

Risk Factors Comparison 2025-03-10 to 2024-04-02 Form: 10-K

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You should consider the following risk factors, in addition to the other information presented or incorporated by reference into this Annual Report on Form 10-K, in evaluating our business and any investment decision relating to our securities. We have a relatively short operating history upon which to evaluate our current business. We withdrew our election to be treated as a BDC under the 1940 Act at the end of 2019, and during the years since that time have refocused our business on providing short-term specialty finance solutions to private businesses, small-cap public companies and high-net-worth individuals. Given that our current business has been developed and pursued over the ~~four~~five years prior to this filing, investors have a relatively limited means to evaluate our performance, its evolution, and the likelihood of our future success. ~~We~~7~~We~~ may need to raise additional capital to fund our operations, and such capital may not be available to us in sufficient amounts or on acceptable terms. For the time being, management believes that our current cash is sufficient to continue operations for the foreseeable future. Nevertheless, various future developments may cause us to seek or require additional financing. In addition, we may determine to seek additional financing in order to avail ourselves of additional opportunities to provide specialty finance solutions to borrowers. Alternatively, we may seek additional financing in the event that a material portion of our investments default, leaving us with ~~little~~diminished means to pay for our operations and continue making investments. ~~7~~~~In~~ any event, additional financing could be sought from a number of sources, including but not limited to sales of additional ~~sales of~~ equity or debt securities, or loans from financial institutions or our affiliates. We cannot, however, be certain that any such financing will be available on terms favorable or acceptable to us if at all. If additional funds are raised by the issuance of our equity securities, such as through the issuance of stock, convertible securities, or the issuance and exercise of warrants, then the ownership interest of our existing shareholders will be diluted. If additional funds are raised by the issuance of debt or other equity instruments, we may become subject to certain operational limitations, and such securities may have rights senior to the rights of our common shareholders. If adequate funds are not available on acceptable terms, we may be unable to consummate acquisitions or investments desired by our management and board. If we are unable to maintain diverse and robust sources of capital, our growth prospects, business, financial condition and results of operations could be adversely affected. Our business depends in part on maintaining diverse and robust sources of capital to originate our short-term loans. In January 2022, we entered into a Loan and Security Agreement (the “Loan Agreement”) with Eastman Investment, Inc., a Nevada corporation, and Lyle A. Berman, as trustee of the Lyle A. Berman Revocable Trust (collectively, the “Lenders”). Mr. Berman is a director of our company. Under the Loan Agreement, the Lenders made available to us a \$ 5 million revolving line of credit for us to use in the ordinary course of our short-term specialty finance business. Amounts drawn under the Loan Agreement accrued interest at the per annum rate of 8 %, and all our obligations under the Loan Agreement were secured by a grant of a collateral security interest in substantially all of our assets. As a Lender, Mr. Berman was obligated to furnish only one-half of the aggregate \$ 5 million available under the Loan Agreement. The Loan Agreement had a five-year term ending on January 3, 2027, at which time all amounts owing under the Loan Agreement were to become due and payable; subject, however, to each Lender’s right, including Mr. Berman, to terminate the Loan Agreement, solely with respect to such Lender’s obligation to provide further credit, at any time after January 3, 2023. See “Certain Relationships and Related Transactions.” In January 2024, we terminated the Loan Agreement having earlier satisfied all of our obligations thereunder. If we were to borrow money in the future, ~~Events~~~~events~~ of default or breaches of financial, performance or other covenants, or worse than expected performance of one or more of our short-term loans, could reduce or terminate our future access to funding. The availability and capacity of sources of capital also depends on many factors that are outside of our control, such as credit market volatility and regulatory reforms. In the event that we do not maintain adequate sources of capital, we may not be able to maintain the necessary levels of funding to retain current loan volume, which could adversely affect our business, financial condition and results of operations. Changes in laws or regulations,..... changes and could adversely affect our business. Although we have identified general guidelines that we believe are important in evaluating prospective investment opportunities, we may enter into transactions with borrowers that do not meet such guidelines, increasing the risk that the price of our common stock could be volatile. Although we have identified general guidelines for evaluating prospective investment opportunities, it is possible that a borrower with which we enter into a transaction will not have all, or any, of the attributes outlined in those guidelines. If we complete transactions with borrowers that do not meet some or any of these guidelines, it is possible that such an investment may not be as successful as an alternative opportunity that were to satisfy some or all of those guidelines. Investments that do not perform as well as imagined, or as well as they otherwise might have, in combination with the public knowledge that we may stray, or have strayed, from strict implementation of our investment guidelines, could affect the volatility of the trading price of our common stock. ~~We~~8~~We~~ may provide specialty finance solutions to early-stage companies, financially unstable businesses, or a borrower lacking an established record of revenue or earnings, which could adversely affect the price of our common stock. While we believe that being entrepreneurial in our approach to specialty finance is a strength, we may complete investments with an early-stage company, a financially unstable business or an entity lacking an established record of revenues, cash flows or earnings. These kinds of transactions present numerous risks associated with investing in a business without a proven business model and with limited historical financial data, volatile revenues, cash flows or earnings and difficulties in obtaining and retaining key personnel. Although our management endeavors to evaluate the risks inherent in each particular investment we consider and make, we may not be able to properly ascertain or assess all of the significant risk factors and we may not have adequate time to complete a full evaluation of those risks. Furthermore, some of these risks may be outside of our control and leave us with no

