

Risk Factors Comparison 2024-04-01 to 2023-03-16 Form: 10-K

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

You should carefully consider **The following is a summary of** the risks- **risk factors that** and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes. While we believe the risks and uncertainties described below include the material **are most relevant to our business. These are** factors that ~~currently~~, individually or in the aggregate, **we think** could cause our actual results to differ significantly from anticipated or historical results, ~~it is possible that these may not be the only ones we face~~. If any of the following risks occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the value of our common stock could decline and shareholders may lose all or part of their investment. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. **Risk Factors Summary Our business We undertake no obligation to publicly update forward- looking statements, whether as a result of new information, future events, or otherwise, unless required by law. An investment in our securities involves risks. The following is subject to a number summary of the principal risks that you should carefully consider before investing in our securities. Risks Related to Operation as a Financial Holding Company • We operate in a highly regulated environment and are subject to extensive regulation and supervision as a financial holding company, and if we are found to be in violation of any of the federal, state or local laws or regulations applicable to us, our business could suffer. • Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy. • We are no longer subject to regulation under the 1940 Act. • Loss of pass-through tax treatment substantially reduces net assets and income available for dividends. Risks Related to the Economy • Global economic, political, social and market conditions, including uncertainty about the financial stability of the United States could have a significant adverse effect on our business, operating results and financial condition. • Inflation may adversely affect our business, operating results and financial condition. • Terrorist attacks, acts of war, global health emergencies or natural disasters may impact the businesses in which we invest and harm our business, operations- operating results and prospects and financial condition. • If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending activities and the value of our loan portfolio value could decrease and our level liquidity and distributions could be affect-affected adversely the price of our securities.** These risks are discussed more fully below and include, but are not limited to: **Risks Related to Our Business Regulation, Supervision and Compliance Structure • We have a limited operating history as a are dependent upon our Senior Lending Team and our executive officers for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our Senior Lending Team or our executive officers our ability to achieve our business could be significantly harmed. • We could be adversely affected by the soundness of other financial institutions holding company. • We operate in a highly competitive market regulated environment that affects virtually all aspects of our operations, and the need to comply with applicable laws, regulations and supervisory expectations can materially impact our business, financial condition and results of operations. • Our status as a financial holding company requires us to curtail certain activities and imposes limitations on certain activities, which may negatively impact the Company’s business, financial condition and results of operations. • Failure to comply with applicable laws, regulations or for clients commitments, or to satisfy our regulators’ supervisory expectations, could subject us to, among other things, supervisory or enforcement action, which could reduce returns adversely affect our business, financial condition and results- result of operations in losses. • We If we are subject unable to acquire stringent capital and liquidity regulations and requirements process clients effectively, we may be unable to achieve our investment objective. • Our business may be adversely affected if our risk management framework does not effectively identify, assess and mitigate risk. • The loss of pass-through tax treatment, as a result of the Company’s withdrawal of its election to be regulated as a BDC, may substantially reduce net assets and income available for dividends and debt repayments. Risks Related to the Economy • Global economic, political, social and market conditions, including uncertainty about the financial stability of the United States could have a significant adverse effect on our business, operating results and financial condition. • Any public health emergency, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our subsidiaries and our clients. • Economic recessions or downturns, including as a result of the COVID-19 pandemic, could impair our clients and our operating results. • Inflation may adversely affect our and our clients’ business, results of operations and financial condition. • A failure or the perceived risk of a failure to raise the statutory debt limit of the U. S. could have a material adverse effect on our business, financial condition and results of operations. • If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending activities, the value of our loan portfolio value could decrease and our level liquidity could be affected adversely. Risks Related to Our Industry • We operate in a highly competitive market for clients, which could reduce returns and result in losses. • We could be adversely affected by the soundness of other financial institutions. Risks Related to Our Business and Structure • We are dependent upon our Senior Lending Team and our Executive Committee for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our Senior Lending Team or our Executive Committee, our business could be significantly harmed. • If we are unable to acquire and process lending opportunities and clients effectively, we may be unable to achieve our objectives. • To the extent we borrow money to finance client loans, changes in interest rates will affect**

