0~~ % of its investment capital to" smaller enterprises" that have a tangible net worth not exceeding $ 6. 0 million and an average annual net income after U. S. federal income taxes not exceeding $ 2. 0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on either the number of employees or the gross sales of the business. The SBA regulations permit licensed SBICs to make long term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in certain prohibited industries. Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA staff to determine its compliance with the relevant SBA regulations. Compliance with these SBA requirements may cause the Funds to forego attractive investment opportunities that are not permitted under the SBA regulations, and may cause the Funds to make investments they otherwise would not make in order to remain in compliance with these regulations. Failure to comply with the SBA regulations could result in the loss of the SBIC licenses and the resulting inability to participate in the SBA debenture program. The SBA prohibits, without prior SBA approval, a “ change of control ” of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10 ~~. 0~~ % or more of a class of capital stock of a licensed SBIC. Current SBA regulations provide the SBA with certain rights and remedies if an SBIC violates their terms. A key regulatory metric for SBA is the extent of “ Capital Impairment, ” which is the extent of realized (and, in certain circumstances, net unrealized) losses compared with the SBIC’ s private capital commitments. Interest payments, management fees, organization and other expenses are included in determining “ realized losses. ” SBA regulations preclude the full amount of “ unrealized appreciation ” from portfolio companies from being considered when calculating Capital Impairment in certain circumstances. Remedies for regulatory violations are graduated in severity depending on the seriousness of Capital Impairment or other regulatory violations. For minor regulatory infractions, the SBA issues a warning. For more serious infractions, the use of SBA debentures may be limited or prohibited, outstanding debentures can be declared to be immediately due and payable, restrictions on distributions and making new investments may be imposed and management fees may be required to be reduced. In severe cases, the SBA may require the removal of a general partner of an SBIC or its officers, directors, managers or partners, or the SBA may obtain appointment of a receiver for the SBIC. The SBA regulations currently limit the amount that is available to be borrowed by any SBIC and guaranteed by the SBA to 300. 0 % of an SBIC’ s regulatory capital or $ 175. 0 million, whichever is less. For two or more SBICs under common control, the maximum amount of outstanding SBA debentures cannot exceed $ 350. 0 million. If the Funds borrow the maximum amount from the SBA and thereafter require additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms. Moreover, the Funds’ current status as SBICs does not automatically assure that they will continue to receive funding through the SBA debenture program. Receipt of SBA debenture funding is dependent upon the Funds’ continuing compliance with SBA regulations and policies and there being funding available. The amount of SBA debenture funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient SBA debenture funding available at the times desired by the Funds. The debentures issued by the Funds and guaranteed by the SBA have a maturity of ten years and bear interest semi- annually at fixed rates. Certain of the Funds’ SBA debentures begin to mature in ~~2025~~ **2026** and will require repayment on or before the respective maturity dates. The Funds will need to generate sufficient cash flow to make required debt payments on such debentures. If the Funds are unable to generate such cash flow, the SBA, as guarantor of the debentures, will have a superior claim to our assets over our stockholders in the event the Funds liquidate or the SBA exercises its remedies under such debentures as the result of a default by the Funds. The Funds, as SBICs, are limited in their ability to make distributions to us, which could result in us being unable to meet the minimum distribution requirements to maintain our status as a RIC. In order to maintain our tax treatment as a RIC, we are required to timely distribute to our stockholders on an annual basis 90 % of our net ordinary income and net short- term capital gains in excess of net long- term capital losses. For this purpose, our taxable income will include the income of the Funds (and any other entities that are disregarded as separate from us for U. S. federal income tax purposes). The Funds’ ability to make distributions to us may be limited by the Small Business Investment Act of 1958. As a result, in order to maintain our tax treatment as a RIC, we may be required to make distributions attributable to the Funds’ income without receiving any corresponding cash distributions with respect to such income. We can make no assurances that the Funds will be able to make, or not be limited in making, distributions to us. If we are unable to satisfy the annual distribution requirements, we may fail to maintain our tax treatment as a RIC, which would result in the imposition of corporate- level U. S. federal income tax on our entire taxable income without regard to any distributions made by us. See “ We will be subject to U. S. federal income tax at corporate rates if we are unable to maintain our tax treatment as a RIC under Subchapter M of the Code. ” Changes in interest rates will affect our cost of capital and net investment income. In response to market indicators showing a rise in inflation, since March 2022, the Federal Reserve has been rapidly increasing interest rates and has indicated that it ~~would~~ **may** consider additional rate hikes in response to ongoing inflation concerns. Some of our debt investments bear interest at fixed rates and the value of these investments could be negatively affected by increases in market interest rates. In addition, to the extent that we borrow additional funds to make investments, an increase in interest rates would make it more expensive for us to use debt to finance our investments and adversely affect our performance if such increases cause our borrowing costs to rise at a rate in excess of the rate that our investments yield. As a result, a significant increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which would reduce our net investment income. **Rising borrowing costs may contribute to the difficulty of companies in servicing their debt obligations and may lead to increases in default rates. Certain changes in interest rates could have a material adverse effect on the Company and its investments. Moreover, changes in interest rates could have a material negative impact on the financial condition of borrowers, the valuations for loans, the unanticipated repayments of loans, and pressure to renegotiate terms on existing loans.** Also, an increase in interest rates available to investors could make an investment in shares of our common stock less attractive if we are not able to increase our distribution rate, which could reduce the value of our common stock. It is possible that the Federal Reserve' s tightening cycle also could result in a recession in the United States. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay the debt investments, resulting in the need to redeploy capital at potentially lower rates. Inflation may adversely affect the business, results of operations and financial condition of our portfolio companies, which may, in turn, impact the valuation of such portfolio companies. Certain of our portfolio companies may be impacted by inflation, which may, in turn, impact the valuation of such portfolio companies. If such portfolio companies are unable to pass any increases in their costs along to their customers, it could adversely affect their results and their ability to pay interest and principal on our loans, particularly if interest rates rise in response to inflation. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future unrealized losses and therefore reduce our net assets resulting from operations. ~~Changes relating to the discontinuation of~~ **The alternative reference rates that have replaced** LIBOR ~~may adversely affect~~ **in our credit arrangements and** ~~the~~ **other** ~~value of~~ **financial instruments may not yield the same** ~~our~~ - **or** ~~portfolio of~~ **similar economic results as** LIBOR ~~- indexed, floating-~~ **over the life of such transaction. The London Interbank Offered** ~~rate~~ **Rate ("** ~~debt securities.~~ LIBOR **")** is an index rate that historically **was** ~~has been~~ widely used in lending transactions and ~~remains~~ **was** a common reference rate for setting the floating interest rate on private loans. LIBOR **was** typically ~~has been~~ the reference rate used in floating- rate loans extended to our portfolio companies ~~and, to some degree,~~ **. The ICE Benchmark Administration (" IBA ") (the entity that** is ~~expected to continue to be used as a reference rate until such time that private markets have fully transitioned to~~ **responsible for calculating LIBOR) ceased providing overnight, one, three, six and twelve months USD LIBOR tenors on June 30, 2023. In addition, the United Kingdom' s Financial Conduct Authority (" FCA "), which oversees the IBA, now prohibits entities supervised by the FCA from** using **LIBORs, including USD LIBOR, except in very limited circumstances. In the United States,** the Secured Overnight Financing Rate (" SOFR ") ~~, or other alternative reference rates recommended by applicable market regulators. Uncertainty relating to the LIBOR calculation process, the valuation of LIBOR alternatives, and other economic consequences from the phasing out of LIBOR may adversely affect our results of operations, financial condition and liquidity. On March 5, 2021, the United Kingdom' s Financial Conduct Authority (the" FCA"), which regulates LIBOR, announced that the ICE Benchmark Administration (" IBA ") (the entity regulated by the FCA that~~ is ~~responsible for calculating LIBOR) had notified the FCA of its intent, among other~~ -- **the** ~~things, to cease providing overnight, 1, 3, 6 and 12 months USD LIBOR tenors after June 30, 2023 and all other tenors after December 31, 2021. On November 16, 2021, the FCA issued a statement confirming that starting January 1, 2022, entities supervised by the FCA will be prohibited from using LIBORs, including USD LIBOR, that will be discontinued as of December 31, 2021 as well as, except in very limited circumstances, those tenors of USD LIBOR that will be discontinued or declared non- representative after June 30, 2023. While LIBOR will cease to exist or be declared non- representative, there continues to be uncertainty regarding the nature of potential changes to specific USD LIBOR tenors, the development and acceptance of alternative reference rates and other reforms. Central banks and regulators in a number of major jurisdictions (for example, United States, United Kingdom, European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for LIBORs and other interbank offered rates (" IBORs"). To identify a successor rate for USD LIBOR, the Alternative Reference Rates Committee (" ARRC "), U. S.- based group convened by the U. S. Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified SOFR as its~~ preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U. S. Treasury securities, and is based on directly observable U. S. Treasury- backed repurchase transactions. ~~On July 29, 2021, the ARRC formally recommended~~ SOFR ~~as its~~ - **is** ~~preferred alternative replacement rate for LIBOR. On July 29, 2021, the ARRC also recommended a forward- looking term rate based on SOFR~~ published by ~~CME Group. Although SOFR appears to be~~ the ~~preferred replacement rate~~ **Federal Reserve Bank of New York each U. S. Government Securities Business Day,** for **transactions made on** ~~USD LIBOR, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other~~ -- **the immediately preceding U. S. Government Securities Business Day** ~~reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere~~ . Alternative reference rates that may replace LIBOR, including SOFR for USD transactions, may not yield the same or similar economic results as LIBOR over the lives of such transactions **. As of the filing date of this Annual Report, substantially all of our loans that referenced LIBOR have been amended to reference the forward- looking term rate published by CME Group Benchmark Administration Limited based on SOFR (" CME Term SOFR ") or CME Term SOFR plus a fixed spread adjustment. CME Term SOFR rates are forward- looking rates that are derived by compounding projected overnight SOFR rates over one, three, and six months taking into account the values of multiple consecutive, executed, one- month and three- month CME Group traded SOFR futures contracts and, in some cases, over- the- counter SOFR Overnight Indexed**