ability to control or reduce the chances that those risks will adversely impact a borrower or our likelihood of repayment. The manifestation of any of these risks could adversely affect the trading price of our common stock. Many of our specialty finance investment transactions involve borrowers about which little, if any, information is publicly available, which may impair our ability to identify borrowers able to repay our loans and adversely affect the price of our common stock. In pursuing our business, we often interact with a privately held companies about which very little public information exists. As a result, we are often required to make our investment decision on the basis of limited information, nearly all of which is obtained from the business itself, which may result in our consummating an investment with a borrower that is not as solvent or profitable as we suspected, if at all. These risks could affect our results of operations and, ultimately, the trading price of our common stock. ~~9F-~~

If we are deemed to be an investment company under the 1940 Act, we may be required to institute burdensome compliance requirements and our activities may be restricted. In such an event, our business would likely be materially and adversely affected. If we are deemed to be an investment company under the 1940 Act, then our activities may be restricted **or complicated**, including **through**: · restrictions on the nature of our investments; · restrictions on ~~the our~~ issuance of securities; · a requirement to register as an investment company; · adoption of a specific form of corporate structure and changes in corporate governance; · the hiring of a chief compliance officer, and adoption and implementation of various policies and requirements; and · **compliance with** additional reporting, record-keeping, voting, proxy and disclosure requirements, together with other rules and regulations. In order not to be regulated as an investment company under the 1940 Act, unless we can qualify for an exclusion, we must ensure that we are engaged primarily in a business other than investing, reinvesting or trading of “ securities ” and that our activities do not include investing, reinvesting, owning, holding or trading “ investment securities ” constituting more than 40 % of our assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. We do not believe that our principal activities will subject us to the 1940 Act. To this end, we hold reserve un- invested assets in cash and United States “ government securities ” within the meaning of Section 2 (a) (16) of the Act having a maturity of 185 days or less or in money market funds meeting certain conditions under Rule 2a- 7 promulgated under the 1940 Act, which invest only in direct U. S. government treasury obligations. Furthermore, we **periodically** monitor our investment holdings as a whole ~~to ensure~~ **with a view towards ensuring** that investments and other holdings which may be considered “ investment securities ” do not comprise more than 40 % of our total assets. We undertake this analysis (1) on a quarterly basis and in connection with the review and preparation of our financial statements filed as part of our quarterly and annual reports with the SEC, and (2) at other times when we are considering how to structure a new transaction that is of a significant size — with “ significance ” largely based on the outcome of our most recent quarterly review. This review is generally undertaken by our Chief Financial Officer and may involve outside legal counsel, in particular in a case where we are considering the structure of a potential new transaction. ~~If~~ **If**, however, we do not invest as discussed above or are otherwise unsuccessful in ensuring that no more than 40 % of our total assets consist of “ investment securities, ” then we may be deemed to be subject to the 1940 Act. It is also possible that regulatory authorities, such as the SEC, may disagree with our analysis of whether certain investment holdings constitute “ investment securities ,” and may more broadly disagree with our position that the short- term promissory notes we receive in exchange for our short- term loans , are not properly considered “ **investment securities** ” under federal securities law and the 1940 Act in particular. If that were to be the case, ~~compliance~~ **we would likely incur significant costs and be required to spent significant time restructuring parts of our operations and / or complying** with the additional regulatory burdens imposed under the 1940 Act ~~would require~~. **Any restructuring or additional regulatory requirements expenses for which we have not allotted funds, and** ~~would surely hinder our ability to operate as profitably as we have since the withdrawal of our BDC election , and~~ ~~This outcome~~ ~~would of course adversely affect the trading price of our common stock~~ ~~22~~ ~~A~~ ~~its trading price.