our cost of capital and net investment income. • We are subject to risks associated with the discontinuation of LIBOR, which will affect our cost of capital and results of operations. • An inability to maintain adequate liquidity could jeopardize our business and financial condition. • Our acquisitions and other strategic transactions, including the Acquisition, may not yield the intended benefits. • If we and our subsidiaries are unable to protect our intellectual property rights, our business and prospects could be harmed. • **The development and use of Artificial Intelligence (“AI”) present risks and challenges that may adversely impact our business. Risks Related to U. S. Federal Income Tax** • We are subject to specific risks associated with **cannot predict how new tax legislation will affect us, our investments, our or small our stockholders, and any such legislation could adversely affect our** business loans lending activities. **Risks Related to Our Securities** • **Our common stock price may be volatile and may decrease substantially** certain other activities of our subsidiaries. **RISKS RELATED TO REGULATION, SUPERVISION AND COMPLIANCE OPERATING AS A FINANCIAL HOLDING COMPANY** We **have a limited operating history as a financial holding company.** Although we and our predecessor have operated since 1999, we became **converted to** a financial holding company effective January 6, 2023, upon the completion of our acquisition of NBNYC, and therefore we have only recently become subject to the regulatory regime applicable to banking institutions in the United States. As of January 6, 2023, we are no longer regulated as a BDC and are no longer subject to the regulatory provisions of the 1940 Act (though certain of our outstanding indebtedness remains subject to covenants that were applicable to us as a BDC when such indebtedness was issued, as discussed below). Accordingly, we have a limited operating history upon which to evaluate our business and future prospects as a financial holding company. Our lending prospects as a financial holding company may **significantly** differ significantly from our investment prospects as a BDC, and it is difficult to predict future operating results and to assess the likelihood of the success of our business as a financial holding company. As a new financial holding company, we may be subject to risks and levels of risk that are **often** greater than those encountered by financial institutions with longer established operations and relationships. As a financial holding company we operate in a **We may also require significant capital from sources other than operations. The banking industry is highly regulated environment, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our operations. The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily for** affects virtually all aspects of our operations, and the **protection** need to comply with applicable laws, regulations and supervisory expectations could materially impact our business, financial condition and results of **depositors** operations. Upon becoming a financial holding company, **customers, federal deposit insurance funds,** we became subject to a wide range of statutory and regulatory restrictions and requirements that will affect many aspects **the banking system as a whole, not for the protection** of our business **security holders**. We are subject to federal regulation and supervision by the FDIC, OCC and Federal Reserve. The laws and regulations applicable to us govern a variety of matters, including permissible types, amounts, and terms of loans and investments we may make, the maximum interest rate that may be charged, the amount of reserves we must hold against deposits we take, the types of deposits we may accept, maintenance of adequate capital and liquidity, changes in the control of Newtek Bank, **N. A.** and **us** the Company, restrictions on dividends, and establishment of new offices. **We must obtain approval from our** A principal objective of the U. S. bank regulatory **regulators** system **before engaging in certain activities or acquisitions, and there** is to ensure the **risk** safety and soundness of banking organizations. Safety and soundness is a broad concept that includes financial, operational, compliance and reputational considerations, including matters such **approvals may** as capital, asset quality, quality of board and management oversight, earnings, liquidity, and sensitivity to market and interest rate risk and is generally intended to protect customers, depositors, the DIF and the overall financial stability of the United States, **not be obtained, either in a timely manner our or at all** stockholders or creditors. Our regulators also have the ability to compel us to take, or restrict us from taking, certain actions entirely, such as actions that our regulators deem to constitute an unsafe or unsound banking practice. **Our failure** As part of its commitment to **comply** maintain safety and soundness, at the time the Company acquired Newtek Bank, Newtek Bank entered into