Swaps as an indicator of CME Term SOFR reference rate values. CME Term SOFR and the inputs on which it is based are derived from SOFR. Since CME Term SOFR is a relatively new market rate, there will likely be no established trading market for credit agreements or other financial instruments when they are issued, and an established market may never develop or may not be liquid. Market terms for instruments referencing CME Term SOFR rates may be lower than those of later- issued CME Term SOFR indexed instruments. Similarly, if CME Term SOFR does not prove to be widely used, the trading price of instruments referencing CME Term SOFR may be lower than those of instruments indexed to indices that are more widely used. Further, the composition and characteristics of SOFR and CME Term SOFR are not the same as those of LIBOR. Even with the application of a fixed spread adjustment, LIBOR and CME Term SOFR will not have the same composition and characteristics, and there can be no assurance that the replacement rate, as so adjusted, will be a direct substitute for LIBOR . There can be no guarantee that SOFR will **not be discontinued** ~~become the dominant alternative to USD LIBOR~~ or **fundamentally altered in a manner** that **is materially adverse to the interests of investors in loans referencing SOFR. If the manner in which SOFR or CME Term SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on such loans and the trading prices of the SOFR Loans. In addition, there can be no guarantee that loans referencing SOFR or CME Term** SOFR will **continue to reference those rates until maturity or that, in the future, our loans will reference benchmark rates other than CME Term SOFR. Should any of these events occur, our loans, and the yield generated thereby, could** be ~~widely used and~~ **affected. Specifically,** ~~other~~ -- **the** ~~alternatives may~~ **anticipated yield on** ~~or~~ **our loans** may not be **fully realized** ~~developed and adopted with additional consequences. New York and several other states have passed laws intended to apply to U. S. dollar LIBOR- based contracts, securities, and instruments governed by those states' laws. These laws established fallbacks for LIBOR when there is no or insufficient fallback rates in these contracts. The federal Adjustable Interest Rate (LIBOR) Act (the " LIBOR Act ") was signed into law on March 15, 2022. The federal legislation provides a statutory fallback mechanism on a nation- wide basis to replace U. S. dollar LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference U. S. dollar LIBOR and contain no or insufficient fallback provisions. The New York and other state laws were superseded by the LIBOR Act. On December 16, 2022, the Federal Reserve Board adopted a final rule implementing certain provisions of the LIBOR Act (" Regulation ZZ "). Regulation ZZ specifies that on the LIBOR replacement date, which is the first London banking day after June 30, 2023, the Federal Reserve Board- selected benchmark replacement, based on SOFR and including any tenor spread adjustment as provided by Regulation ZZ, will replace references to overnight, 1, 3, 6, and 12- month LIBOR in certain contracts that do not mature before the LIBOR replacement date and that do not contain adequate fallback language. The LIBOR Act Regulation ZZ could apply to certain our investments that reference LIBOR to the extent that they do not have fallback provisions or adequate fallback provisions. The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an~~ **and** ~~adverse impact on the~~ **our loans may be subject to increased pricing volatility and** market **risk** ~~value of and / or transferability of any LIBOR- linked securities, loans, and other financial obligations or extensions of credit held by or due to us, valuation measurements used by us that include LIBOR as an input, our operational processes or our overall financial condition or results of operations. For instance, if the LIBOR reference rate of our LIBOR- linked securities, loans, and other financial obligations is higher than an alternative reference rate, such as SOFR, on our alternative reference rate- linked portfolio investments, the difference between the total interest income earned on interest earning assets and the total interest expense incurred on interest bearing liabilities may be compressed, reducing our net interest income and potentially adversely affecting our operating results. In addition, while the majority of our LIBOR- linked loans contemplate that LIBOR may cease to exist and allow for amendment to a new alternative reference rate without the approval of 100 % of the lenders, if LIBOR ceases to exist, we could be required, in certain situations, to negotiate modifications to credit agreements governing such instruments in order to replace LIBOR with such alternative reference rate and to incorporate any conforming changes to applicable credit spreads or margins. Following the replacement of LIBOR, some or all of these credit agreements may bear interest at a lower interest rate, which could have an adverse impact on the value and liquidity of our investment in these portfolio companies and, as a result, on our results of operations. Such adverse impacts and the uncertainty of the transition could result in disputes and litigation with counterparties and borrowers regarding the implementation of alternative reference rates~~ . Our ability to enter into transactions involving derivatives and unfunded commitment transactions may be limited. In 2020, the SEC adopted Rule 18f- 4 under the 1940 Act, which relates to the use of derivatives and other transactions that create future payment or delivery obligations by BDCs (and other funds that are registered investment companies). Under Rule 18f- 4, for which compliance was required beginning in August 2022, BDCs that use derivatives are subject to a value- at- risk leverage limit, certain derivatives risk management program and testing requirements, and requirements related to board reporting. These requirements apply unless the BDC qualifies as a " limited derivatives user, " as defined in Rule 18f- 4. A BDC that enters into reverse repurchase agreements or similar financing transactions could either (i) comply with the asset coverage requirements of Section 18, as modified by Section 61 of the 1940 Act, when engaging in reverse repurchase agreements or (ii) choose to treat such agreements as derivative transactions under Rule 18f- 4. In addition, under Rule 18f- 4, a BDC may enter into an unfunded commitment agreement that is not a derivatives transaction, such as an agreement to provide financing to a portfolio company, if the BDC has a reasonable belief, at the time it enters into such an agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all of its unfunded commitment agreements, in each case as it becomes due. If the BDC cannot meet this requirement, it is required to treat the unfunded commitment as a derivatives transaction subject to the aforementioned requirements of Rule 18f- 4. Collectively, these requirements may limit our ability to use derivatives and / or enter into certain other financial contracts **. We qualify as a " limited derivatives user, " and as a result the requirements applicable to us under Rule 18f- 4 may limit our ability to use derivatives and enter into certain other financial contracts. However, if we fail to qualify as a limited derivatives user and become subject to the additional requirements under Rule 18f- 4,**

compliance with such requirements may increase cost of doing business, which could have a material adverse effect on our business, financial condition, results of operations and cash flow . We and our portfolio companies are subject to regulation by laws at the U. S. federal, state and local levels. These laws and regulations, as well as their interpretation, could change from time to time, including as the result of interpretive guidance or other directives from the U. S. President and others in the executive branch, and new laws, regulations and interpretations could also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business, and political uncertainty could increase regulatory uncertainty in the near term. The effects of legislative and regulatory proposals directed at the financial services industry or affecting taxation could negatively impact the operations, cash flows or financial condition of us and our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In addition, if we do not comply with applicable laws and regulations, we could lose any licenses that we then hold for the conduct of business and could be subject to civil fines and criminal penalties. Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non- bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non- bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations. Actual and proposed changes to the complex system of laws and regulations governing the banking industry further pose risks to the success of our operations, cash flows or financial conditions. ~~Recent increases~~ **Increases** to the asset threshold for designating financial institutions as " systemically important financial institutions, " as well as proposed changes to the Volcker Rule, are just two examples; the effect of these change and any further rules or regulations are and could be complex and far- reaching, and the changes and any future laws or regulations or changes thereto could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations. Until we know what policy changes are made and how those changes impact business and the business of our competitors over the long term, we will not know if, overall, it will benefit from them or be negatively affected by them. ~~The decision made in~~ **On January 31, 2020,** the United Kingdom ~~referendum to leave~~ **ended its membership in** the European Union **, referred to** ~~has~~ **as Brexit** ~~led to volatility in global financial markets, and in particular in the markets of the United Kingdom and across Europe, and may also lead to weakening in consumer, corporate and financial confidence in the United Kingdom and Europe~~ . Following the termination of a transition period, the United Kingdom and the European Union entered into a trade and cooperation agreement to govern the future relationship between the parties, which was provisionally applied as of January 1, 2021 and entered into force on May 1, 2021 following ratification by the European Union. With respect to financial services, the agreement leaves decisions on equivalence and adequacy to be determined by each of the United Kingdom and the European Union unilaterally in due course. Such agreement is untested and could lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European and global markets for some time. In addition, on December 24, 2020, the ~~EU~~ **European Union** and United Kingdom **governments** signed a trade deal **that became provisionally effective on January 1, 2021 and that now governs the relationship between the United Kingdom and the European Union** (the " Trade Agreement ") **. The** ~~that applied provisionally from January 1, 2021 until the end of April 2021, when the European Parliament approved the~~ Trade Agreement ~~. That Agreement now governs the relationship between the U. K. and EU, implementing~~ **implements** ~~significant regulation around trade, transport of goods and travel restrictions between the United Kingdom and the European Union. The decision made in the United Kingdom referendum to leave the European Union has led to volatility in global financial markets, and in particular in the markets of the United Kingdom and across Europe, and may also lead to weakening in consumer, corporate and financial confidence in the United Kingdom and Europe. Under the terms of the withdrawal agreement negotiated and agreed to between the United Kingdom and the European Union, the United Kingdom' s departure from the European Union was followed by a transition period which ran until December 31, 2020, during which the U. K. continued to apply European Union law and was treated for all material purposes as if it were still a member of the European Union. On December 24, 2020, the EU and United Kingdom signed a trade deal (the " Trade Agreement ") that applied provisionally from January 1, 2021 until the end of April 2021, when the European Parliament approved the Trade Agreement. That Agreement now governs the relationship between the U. K. and EU, implementing~~ significant regulation around trade, transport of goods and travel restrictions between the United Kingdom and the European Union. Notwithstanding the foregoing, the longer- term economic, legal, political and social implications of Brexit are unclear at this stage and are likely to continue to lead to ongoing political and economic uncertainty and periods of increased volatility in both the **United Kingdom** ~~U. K.