~~ **10A** limited number of shareholders control a significant majority of our voting stock and, as a result, control the election of our Board of Directors. As a result, these shareholders may exert an influence on actions requiring a shareholder vote, potentially in a manner that you do not support. Nine shareholders (five of whom are presently officers and directors) beneficially own shares representing **a majority over 54 %** of our issued and outstanding common stock. As a result, investors in our common stock cannot reasonably expect to have any significant influence over the election of our directors or other matters submitted to a vote of our shareholders. Instead, our existing significant shareholders will exert a substantial influence on the election of our directors and any actions requiring or otherwise put to a shareholder vote, potentially in a manner that you do not support. Examples of such voting matters, apart from the election of our directors, includes amendments to our articles of incorporation, bylaws, and approval of major corporate transactions. The concentrated amount of control over our affairs held by a relatively few number of significant investors could serve to reduce the attractiveness or liquidity of our common stock, and thereby depress ~~its trading price~~. We may engage in transactions with businesses that may be affiliated with our officers, directors or significant shareholders, and which may involve actual or potential conflicts of interest. We may decide to make investments in one or more businesses affiliated with our officers, directors or significant shareholders. Such investment opportunities may compete with other opportunities for our investment dollars. Although we are not specifically focusing on, or targeting, any particular transaction with any affiliates or affiliated entities, we would pursue such a transaction if we determined that such an affiliated investment were attractive from a risk- adjusted return perspective, and such transaction were approved by a majority of our independent and disinterested directors. Any such activity would involve actual or potential conflicts of interest. Although we are confident that we can navigate these conflicts consistent with best practices and applicable law, the existence or appearance of such conflicts of interest could make our common stock less attractive and thereby reduce **its trading price**. **10A** limited number..... our common stock, and thereby depress its trading price. Our ability to identify and consummate investment opportunities, and any need we may have for additional capital, will almost certainly be affected by general economic conditions. General economic conditions will almost certainly impact our ability to (i) identify, pursue and consummate investment opportunities, and (ii) if necessary, seek and obtain additional financing on terms acceptable or favorable to us, if at all. Therefore, a deterioration in general economic conditions may adversely affect our business or slow the

growth of our business. Our reputation and brand are important to our success, and if we are unable to continue developing our reputation and brand, our ability to retain existing capital sources, **and our ability** to attract borrowers could be adversely affected. We believe that maintaining a strong brand and trustworthy reputation is critical to our success and our ability to attract borrowers, attract new capital sources and maintain existing capital sources. Factors that **we believe** affect our brand and reputation include: · the non- bank lending industry generally; · our company specifically, including the quality and reliability of our investment process, our ability to effectively manage and resolve issues with our borrowers, our collection practices, our privacy and security practices, any litigation in which we may become involved; any regulatory activity to which we may become involved; and the overall experience of our borrowers. Negative publicity or negative public perception of these factors, even if inaccurate, could adversely affect our brand and reputation. Any negative publicity or negative public perception of the loans we make, or similar loans made by similar lenders or our competitors, may also result in negative publicity that is adverse to our reputation. If we are unable to protect our reputation, our business, financial condition and results of operations could be adversely affected. We are highly dependent on the services provided by certain executives and key personnel. Our success depends in significant part upon the continued service of our senior management personnel. In particular, we are materially dependent upon the services of Douglas M. Polinsky, our Chief Executive Officer and Chairman, and Joseph A. Geraci, II, our Chief Financial Officer and a director of our company. Practically, we cannot prevent the departure of these executives, whether due to death, disability, retirement or otherwise. Any loss of the services provided by these executives would likely have a material and adverse effect on our operations and ability to execute our business plans. ~~Our~~ **12**Our articles of incorporation grant our Board of Directors the power to designate and issue additional shares and classes of common and preferred stock. Our authorized capital consists of 111, 111, 111 shares of capital stock. Pursuant to authority granted by our articles of incorporation, our Board of Directors, without any action by our shareholders, may designate and issue shares in such classes or series (including other classes or series of preferred stock) as it deems appropriate, and may establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of new classes or series of stock that may be so designated and issued could be superior to the rights of holders of our common shares. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to shares of our common stock. Furthermore, any issuances of additional stock — common or preferred — will dilute the ownership interest of then- current holders of our common stock and may dilute our book value per share. ~~11~~ **We** may issue additional common stock or preferred shares without the approval of our shareholders. Any such issuances would dilute the interest of our shareholders and likely present other risks. Our articles of incorporation authorize the issuance of up to 111, 111, 111 shares of capital stock. Because we **presently** have only 6, 385, 255 shares of common stock issued and outstanding, our Board of Directors has the power and authority to issue a substantial number of additional shares of common stock or preferred shares. The issuance of additional common stock or preferred shares: · may significantly dilute the equity interest of our then- current shareholders; · may subordinate the rights of holders of common stock if preferred shares are issued with rights senior to those afforded our common stock; · could cause a change in control if a substantial number of common stock are issued, which could result in the resignation or removal of our present officers and directors; and · may adversely affect prevailing market price for our common stock. Cyber incidents or attacks directed at us could result in information theft, data corruption, operational disruption and / or financial loss. We depend on digital technologies, including information systems, infrastructure and cloud applications and services, including those belonging to third parties with whom we deal. Sophisticated and deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties or the cloud, could lead to corruption or misappropriation of our assets, proprietary information and sensitive or confidential data. We have not made a significant investment in data security protection **(preferring instead to rely upon the data- security know- how and investments made by the third parties with whom we deal and upon whom we rely)**, and we may not be sufficiently protected against such occurrences. We may not have sufficient resources to adequately protect against, or to investigate and remediate any vulnerability to, cyber incidents. It is possible that any of these occurrences, or a combination of them, could have adverse consequences on our business and lead to financial loss. Our stock price may be volatile, or may decline regardless of our operating performance, and you could lose all or part of your investment as a result. You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuation in the market value of your investment. The market price of our common stock could be subject to significant fluctuations in response to the factors described in this section and other factors, many of which are beyond our control. Among the many factors that could affect our stock price are: · **The historically limited trading volume of our common stock;** · Actual or anticipated variations in our quarterly and annual operating results or those of companies perceived to be similar to us; **13** · Changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors, or differences between our actual results and those expected by investors and securities analysts; · Fluctuations in the market valuations of companies perceived by investors to be comparable to us; · The public' s response to our or our competitors' filings with the SEC or announcements regarding, significant transactions, acquisitions, strategic investments, litigation, or other significant matters; · Speculation about our business in the press or the investment community; · Future sales of our shares; · Actions by our competitors; · Additions or departures of members of our senior management or other key personnel; and · The passage of legislation or other regulatory developments affecting us or our industry. ~~12~~ **In** addition, the securities markets have experienced significant price and volume fluctuations that have affected and continue to affect market price of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as recessions, loss of investor confidence, interest rate changes, or international currency fluctuations, may negatively affect the market price of our shares. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to securities class action litigation that, even if unsuccessful, could be costly to defend and a distraction to

management. We do not intend to pay dividends on our common stock. We intend to retain all of our earnings, if any, for the foreseeable future to finance the operation and expansion of our business and do not anticipate paying cash dividends. Any future determination to pay dividends will be at the discretion of our Board of Directors, subject to compliance with applicable law and any contractual provisions, and will depend on, among other factors, our results of operations, financial condition, capital requirements and other factors that our Board of Directors deems relevant. As a result, investors in our common shares should expect to receive a return on investment only if the market price of the common shares increases, which may never occur. One of the manners in which we may seek to grow our company is through acquisition or combination transactions. It is possible that, even after our announcement of a potential acquisition or combination transaction, such transactions may not ultimately close and occur. Our announcement of these potential transactions, and the occasional failure of them to occur, may cause the price of our common stock to be volatile. In prior reports, we have publicly announced our intention to grow our company both organically, including by expanding our specialty finance operations into new markets or niches, and through acquisition or combination transactions such as mergers **or similarly structured transactions**. In the past, we have announced our execution of non-binding letters of intent for these kinds of acquisition or combination transactions. These announcements may create volatility in the trading volume and price of our common stock, in particular when there is not significant publicly available information about the counterparty to such a transaction. Moreover, the failure of the transactions contemplated in these announcements to close could similarly create volatility in the trading volume and price of our common stock. This volatility could ultimately mean that there are fewer buyers or sellers of our common stock at particular times, which creates the risk that you might not be able to sell any common stock of our company that you own at a time or a price that you believe is fair or desirable. **An historical example of the foregoing is our December 2022 announcement of a non-binding letter of intent with Mustang Funding, LLC, a private litigation-funding business, in which letter we contemplated a merger transaction. Although we negotiated the terms of a definitive agreement with Mustang Funding, we were unable to finalize that agreement and enter into it. Ultimately, we determined to abandon the transaction and to terminate the non-binding letter of intent in August 2024. The volatility in the trading volume and price of our common stock that occurred contemporaneously with our related public announcements of having entered into the non-binding letter of intent, and then having terminated it, together with certain related announcements touching upon amendments to our prior loans made to Mustang Funding, was not insignificant from a comparative standpoint.** ¹⁴If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline. The trading market for our common stock, **including the general volume of transactions in our common stock**, will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our stock may be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price may decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.