an Operating Agreement with the OCC (the “Operating Agreement”). The Operating Agreement sets forth key parameters within **any applicable laws or regulations, or regulatory policies and interpretations of such laws and regulations, could result in sanctions by regulatory agencies, civil money penalties, or damage to our reputation, all of which could have a material adverse effect on our** Newtek Bank must operate, such as with respect to its business plan, minimum capital, minimum liquidity, risk management and compliance. We continue to devote substantial time and resources to compliance and meeting our regulators’ supervisory expectations, which may adversely affect our profitability and may adversely affect our ability to pursue advantageous business opportunities. See “Item 1. Business – Regulation and Supervision” for information on the regulation and supervision framework which governs our Company and its activities as a financial holding company **condition or results of operations**. **Federal and state** As a financial holding company, we are subject to certain banking laws and regulations, including under **as well as interpretations and implementations of the these laws** BHCA, and regulation **regulations** and supervision by the Federal Reserve, **are continually undergoing substantial review** and **change** with respect to Newtek Bank, the OCC. **Financial institutions generally** As a result, we have regulatory restrictions on the actions in which we may engage, and such restrictions may limit our ability to acquire other businesses, enter into other strategic transactions, joint ventures, and undertake business transactions which we could otherwise undertake as a BDC. The Operating Agreement also **been** contains certain concentration limits on the composition of Newtek Bank’s loan portfolio and dictates the amount of capital we must maintain (which during the term of the Operating Agreement is in excess of statutory requirements), which in turn could restrict our growth. Further, banking laws and regulations could require us to diversify into areas where we have less experience, which may adversely impact our financial condition and results of operations. For example, as a result of commitments made to the Federal Reserve, the Company has agreed to divest or otherwise terminate the activities conducted by EWS and NTS, including its subsidiary SIDCO, within two years of becoming a financial holding company, subject to any extension of the two-year period. The divestiture of these subsidiaries may adversely

impact our financial condition and results of operations. As noted above, as a result of commitments made in the Operating Agreement, Newtek Bank is subject to, among other things, limitations on dividend payment, minimum liquidity requirements and risk management requirements. Further, if we do enter into acquisitions, partnerships and joint ventures, they may not provide us with the benefits we anticipate. We may not be able to successfully integrate any businesses, services or technologies that we acquire or with which we form a partnership or joint venture, or comply with applicable regulatory requirements. Changes in laws, regulations, or policies may adversely affect our business, financial condition and results of operations. Congress and federal regulatory agencies continually review banking laws, regulations, policies and other supervisory guidance for possible changes. Changes in the presidential administration or control of Congress also increases **increased** the likelihood of further changes to laws, regulations and supervisory practices affecting financial institutions, which could include more stringent requirements and greater scrutiny from regulatory authorities. **These** We are unable to predict all of the ways in which changes in the legal or regulatory environment could impact our anticipated business models or objectives. Changes in these laws or regulations applicable to us as a financial holding company, including changes in the interpretation or implementation of those regulations or policies, may negatively impact the profitability of our business activities, require us to change certain of our business practices, materially affect our business model, limit the activities in which we may engage, affect retention of key personnel, require us to raise additional regulatory capital, increase the amount of liquid assets that we hold, otherwise affect our funding profile or expose us to additional costs (including increased compliance costs). Any such changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect our ability to conduct our business as previously conducted or our results of operations or financial condition. If we do not comply with applicable laws, regulations or commitments, if we are deemed to have engaged in unsafe or unsound conduct, or if we do not satisfy our regulators' supervisory expectations, then we may be subject to increased scrutiny **have resulted and may continue to result in increased costs of doing business and may in the future result in decreased revenues and net income**, reduce supervisory criticism, governmental or **our** private litigation and / or a wide range of potential monetary penalties or consequences, enforcement actions, criminal liability **ability to effectively compete to attract and / retain customers, or make it less attractive or for reputational harm us to continue providing certain products and services**. Any future changes in federal and state law and regulations, as well as the interpretations and implementations, or modifications or repeals, of Such such actions laws and regulations, could affect us