~~ and in wider European markets for some time. In particular, Brexit could lead to calls for similar referenda in other European Union jurisdictions, which could cause increased economic volatility in the European and global markets. This mid- to long- term uncertainty could have adverse effects on the economy generally and on our ability to earn attractive returns. This volatility and uncertainty may have an adverse effect on the economy generally and on our ability — and the ability of our portfolio companies — to execute our respective strategies and to receive attractive returns. In particular, currency volatility could mean that our returns are adversely affected by market movements and could make it more difficult, or more expensive, for us to execute prudent currency hedging policies. Potential declines in the value of the British Pound and / or the euro against other currencies, along with the potential downgrading of the United Kingdom' s sovereign credit rating, may also have an impact on the performance of any of our portfolio companies located in the United Kingdom or European Union. We are currently operating in a period of significant capital markets disruption and economic uncertainty, which may have a negative impact on our business, financial condition and operations. From time to time, capital markets may experience periods of disruption and instability. The U. S. capital markets have experienced extreme volatility and disruption following the global outbreak of COVID- 19 that began in December 2019 **, the conflict between Russia and Ukraine that began in late February 2022, and the ongoing war in the Middle East** . Even after the COVID- 19 pandemic ~~subsides~~ **subsided** , the U. S. economy, as well as most other major economies, ~~may~~ **have** ~~continue~~ **continued** to experience ~~a recession~~ **unpredictable economic conditions** , and we anticipate our businesses would be materially and adversely affected by ~~a~~ **any** prolonged **economic downturn or** recession in the United States and other major markets. **In addition,** ~~Disruptions~~ **disruptions** in the capital markets have increased the spread between the yields realized on risk- free and higher risk securities, resulting in illiquidity in parts of the capital markets. The **current** economic conditions ~~caused by the COVID- 19 pandemic could~~ have **resulted in** an adverse impact on the ability of lenders to originate loans, the volume and type of loans originated, the ability of borrowers to make payments and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by the ~~Fund~~ **Company** and returns to the ~~Fund~~ **Company** , among other things. **The** ~~With respect to the~~ U. S. credit markets (in particular for middle- market loans), **have experienced** ~~the COVID- 19 outbreak has resulted in, and until fully resolved is likely to continue to result in,~~ the following among other things: (i) increased draws by borrowers on revolving lines of credit and other financing instruments; (ii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and / or increased difficulty in obtaining refinancing at the maturity dates of their loans **and increased uses of PIK features** ; and (iii) greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues ~~. Disruptions in the capital markets caused by the COVID- 19 pandemic have increased the spread between the yields realized on risk- free and higher risk securities, resulting in illiquidity in parts of the capital markets~~ . These conditions and future market disruptions and / or illiquidity could have an adverse effect on our **(and our portfolio companies')** business, financial condition, results of operations and cash flows. **Ongoing** ~~Unfavorable~~ **unfavorable** economic conditions **may** ~~also would be expected to~~ increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to our portfolio companies and / or us. These events have limited and could continue to limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. We may have to access, if available, alternative markets for debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions **, continued increase in interest rates** or uncertainty regarding U. S. government spending and deficit levels or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations. ~~Additionally, the disruption in economic activity caused by the COVID- 19 pandemic may have a negative effect on the potential for liquidity events involving our investments. The illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we will record our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital, and any required sale of all or a portion of our investments as a result, could have a material adverse effect on our business, financial condition or results of operations.~~ While we intend **to continue** to source and invest in new loan transactions to U. S. middle market companies, we cannot be certain that we will be able to do so successfully or consistently. A lack of suitable investment opportunities may impair our ability to make new investments, and may ~~reduce~~ **negatively impact** our earnings ~~and~~ **in decreased** dividends ~~as a result~~ **to our shareholders** . If economic conditions caused by the **current economic conditions** ~~COVID- 19 pandemic~~ continue for an extended period of time, loan delinquencies, loan non- accruals, problem assets, and bankruptcies may increase. In addition, collateral for our loans may decline in value, which could cause loan losses to increase and the net worth and liquidity of loan guarantors could decline, impairing their ability to honor commitments to us. An increase in loan delinquencies and non- accruals or a decrease in loan collateral and guarantor net worth could result in increased costs and reduced income, which would have a material adverse effect on our business, financial condition or results of operations. **We** ~~While economic activity is well improved from the beginning of the COVID- 19 pandemic, we~~ continue to observe supply chain interruptions, labor difficulties, commodity inflation and elements of economic and financial market instability both globally and in the United States. **We will need to raise** ~~Additionally~~ -- **additional** ~~,~~ **capital in the future in order to** ~~continued~~ - **continue** ~~travel~~ **to make investments in accordance with our business and investing strategy and to pursue new business opportunities. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could** ~~restrictions~~ ---- **restrict** ~~may prolong~~ **our business operations and could adversely impact our results of operations and financial condition. In addition, we are required to distribute at least 90 % of our net ordinary income and net short- term capital gains in excess of net long- term capital losses, if any, to our shareholders to qualify for the tax benefits available to RICs. As a result,** ~~the~~ **these** ~~global economic downturn~~ **earnings will not be available to fund new investments. An inability to access the capital markets successfully could limit our ability to grow our business and execute our business strategy fully and could decrease our earnings, if any, which may have a material adverse effect on our business, results of operations and financial performance** . We cannot be certain as to the duration or magnitude of the **ongoing** economic **condition** ~~impact of the COVID- 19 pandemic~~ in the markets in which we and our portfolio companies operate ~~,~~ and corresponding declines in economic activity that may negatively impact the U. S. economy and the markets for the various types of goods and services provided by U. S. middle market companies. Depending on the duration, magnitude and severity of these conditions and their related economic and market impacts, certain of our portfolio companies may suffer declines in earnings and could experience financial distress, which could cause them to default on their financial obligations to us and their other lenders. In consideration of these and related factors, we **have downgraded our internal ratings with respect to certain companies and** may make **additional** downgrades with respect to other portfolio companies in the future as conditions warrant and new information ~~comes~~ **becomes** ~~to light~~ **available. Our business is dependent on bank relationships and recent strain on the banking system may adversely impact us** . The ~~COVID- 19 pandemic or any outbreak~~ **financial markets recently have encountered volatility associated with concerns about the balance sheets** of **banks, especially small**

and regional banks that may have significant losses associated with investments that make it difficult to fund demands to withdraw deposits and other **liquidity needs. Although the federal government has announced measures to assist these banks and protect depositors, some banks have already been impacted and others may be materially and adversely impacted. Our business is dependent on bank relationships, including small and regional banks, and we are proactively monitoring the financial health of banks with which we (or our portfolio companies) do or may in the future do business. To the extent that our portfolio companies work with banks that are negatively impacted by the foregoing, such portfolio companies' ability to access their own cash, cash equivalents and investments may be threatened. In addition, such affected portfolio companies may not be able to enter into new banking arrangements or credit facilities, or receive the benefits of their** existing **banking arrangements or facilities. Any such developments could harm** ~~or~~ **our business** ~~new epidemic diseases~~ , ~~or the threat thereof, and the resulting~~ financial **condition,** and ~~economic market uncertainty could have a significant~~ **operating results, and prevent us from fully implementing our investment plan. Continued strain on the banking system may** ~~adverse~~ **adversely** impact ~~on the fair value of our investments or the conduct of~~ our business **, financial** ~~. COVID- 19 and the economic conditions~~ - **condition** ~~caused by the pandemic may cause the valuation of our investments to differ materially from the values that we may ultimately realize. Our valuations,~~ and ~~particularly valuations of private investments and private companies, will be inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that may not show the complete impact of the COVID- 19 pandemic and the resulting measures taken in response thereto. As a result~~ **results** ~~, our valuations may not show the complete or continuing impact~~ of **operations** ~~the COVID- 19 pandemic and the resulting measures taken in response thereto. These potential impacts, while uncertain, could have a significant impact on us and the fair value of our investments~~ . We may experience fluctuations in our quarterly operating results. We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. We have elected to be treated **and intend to qualify annually** as a RIC under Subchapter M of the Code; however, no assurance can be given that we will be able to maintain our RIC tax treatment. To maintain our tax treatment as a RIC under Subchapter M of the Code and to avoid the imposition of U. S. federal income ~~taxes~~ -- **tax** on income and gains distributed to our stockholders, we must meet certain requirements, including source- of- income, asset diversification and annual distribution requirements **. While we are not subject to U. S. federal income tax on the income and gains we timely distribute to our shareholders, our stockholders will be required to include the amounts of such distributions in income and may be subject to U. S. federal income tax on such amounts** . The source- of- income requirement will be satisfied if we derive at least 90 % of our gross income for each year from dividends, interest, gains from sale of securities or similar sources. To maintain our tax treatment as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our losing our RIC tax treatment or our having to dispose of certain investments ~~quickly~~ in order to prevent the loss of RIC tax treatment. Because most of our investments will be in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. The annual distribution requirement applicable to RICs generally will be satisfied if we timely distribute at least 90 % of our net ordinary income and net short- term capital gains in excess of net long- term capital losses, if any, to our stockholders on an annual basis. In addition, we will be subject to a 4 % nondeductible U. S. federal excise tax to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar- year basis. We will be subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making annual distributions necessary to maintain our tax treatment as a RIC. If we are unable to obtain cash from other sources, we may fail to maintain our tax treatment as a RIC and, thus, may be subject to U. S. federal ~~corporate~~ income tax on our entire taxable income without regard to any distributions made by us. If we fail to maintain our tax treatment as a RIC for any reason and become subject to U. S. federal income tax at corporate rates, the resulting tax liability could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure could have a material adverse effect on us and our stockholders. We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year- to- year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this ~~annual~~ **Annual** ~~report~~ **Report** on Form 10- K, including current market conditions described herein. If we violate certain covenants under our existing or future credit facilities or other leverage, we may be limited in our ability to make distributions. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of RIC tax treatment, compliance with applicable BDC regulations, SBA regulations, state corporate laws affecting the distribution of corporate assets and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will make distributions to our stockholders in the future. The above- referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of our debt securities, which may cause a default under the terms of our then- existing debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our then- existing debt agreements. When we make quarterly distributions, we will be required to determine the extent to which such distributions are paid out of current and accumulated earnings and profits, recognized capital gain or capital. To the extent there is a return of capital, an investor ~~gets~~ **receives** his or her own invested capital ~~returned to him or her~~ , but reduced by the amount of the Company' s expenses and any sales load he or she may have paid. In addition, investors will be required to reduce their **adjusted tax** basis in our stock for U. S. federal income tax purposes. Under certain applicable provisions of the Code and the Treasury regulations and a revenue procedure issued by the IRS, a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC, subject to a limitation that the aggregate amount of cash to be distributed to all stockholders must be at least 20 % of the aggregate declared distribution. If too many stockholders elect to receive their distributions in cash, we must allocate the cash available for distribution among the shareholders electing to receive cash (with the balance of the distribution paid in shares of our common stock). If we qualify as a publicly offered RIC and decide to make any distributions consistent with this revenue procedure that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long- term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U. S. federal income tax purposes. ~~As~~ **The value of the shares received by** a ~~result, a~~ **stockholder is treated as income for** U. S. **federal income tax purposes. A U. S.** stockholder may **have income from** ~~be required to pay tax with respect to~~ such ~~dividends~~ **dividend** in excess of any cash received **, and thus may be required to obtain cash from other sources to pay any applicable U. S. federal income tax** . If a U. S. stockholder sells the stock it ~~receives~~ **received** as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non- U. S. stockholders, we may be required to withhold U. S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. If a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. Due to current market conditions, we may reduce or defer our dividends and choose to incur US federal excise tax in order preserve cash and maintain flexibility. As a BDC, we are not required to make any distributions to shareholders other than in connection with our election to be treated for U. S. federal income tax purposes as a RIC under subchapter M of the Code. In order to maintain our tax treatment as a RIC, we generally must distribute to shareholders for each taxable year at least 90 % of our investment company taxable income (i. e., net ordinary income plus realized net short- term capital gains in excess of realized net long- term capital losses). If we qualify for taxation as a RIC, we generally will not be subject to U. S. federal income tax on our investment company taxable income and net capital gains (i. e., realized net long- term capital gains in excess of realized net short- term capital losses) that we timely distribute to shareholders. We will be subject to a 4 % US federal excise tax on undistributed earnings of a RIC unless we distribute **,** each calendar year **,** at least the sum of (i) 98 % of our ordinary income for the calendar year, (ii) 98. 2 % of our capital gains in excess of capital losses for the one- year period ending on October 31 of the calendar year, and (iii) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. Under the Code, we may satisfy certain of our RIC distributions with dividends paid after the end of the current year. In particular, if we pay a distribution in January of the following year that was declared in October, November, or December of the current year and is payable to shareholders of record in the current year, referred to as" spillover dividends", the dividend will be treated for all U. S. federal income tax purposes as if it were paid on December 31 of the current year. In addition, under the Code, we may pay dividends, referred to as “ ~~spillover~~ **spillback** dividends, ” that are paid during the following taxable year that will allow us to maintain our qualification for taxation as a RIC and eliminate our liability for U. S. federal income tax at corporate rates. Under these spillover dividend procedures, we may defer distribution of income earned during the current year until December of the following year. For example, we may defer distributions of income earned during ~~2022~~ **2023** until as late as December 31, ~~2023~~ **2024** . If we choose to pay a spillover dividend, we will incur the 4 % U. S. federal excise tax on some or all of the distribution. Due to current market conditions (as described herein), ~~we anticipate~~ **it is possible** that we may take certain actions with respect to the timing and amounts of our distributions in order to preserve cash and maintain flexibility. For example, we may reduce our dividends and / or defer our dividends to the following taxable year. If we defer our dividends, we may choose to utilize the spillover dividend rules discussed above and incur the 4 % U. S. federal excise tax on such amounts. To further preserve cash, we may combine these reductions or deferrals of dividends with one or more distributions that are payable partially in our stock as discussed above under “ We may choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive. ” We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income. For U. S. federal income tax purposes, we are required to include in our income certain amounts that we have not yet received in cash, such as OID, which may arise if we receive warrants in connection with the making of a loan or in other circumstances, and contractual PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such OID, or increases in loan balances as a result of contracted PIK arrangements, will be included in our income before we receive any corresponding cash payments. We also may be required to include in our income certain other amounts that we will not receive in cash. Since in certain cases we may be required to recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute on an annual basis at least 90 % of our net ordinary income and net short- term capital gains in excess of net long- term capital losses, if any, to maintain our tax treatment as a RIC. In such a case, we may have to sell some of our investments at times and / or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities to satisfy the annual distribution requirements. In such circumstances, if we are unable to obtain such cash from other sources, we may fail to maintain our tax treatment as a RIC and thus be subject to U. S. federal income tax at corporate rates. See “ We will be subject to U. S. federal income tax at corporate rates if we are unable to maintain our tax treatment as a RIC under Subchapter M of the Code. ” If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Our investment advisor will not be under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income. That part of the incentive fee payable by us that relates to our net investment income will be computed and paid on income that may include interest that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. To the extent we invest in OID instruments, including PIK loans, zero coupon bonds, and debt securities with attached warrants, investors will be exposed to the risks associated with the inclusion of such non- cash income in taxable and accounting income prior to receipt of cash, including the following risks: • the interest payments deferred on a PIK loan are subject to the risk that the borrower may default when the deferred payments are due in cash at the maturity of the loan; • the interest rates on PIK loans are higher to reflect the time- value of money on deferred interest payments and the higher credit risk of borrowers who may need to defer interest payments; • PIK instruments may have unreliable valuations because the accruals require judgments about ultimate collectability of the deferred payments and the value of the associated collateral; • an election to defer PIK interest payments by adding them to principal increases our gross assets and, thus, increases future base management fees to the investment advisor and, because interest payments will then be payable on a larger principal amount, the PIK election also increases the investment advisor’ s future income incentive fees at a compounding rate; • market prices of OID instruments are more volatile because they are affected to a greater extent by interest rate changes than instruments that pay interest periodically in cash; • the deferral of interest on a PIK loan increases its loan- to- value ratio, which is a measure of the riskiness of a loan; • OID creates the risk of non- refundable cash payments to the investment advisor based on non- cash accruals that may never be realized; • for U. S. federal income tax purposes, we will be required to make distributions of OID income to shareholders without receiving any cash and such distributions have to be paid from offering proceeds or the sale of assets without investors being given any notice of this fact; and • the required recognition of OID, including PIK, interest for U. S. federal income tax purposes may have a negative impact on liquidity, because it represents a non- cash component of the our taxable income that must, nevertheless, be distributed in cash to investors to avoid it being subject to ~~corporate level taxation~~ **U. S. federal income tax** . You may have a current tax liability on distributions you elect to reinvest in our common stock but would not receive cash to pay such tax liability. If you participate in our dividend reinvestment plan, you will be deemed to have received, and for U. S. federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax- free return of capital. As a result, unless you are a tax- exempt entity, you may have to use funds from other sources to pay your tax liability on the value of our common stock received as a result of the distribution. Because we expect to distribute substantially all of our net investment income and net realized capital gains to our stockholders, we will need additional capital to finance our growth, and such capital may not be available on favorable terms or at all. We have elected to be treated for U. S. federal income tax purposes as a RIC under Subchapter M of the Code. If we continue to meet certain requirements, including source- of- income, asset diversification and distribution requirements, and if we continue to be regulated as a BDC, we will continue to qualify to be taxed as a RIC and therefore will not have to pay U. S. federal income tax at corporate rates on income that we timely distribute to our stockholders, allowing us to substantially reduce or eliminate our ~~corporate- level~~ **U. S. federal** income tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings (other than **the** SBA ~~leverage~~ **guaranteed debentures**) and any preferred stock we may issue in the future, of at least 150 ~~. 0~~ % at the time we issue any debt or preferred stock. This requirement limits the amount of our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline. In addition, as a BDC, we generally are not permitted to issue equity securities priced below net asset value without stockholder approval. At our ~~2022~~ **2023** Annual Stockholders Meeting on June ~~29~~ **8** , ~~2022~~ **2023** , our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June ~~29~~ **8** , ~~2023~~ **2024** or the date of our ~~2023~~ **2024** Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our ~~2023~~ **2024** Annual Meeting of Stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25 ~~. 0~~ % of FIC’ s then outstanding common stock immediately prior to each such sale. We do not intend to issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders’ best interests to do so. The level of net asset value dilution that could result from such an offering is not limited. Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse. Our board of directors has the authority, except as otherwise provided by the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. Under Maryland law, we also cannot be dissolved without prior stockholder approval except by judicial action. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a BDC. If we, or Fund I, decide to withdraw our election, or if we otherwise fail to maintain our qualification, as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a closed- end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results or the value of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions. Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital that may have a negative effect on our growth. Our business will require capital to operate and grow. We may acquire such additional capital from the following sources: Senior Securities. Currently we, through the Funds, issue debentures guaranteed by the SBA and have access to funds under a revolving credit facility. In the future, we may issue debt securities or preferred stock and / or borrow money from banks or other financial institutions, which we refer to collectively as senior securities. As a result of issuing senior securities, we will be exposed to additional risks, including, but not limited to, the following: • Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least ~~200 % after each issuance of senior securities (or~~ 150 % ~~, if certain requirements are met)~~ . If the value of our assets declines, we may be unable to satisfy this requirement. If that happens, we may sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our debt at a time when such sales and / or repayments may be disadvantageous. Further, we will not be permitted to declare or make any distribution to stockholders or repurchase shares until such time as we satisfy this test. • Any amounts that we use to service our debt or make payments on preferred stock will not be available for distributions to our common stockholders. • It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility. • We and, indirectly, our stockholders will bear the cost of issuing and servicing such securities and other indebtedness. • Preferred stock or any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock, including separate voting rights and could delay or prevent a transaction or a change in control to the detriment of the holders of our common stock. Additional Common Stock. Under the provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in the best interests of our stockholders, and our stockholders approve such sale. At our ~~2022~~ **2023** Annual Stockholders Meeting on June ~~29~~ **8** , ~~2022~~ **2023** , our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June ~~29~~ **8** , ~~2023~~ **2024** or the date of our ~~2023~~ **2024** Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our ~~2023~~ **2024** Annual Meeting of Stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25 ~~. 0~~ % of FIC' s then outstanding common stock immediately prior to each such sale. We do not intend to sell or otherwise issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders' best interests to do so. The level of net asset value dilution that could result from such an offering is not limited. In any such case, however, the price at which our common stock is to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act and the regulations and staff interpretations thereunder. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all. ~~Uncertainty about U. S. Presidential administration initiatives could negatively impact our business, financial condition and results of operations. The U. S. government has called for significant changes to U. S. trade, healthcare, immigration, foreign and government regulatory policy. In this regard, there~~ **There** is ~~significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult- to- quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the~~ uncertainty surrounding ~~interest rates~~ **potential legal** , **regulatory** ~~inflation, foreign exchange rates, trade volumes~~ and ~~fiscal and monetary~~ policy **changes by** ~~. To the extent the U. S. Congress or~~ the current presidential administration **and Congress in** ~~implements changes to U. S. policy, those~~ -- **the** ~~changes~~ **United States that** may ~~impact, among~~ **directly affect financial institutions and** ~~other~~ -- **the** ~~things, the U. S. and~~ global economy **. Changes in federal policy** , **including tax policies** ~~international trade and relations~~ , ~~unemployment~~ **and at regulatory agencies are expected to occur over time through policy and personnel changes** , ~~immigration,~~ **which may lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by** corporate **entities** ~~taxes, healthcare, the U~~ . ~~S.~~ **The nature, timing and economic and political effects of potential changes to the current legal and** regulatory **framework affecting financial institutions remain highly uncertain. Uncertainty surrounding future personnel or policy changes may adversely affect our operating** environment ~~, inflation~~ and therefore our business,financial condition,results of operations and growth prospects.Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.We are subject to regulation at the local,state and federal level.New legislation may be enacted or new interpretations,rulings or regulations could be adopted,including those governing the types of investments we are permitted to make,any of which could harm us and our stockholders,potentially with retroactive effect.In addition,any change to the SBA' s current debenture program could have a significant impact on our ability to obtain low- cost leverage and,therefore,our competitive advantage over other **funds** .Legal,tax and regulatory changes could occur that may adversely affect us.For example,from time to time the market for private equity transactions has been (and is currently being) adversely affected by a decrease in the availability of senior and subordinated financings for transactions,in part in response to credit market disruptions and / or regulatory pressures on providers of financing to reduce or eliminate their exposure to the risks involved in such transactions.Additionally,any changes to the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy in order to meet our investment objectives.Such changes could result in material differences to the strategies and plans set forth in this Annual Report and may shift our investment focus from the ~~areas~~ areas **of expertise of our investment advisor**

to other types of investments in which our investment advisor may have little or no expertise or experience . ~~Although we~~ **Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment. We** cannot predict ~~the impact~~ **how new tax legislation will affect us** , ~~if~~ **our investments, or our stockholders, and** any **such legislation** ~~, of these changes to our business, they~~ could adversely affect our business ~~, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact our business and the business of our competitors over the long term, we will not know if, overall, we will benefit from them or be negatively affected by them. A particular area identified as subject to potential change, amendment or repeal includes the Dodd- Frank Act, including the Volcker Rule and various swaps and derivatives regulations, credit risk retention requirements and the authorities of the Federal Reserve, the Financial Stability Oversight Council and the SEC. Given the uncertainty associated with the manner in which and whether the provisions of the Dodd- Frank Act will be implemented, repealed, amended, or replaced, the full impact such requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd- Frank Act or any changes to the regulations already implemented thereunder may require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations or principles, or changes thereto, may negatively impact our business, results of operations or financial condition. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on us as a result of recent financial reform legislation, these changes could be materially adverse to us and our stockholders~~ . Legislative or other actions relating to taxes could have a negative effect on **us** ~~the Company. Legislative or other actions relating to taxes could have a negative effect on the Company and its investors~~ . The rules dealing with U. S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S....... in the legislative process and by the Internal Revenue Service and the U. S. Treasury Department. The Biden Administration has proposed significant changes to the existing U. S. tax rules, and there are a number of proposals in Congress that would similarly modify the existing U. S. tax rules. The likelihood of any such legislation being enacted is uncertain, but new legislation and any U. S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U. S. federal income tax consequences to us and our investors of such qualification, or could have other adverse consequences. Investors are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our shares. Changes to U. S. tariff and import / export regulations may have a negative effect on our portfolio companies and, in turn, harm us. There has been ongoing discussion and commentary regarding potential significant changes to U. S. trade policies, treaties and tariffs. The current U. S. presidential administration, along with the U. S. Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us. Our ability to enter into and exit investment transactions with our affiliates will be restricted. Except in those instances where we have received prior exemptive relief from the SEC, we will be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Independent Directors. We, our investment advisor, the Funds, and Fidus Credit Opportunities, L. P. received exemptive relief from the SEC under the 1940 Act, which permits us to co- invest with other funds managed by our investment advisor or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. In addition, any person that owns, directly or indirectly, 5 ~~. 0~~ % or more of our outstanding voting securities is deemed our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our Independent Directors. The 1940 Act also prohibits " joint " transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our Independent Directors. If a person acquires more than 25 ~~. 0~~ % of our voting securities, we will be prohibited from buying or selling any security from or to such person, or entering into joint transactions with such person, absent the prior approval of the SEC. These restrictions could limit or prohibit us from making certain attractive investments that we might otherwise make absent such restrictions. Our investment advisor can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations. Our investment advisor has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If our investment advisor resigns, we may not be able to find a new investment advisor and administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, investment activities are likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our investment advisor and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations. Our investment advisor can resign from its role as our administrator under the Administration Agreement, and we may not be able to find a suitable replacement, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations. Our investment advisor also has the right to resign under the Administration Agreement, whether we have found a replacement or not. If our investment advisor resigns as our administrator, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, administrative activities are likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by our investment advisor. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations. The **failure of cybersecurity protection systems, as well as the** occurrence of ~~a~~ **events unanticipated in our** disaster **recovery systems and management continuity planning** , ~~such as a~~ **could impair our ability to conduct business effectively. We, and others in our industry, are the targets of malicious cyber activity. A successful** cyber- attack **, whether perpetrated by criminal or state- sponsored actors,** against us or ~~against a third~~ **our service providers, or an accidental disclosure of non** - **public information** ~~party that has access to our data or networks, a natural catastrophe, an industrial accident, failure of our disaster recovery systems, or consequential employee error,~~ could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data **, especially personal** ~~. Our investment adviser~~ and **other confidential information. We** ~~third- party service providers with which we do business~~ depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to ~~cyber- attacks and~~ unauthorized access **, acquisition** , use, alteration, or destruction, such as from **the insertion of malware (including ransomware),** physical and electronic break- ins or unauthorized tampering, ~~malware and computer virus attacks,~~ or system failures and disruptions **of our computer systems, networks and data** . If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, **personal** and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause **, among other adverse effects,** interruptions or malfunctions in our operations, **misstated or unreliable financial data, misappropriation of assets, loss of personal information, liability for stolen information, any of** which could result in ~~damage to our reputation,~~ financial losses, ~~increased costs,~~ litigation, regulatory **enforcement action and** penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation. **We may have** ~~If unauthorized parties gain access~~ to ~~such information and technology~~ **make a significant investment to fix or replace any inoperable or compromised** systems ~~, they may be able to steal, publish, delete~~ or **to** modify ~~private and sensitive information~~ **or enhance its cybersecurity controls** , ~~including~~ **procedures and measures. Similarly, the** ~~nonpublic~~ --- **public perception that** ~~personal information related to stockholders (and their beneficial owners) and material nonpublic information. The systems~~ we **or our affiliates may** have **been** ~~implemented to manage risks relating to these~~ -- **the** ~~types~~ **target** of **a cybersecurity threat** ~~events could prove to be inadequate and~~ , **whether successful** ~~if compromised, could become inoperable for~~ - **or** ~~extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may~~ not ~~be identified even with sophisticated prevention and detection systems~~ , **also** ~~potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our and our investment advisor' s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders, material nonpublic information and other sensitive information in our possession. A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters,~~ could have a material adverse ~~impact~~ **effect** on our ~~ability~~ **reputation and lead** to ~~continue to operate our~~ **financial losses from loss of** business **, depending on** ~~without interruption. Our disaster recovery programs may not be sufficient to mitigate~~ the ~~harm~~ **nature and severity of the** ~~that~~ **threat** ~~may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all~~ . Third parties with which we do business ~~may also be~~ **(including vendors that provide us with services) are** sources of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as counterparty, employee, and borrower information. Cybersecurity failures or breaches ~~by~~ **to** our investment adviser and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which we invest, also have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with our ability to calculate its NAV, impediments to trading, the inability of our stockholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputation damages, reimbursement of other compensation costs, or additional compliance costs. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, ~~loss~~ **acquisition** , ~~exposure~~ **use, alteration** or destruction of data, or other cybersecurity incidents ~~with~~ **that affects our data, resulting in** increased costs and other consequences, ~~including those~~ as described above. ~~In addition~~ **The Company does not control the cybersecurity measures put in place by such third parties** , **and such third parties could have limited indemnification obligations to the Company and its affiliates. If such a third party fails to adopt or adhere to adequate cybersecurity procedures, or if despite such procedures its networks or systems are breached, information relating to investor transactions and / or personal information of investors may be lost or improperly accessed, used or disclosed. The Company, the Adviser and its affiliates have implemented processes, procedures and internal controls to mitigate cybersecurity risks and cyber**

intrusions, including in its vendors, but these measures, as well as the Company' s increased awareness of the nature and extent of a risk of a cyber- incident, may be ineffective and do not guarantee that a cyber- incident will not occur or that the Company' s financial results, operations or confidential information will not be negatively impacted by a cybersecurity or cyber intrusion incident. ~~substantial~~ **Substantial** costs may be incurred in order to prevent any cyber incidents in the future. Privacy and information security laws and ~~regulation~~ - **regulatory** changes **(including regulations to report material cybersecurity incidents to the SEC)** , and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks ~~. We and our service providers may be impacted by operating restrictions in response to the COVID- 19 pandemic, which may obstruct the regular functioning of business workforces (including requiring employees to work from remote locations). Policies of extended periods of remote working, whether by us or by our Service Providers, could strain technology resources, introduce operational risks and otherwise heighten the risks described above. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the weakness in a remote work environment. Accordingly, the risks described above are heightened under current conditions, which may continue for an unknown duration~~ . Environmental, social and governance factors may adversely affect our business or cause us to alter our business strategy. Our business faces increasing public scrutiny related to environmental, social and governance (" ESG ") activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, corporate governance and transparency and considering ESG factors in our investment processes. Adverse incidents with respect to ESG activities could impact the value of our brand, the cost of our operations and relationships with investors, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business. The effect of global climate change may impact the operations of our portfolio companies, which may, in turn, impact the valuation of such portfolio companies. Climate change creates physical and financial risk and certain portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition ~~,~~ through **, for example,** decreased revenues, which may, in turn, impact the valuation of such portfolio companies. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. In December 2015, the United Nations ~~, of which the United States is a member,~~ adopted a climate accord (the " Paris Agreement ") **, which the United States rejoined in 2021,** with the long- term goal of limiting global warming and the short- term goal of significantly reducing greenhouse gas emissions ~~. On November 4, 2016, the past administration announced that the United States would cease participation in the Paris Agreement with the withdrawal taking effect on November 4, 2020. However, on January 20, 2021, President Joseph R. Biden signed an executive order to rejoin the Paris Agreement~~ . Additionally, the Inflation Reduction Act of 2022 included several measures designed to combat climate change, including restrictions on methane emissions. As a result, some of our portfolio companies may become subject to new or strengthened regulations or legislation, which could increase their operating costs and / or decrease their revenues, which may, in turn, impact **their ability to make payments on our investments and, in turn,** the valuation of such portfolio companies. Many of our portfolio companies are susceptible to economic slowdowns or recessions (including industry specific downturns), ~~including as a result of, among other things, the COVID- 19 pandemic,~~ elevated levels of inflation, and a rising interest rate environment, and may be unable to repay our debt investments during these periods ~~. The COVID- 19 pandemic has disrupted economic markets, and the prolonged economic impact is uncertain~~ . In the past, instability in the global capital markets resulted in disruptions in liquidity in the debt capital markets, significant write- offs in the financial services sector, the re- pricing of credit risk in the broadly syndicated credit market and the failure of major domestic and international financial institutions. In particular, in past periods of instability, the financial services sector was negatively impacted by significant write- offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest. ~~In an~~ **Our portfolio companies may be susceptible to** economic ~~downturn~~ **downturns or recessions. During these periods** , **the value of our portfolio may decrease if we are required to write down the values of our investments, and** we may have non- performing assets or non- performing assets may increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions ~~may~~ also **may** decrease the value of any collateral securing ~~some of~~ our **loans** ~~debt investments~~ and **decrease** the value of our equity investments. **A severe** ~~Economic slowdowns or recessions~~ - **recession** ~~could lead to financial~~ **may further decrease the value of such collateral and result in** losses **of value** in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us **on terms we deem acceptable. In addition, a prolonged economic downturn or recession could extend our investment time horizon by limiting our ability to achieve timely liquidity events, such as a sale, merger or IPO, or the refinancing of our debt investments, and could ultimately impact our ability to realize anticipated investment returns** . These events could prevent us from increasing our investments and ~~harm~~ **adversely impact** our operating results. The occurrence of recessionary conditions and / or negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our investments, and our ongoing operations, costs and profitability. Any such unfavorable economic conditions, including rising interest rates, ~~may~~ also **may** increase our funding costs, limit our access to capital markets or negatively impact our ability to obtain financing, particularly from the debt markets. In addition, any future financial market uncertainty could lead to financial market disruptions and could further impact our ability to obtain financing. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results and financial condition. Terrorist attacks, acts of war, or natural disasters may affect any market for our common stock, impact the businesses in which we invest and harm our business, operating results and financial condition. Portfolio investments may be affected by force majeure events (i. e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to us or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio company of repairing or replacing damaged assets resulting from such force majeure events could be considerable. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more companies or its assets, could result in a loss to us, including if its investment in such issuer is cancelled, unwound or acquired (which could be without what we consider to be adequate compensation). To the extent we are exposed to investments in portfolio companies that as a group are exposed to such force majeure events, the risks and potential losses to us are enhanced. The continued threat of global terrorism and the impact of military and other action will likely continue to cause volatility in the economies of certain countries, contribute to increased market volatility and economic uncertainties or deterioration in the United States and worldwide and various aspects thereof, including in prices of commodities. Our portfolio investments may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Acts of war could similarly lead to such volatility. For example, in response to the ongoing conflict between Russia and Ukraine, the United States and other countries have imposed sanctions or other restrictive actions against Russia **. In addition, the recent outbreak of hostilities in the Middle East and escalating tensions in the region may create volatility and disruption of global markets. The ramifications of the hostilities and sanctions, however, may not be limited to Russia and the Middle East and Russian and Middle Eastern companies, respectively, but may spill over to and negatively impact other regional and global economic markets (including Europe and the United States), companies in other countries (particularly those that have done business with Russia) and on various sectors, industries and markets for securities and commodities globally, such as oil and natural gas** . Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on our business, financial condition, cash flows, and results of operations, and could cause the market value of our common stock to decline. In addition, these market and economic disruptions could negatively impact the operating results of our portfolio companies, which may, in turn, impact the valuation of such portfolio companies, and impact our business, operating resulting and financial condition. Our investments in certain industry sectors, such as the energy sector, may be subject to significant political, economic and capacity risks that may increase the possibility that we lose all or a part of our investment. The revenues and profitability of certain portfolio companies may be significantly affected by the future prices of and the demand for oil, natural gas liquids and natural gas, which are inherently uncertain. Investments in energy companies may have significant shortfalls in projected cash flow if prices decline from levels projected at the time the investment is made. Various factors beyond our control could affect energy prices, including worldwide supplies, political instability or armed conflicts in oil, natural gas liquids and natural gas producing regions, the price of foreign imports, the level of consumer demand, the price and availability of alternative fuels, capacity constraints and changes in existing government regulation, taxation and price controls. Energy prices have fluctuated greatly during the past, and energy markets may continue to be volatile. Changes in healthcare laws and other regulations applicable to some of our portfolio companies' businesses may constrain their ability to offer their products and services. Changes in healthcare or other laws and regulations applicable to the businesses of some of our portfolio companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies. If our portfolio companies are unable to protect their intellectual property rights, our business and prospects could be harmed, and if portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of our investment could be reduced. Our future success and competitive position will depend in part upon the ability of our portfolio companies to obtain, maintain and protect proprietary technology used in their products and services. The intellectual property held by our portfolio companies often represents a substantial portion of the collateral securing our investments and / or constitutes a significant portion of the portfolio companies' value and may be available in a downside scenario to repay our loans. Our portfolio companies will rely, in part, on patent, trade secret, and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation to enforce their patents, copyrights, or other intellectual property rights; protect their trade secrets; determine the validity and scope of the proprietary rights of others; or defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe or misappropriate a third- party' s patent or other proprietary rights, it could be required to pay damages to the third party, alter its products or processes, obtain a license from the third- party, and / or cease activities utilizing the proprietary rights, including making or selling products utilizing the proprietary rights. Any of the foregoing events could negatively affect both the portfolio company' s ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment. Cybersecurity risks and cyber incidents may adversely affect our business or the business of our portfolio companies by causing a disruption to our operations or the operations of our portfolio companies, a compromise or corruption of our confidential information or the confidential information of our portfolio companies and / or damage to our business relationships or the business relationships of our portfolio companies, all of which could negatively impact the business, financial condition and operating results of us or our portfolio companies. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the information resources of us or our portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our portfolio companies for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to business relationships. As our and our portfolio companies' reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by third- party service providers, and the information systems of our portfolio companies. We have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber- incident, do not guarantee that a cyber- incident will not occur and / or that our financial results, operations or confidential information will not be negatively impacted by such an incident. Investing in lower middle- market companies involves a number of significant risks. Among other things, these companies: • may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of portfolio companies that we may have obtained in connection with our investment; • may have shorter operating histories, narrower product lines and smaller market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns, than larger businesses; • are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us; • generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and • generally have less publicly available information about their businesses, operations and financial condition. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment. In addition, in the course of providing significant managerial assistance to certain portfolio companies, certain of our management and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of investments in these portfolio companies, our management and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources. All of our assets may be invested in illiquid securities, and a substantial portion of our investments in leveraged companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near- term. However, to maintain the elections to be regulated as a BDC and as a RIC, we may have to dispose of investments if they do not satisfy one or more of the applicable criteria under the respective regulatory frameworks. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or our investment advisor have material nonpublic information regarding such portfolio company. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow- on investments. Any decisions not to make a follow- on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment. Even if we have sufficient capital to make a desired follow- on investment, we may elect not to make a follow- on investment because we may not want to increase our level of risk, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements, SBA regulations or the desire to maintain our RIC tax treatment. Our ability to make follow- on investments may also be limited by our investment advisor' s allocation policy. Portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies. We will invest in second lien and subordinated debt as well as equity issued by lower middle- market companies. The portfolio companies generally have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such senior debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. There may be circumstances where our debt investments could be subordinated to claims of other creditors or could be subject to lender liability claims. Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower' s business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender’ s liability claim, including as a result of actions taken in rendering significant managerial assistance. Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us. Certain loans we make to portfolio companies are and will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral secure the portfolio company’ s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company’ s remaining assets, if any. The rights we may have with respect to the collateral securing the loans we make to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements entered into with the holders of senior debt. Under an intercreditor agreement, at any time that obligations having the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect to the collateral will be at the direction of the holders of the obligations secured by the first priority liens: • the ability to cause the commencement of enforcement proceedings against the collateral; • the ability to control the conduct of such proceedings; • the approval of amendments to collateral documents; • releases of liens on the collateral; and • waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected. We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings. Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor’ s return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor’ s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial. Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution. As a BDC, we are required to carry our investments at fair value as determined in good faith by our board of directors. Decreases in the fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our investment portfolio could be an indication of a portfolio company' s inability to meet its repayment obligations to us with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods. A portfolio company’ s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross- defaults under other agreements and jeopardize the portfolio company’ s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, reduced interest and / or loss of principal, with a defaulting portfolio company. To the extent OID and PIK- interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income. Our investments may include original- issue- discount instruments and contractual PIK- interest arrangements. To the extent OID or PIK- interest constitutes a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following: ? The higher interest rates of OID and PIK instruments reflect the payment deferral, which results in a higher principal amount at the maturity of the instrument as compared to the original principal amount of the instrument, and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans. ? Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation. ? OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK- income may also create uncertainty about the source of our cash distributions. ? To the extent we provide loans with interest- only payments or moderate loan amortization, the majority of the principal payment or amortization of principal may be deferred until loan maturity. Because this debt generally allows the borrower to make a large lump- sum payment of principal at the end of the loan term, there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. ? For accounting purposes, any cash distributions to stockholders representing OID and PIK- income are not treated as coming from paid- in capital, even though the cash to pay them comes from the offering proceeds. As a result, despite the fact that a distribution representing OID and PIK- income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital. ? In certain cases, we may recognize taxable income before or without receiving corresponding cash payments and, as a result, we may have difficulty meeting the annual distribution requirement necessary to maintain our tax treatment as a RIC. We do not expect to control many of our portfolio companies. We do not expect to control many of our portfolio companies, even though we may have board representation or board observation rights, and the debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of the company' s common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in private companies in the lower middle- market, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings. We are a non- diversified investment company within the meaning of the 1940 Act; therefore, we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer. We are classified as a non- diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market' s assessment of the issuer and the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements applicable to RICs, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies. Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity. We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments (cash equivalents), pending future investments in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being repaid, and we could experience significant delays in reinvesting these amounts. In addition, any future investment of such amounts in a new portfolio company may also be at lower yields than the investment that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock. We may not realize gains from our equity investments. Certain investments that we have made in the past and may make in the future include warrants or other equity or equity- related securities. Typically we make non- control equity investments in portfolio companies. Our goal is to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. If our primary investments are deemed not to be qualifying assets, we could be precluded from investing in our desired manner or deemed to be in violation of the 1940 Act. In order to maintain our status as a BDC, we may not acquire any assets other than " qualifying assets " unless, at the time of and after giving effect to such acquisition, at least 70 % of our total assets are qualifying assets. We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs and be precluded from making follow- on investments in existing portfolio companies (which could result in the dilution of our position) or required to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and / or expose us to claims of private litigants. If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed- end investment company under the 1940 Act. As a registered closed- end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility. The disposition of our investments may result in contingent liabilities. A significant portion of our investments involve private securities and we expect that a significant portion of our investments will continue to involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. Additionally, customary terms of such sales agreements generally provide adjustments to the initial purchase price determined on the closing date if the portfolio company' s net working capital varies from preliminary amounts utilized in determining the initial purchase price; such adjustments could subsequently result in upward or downward revisions to the initial purchase price and impact our amount of realized gain or loss on sale. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through its return of distributions previously made to it. We may be unable to invest a significant portion of any net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results. We may be unable to invest the net proceeds of any offering or from exiting an investment or other sources of capital on acceptable terms within the time period that we anticipate or at all. Delays in investing such capital may cause our performance to be worse than that of fully invested BDCs or other lenders or investors pursuing comparable investment strategies. Depending on market conditions and the amount of the capital involved, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest such capital primarily in short- term securities consistent with our BDC election and our election to be taxed as a RIC, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in longer- term investments in pursuit of our investment objective. Any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested. In addition, until such time as the net proceeds of any offering or from exiting an investment or other sources capital are invested in new investments meeting our investment objective, the market price for our common stock may decline. Our investment advisor' s liability is limited under the Investment Advisory Agreement, and we have agreed to indemnify our investment advisor against certain liabilities, which may lead our investment advisor to act in a riskier manner on our behalf than it would when acting for its own account. Under the Investment Advisory Agreement, our investment advisor does not assume any responsibility to us other than to render the services called for under that agreement, and it is not responsible for any action of our board of directors in following or declining to follow our investment advisor' s advice or recommendations. Under the terms of the Investment Advisory Agreement, our investment advisor and its officers, directors, members, managers, partners, stockholders and employees are not liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary' s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of our investment advisor' s duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify our investment advisor and its officers, directors, members, managers, partners, stockholders and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person' s duties under the Investment Advisory Agreement. These protections may lead our investment advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account. Shares of closed- end investment companies, including BDCs, frequently trade at a discount from net asset value. This characteristic of closed- end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below net asset value, we will generally not be able to issue additional common stock at the market price without first obtaining the approval of our stockholders and our Independent Directors. On June ~~29~~ **8** , ~~2022~~ **2023** our stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June ~~29~~ **8** , ~~2023~~ **2024** or the date of our ~~2023~~ **2024** Annual Meeting of Stockholders. We expect to present to our stockholders a similar proposal at our ~~2023~~ **2024** Annual Meeting of Stockholders. Selling or otherwise issuing shares of FIC' s common stock below its then current net asset value per share would result in a dilution of FIC' s existing common stockholders. The maximum number of shares issuable below net asset value pursuant to the authority granted by our stockholders that could result in such dilution is limited to 25 ~~.0~~ % of FIC' s then outstanding common stock immediately prior to each such sale. We do not intend to sell or otherwise issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders' best interests to do so. The level of net asset value dilution that could result from such an offering is not limited. Market conditions may increase the risks associated with our business and an investment in us. The current worldwide financial market situation may contribute to increased market volatility, may have long- term effects on the U. S. and worldwide financial markets and may cause economic uncertainties or deterioration in the United States and worldwide. These conditions raised the level of many of the risks described herein and, if repeated or continued, could have an adverse effect on our portfolio companies and on their results of operations, financial conditions, access to credit and capital. The stress in the credit market and upon banks has led other creditors to tighten credit and the terms of credit. In certain cases, senior lenders to our portfolio companies can block payments by our portfolio companies in respect of our loans to such portfolio companies. In turn, these could have adverse effects on our business, financial condition, results of operations, distributions to our stockholders, access to capital, valuation of our assets and our stock price. Notwithstanding any recent gains across either the equity or debt markets, these conditions may continue for a prolonged period of time or worsen in the future. On June ~~29~~ **8** , ~~2022~~ **2023** , our stockholders approved our ability to sell or otherwise issue shares of our common stock at a discount from net asset value per share, as long as the cumulative number of shares sold pursuant to such authority does not exceed 25 ~~.0~~ % of our then outstanding common stock immediately prior to each such sale, for a period of one year ending on the earlier of June ~~29~~ **8** , ~~2023~~ **2024** or the date of our ~~2023~~ **2024** Annual Meeting of Stockholders. Our stockholders will be asked to vote on a similar proposal at our ~~2023~~ **2024** Annual Meeting of Stockholders. If we sell or otherwise issue shares of our common stock at a discount to net asset value, it will pose a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all).

These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuances or sale. In addition, such issuances or sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see " Sales of Common Stock Below Net Asset Value, " and for actual dilution illustrations specific to an offering, see the prospectus supplement pursuant to which such sale is made. Our board of directors determines the fair value of our portfolio investments on a quarterly basis based on input from our investment advisor, our audit committee and, as to certain of our investments, a third party independent valuation firm. While the board of directors will review our net asset value per share in connection with any offering, it will not always have the benefit of input from the independent valuation firm when it does so. The fair value of various individual investments in our portfolio and / or the aggregate fair value of our investments may change significantly over time. If the fair value of our investment portfolio at December 31, ~~2022~~ **2023** is less than the fair value was at the time of an offering during ~~2022~~ **2023** , then we may record an unrealized loss on our investment portfolio and may report a lower net asset value per share than was reflected in the Selected Consolidated Financial Data and the financial statements included in the prospectus supplement of that offering. If the fair value of our investment portfolio at December 31, ~~2022~~ **2023** is greater than the fair value at the time of an offering during ~~2022~~ **2023** , we may record an unrealized gain on our investment portfolio and may report a greater net asset value per share than so reflected in the prospectus supplement of that offering. Upon publication of this information in connection with our announcement of operating results for our fiscal year ended December 31, ~~2022~~ **2023** , the market price of our common stock may fluctuate materially, and may be substantially less than the price per share you pay for our common stock in an offering. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include: • significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which is not necessarily related to the operating performance of these companies; • exclusion of our common stock from certain market indices, such as the Russell 2000 Financial Services Index, could reduce the ability of certain institutional investors to own our common stock and could put short term pressure on our common stock; • changes in regulatory policies or tax guidelines, particularly with respect to RICs, BDCs or SBICs; • ~~loss of~~ **failure to maintain our qualification for** RIC **tax treatment** ~~or BDC status~~ ; • loss of status as an SBIC for the Funds, or any other SBIC subsidiary we may form **; • distributions that exceed our net investment income and net income as reported according to U. S. GAAP** ; • changes or perceived changes in earnings or variations in operating results; • changes or perceived changes in the value of our portfolio of investments; • changes in accounting guidelines governing valuation of our investments; • any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts; • departure of our investment advisor' s key personnel; • operating performance of companies comparable to us; • general economic trends and other external factors; and • loss of a major funding source. **If any of the above and other factors currently unknown to us were to occur, it could have a material adverse effect on the market price of our common stock.** Investing in our securities may involve an above average degree of risk. The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative; therefore, an investment in our securities may not be suitable for someone with lower risk tolerance. As of February ~~28~~ **27** , ~~2023~~ **2024** , we had ~~24~~ **30** , ~~842~~ **646** , ~~692~~ **509** shares of common stock outstanding. Sales of substantial amounts of our common stock, or the availability of shares for sale, could adversely affect the prevailing market price of our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so. If we issue preferred stock and / or debt securities, the net asset value and market value of our common stock may become more volatile. We cannot assure you that the issuance of preferred stock and / or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock and / or debt securities would likely cause the net asset value and market value of our common stock to become more volatile. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the distribution rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock and / or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock and / or debt securities. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock. There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock and / or debt securities or of a downgrade in the ratings of the preferred stock and / or debt securities or our current investment income might not be sufficient to meet the distribution requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock and / or debt securities. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock and / or debt securities. Holders of preferred stock and / or debt securities may have different interests than holders of common stock and may at times have disproportionate influence over our affairs. Provisions of the Maryland General Corporation Law and our charter and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock. The Maryland General Corporation Law contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. In addition, our board of directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Our charter and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are generally prohibited from engaging in mergers and other business combinations with stockholders that beneficially own 10~~.0~~% or more of the voting power of our outstanding voting stock, or with their affiliates, for five years after the most recent date on which such stockholders became the beneficial owners of 10~~.0~~% or more of the voting power of our outstanding voting stock and thereafter unless our directors and stockholders approve the business combination in the prescribed manner. Maryland law may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series and to cause the issuance of additional shares of our stock, including preferred stock. In addition, we have adopted a classified board of directors. A classified board may render a change in control of us or removal of our incumbent management more difficult. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. Our business and operation could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price. In the past, following periods of volatility in the market price of a company’ s securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management’ s and our board of directors’ attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.