be public or of a confidential nature, and arise even if we are acting in **substantial** good faith or operating under a reasonable interpretation of the law and could **unpredictable ways**, include **including those listed above**, for example, monetary penalties, payment of damages or other **ways that** monetary relief, restitution or disgorgement of profits, directives to take remedial action or to cease or modify practices, restrictions on growth or expansionary proposals, denial or refusal to accept applications, removal of officers or directors, prohibition on dividends or capital distributions, increases in capital or liquidity requirements and / or termination of Newtek Bank's deposit insurance. Additionally, compliance with applicable laws, regulations and commitments requires significant investment of management attention and resources. Any failure to comply with applicable laws, regulations or commitments could have an **a material** adverse effect on our business, financial condition and / or results of operations. **Our inability** We are subject to **remain in** anti-money laundering and similar laws, and non-compliance with such **regulatory requirements could have a material adverse effect on our operations in that market and on our reputation generally. No assurance can be given that applicable** laws can subject us to criminal or civil liability **regulations will not be amended or construed differently or that new laws** and **harm** regulations will not be adopted, either of which could materially adversely affect our business, financial condition and / or results of operations. **The** We are subject to the USA PATRIOT Act of 2001 and the Bank Secrecy Act, **which or the BSA**, require financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with **FinCEN** Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers and beneficial owners of certain legal entity customers seeking to open new financial accounts. Federal and state bank regulators also have focused on compliance with Bank Secrecy Act and anti-money laundering regulations. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or expanding activities. During the last several years, several banking institutions have received large fines for non-compliance with these laws and regulations. Although we have policies and procedures designed to assist in compliance with the **BSA Bank Secrecy Act** and other anti-money laundering laws and regulations, there can be no assurance that such policies or procedures will work effectively all of the time or protect us against liability for actions taken by our employees, agents, and intermediaries with respect to our business or any businesses that we may acquire. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition or results of operations. **Any changes in** NewtekOne, Inc. is the parent company **Presidential Administration or control of Congress** also increases the likelihood of further changes to laws, regulations and a separate supervisory practices affecting financial institutions, which could include more stringent requirements and greater scrutiny **distinct legal entity from** regulatory authorities. Changes in laws, regulations, or policies may adversely affect our business. **We are unable to predict all of the ways in which any change in the regulatory environment could impact our anticipated business models or objectives. The laws and regulations governing lending, servicing, and debt collection activities or the regulatory or enforcement environment at the federal level or in any of the states in which we anticipate operating may change at any time which may have an adverse effect on our current or anticipated business. For example, the federal banking agencies issued a final rule in October 2023 that largely begins to apply in January 2026 and may make it more challenging and / or costly for insured depository institutions to achieve an Outstanding or Satisfactory CRA rating. If Newtek Bank - Legal entity liquidity is unable to maintain at least a "Satisfactory" CRA rating, its ability to complete the**

acquisition of another financial institution or open a new branch will be adversely impacted. Newtek Bank received a rating of "Satisfactory" in its most recent CRA performance evaluation. We are unable to predict how future legislative proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an important consideration as there are legal, adverse effect on our anticipated business operations. Our inability to comply with regulatory, contractual and other limitations requirements in a particular jurisdiction could have a material adverse effect on our ability to utilize liquidity from anticipated operations in that market and one on legal entity to satisfy the liquidity requirements of another our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our anticipated business. We are subject to extensive regulation and supervision as a financial holding company, which may adversely affect our business. Upon becoming a financial holding company, we became subject to a wide range of statutory and regulatory restrictions and requirements that will affect many aspects of our business, including our lending practices, capital structure, investment practices, dividend policy and growth. We may be required to restructure, terminate or divest certain of our businesses to comply with applicable requirements, which may impose additional costs and adversely affect our business, results of operations or financial condition. Failure to comply with laws, regulations, policies or other regulatory guidance could result in adverse liquidity events at either NewtekOne civil or criminal sanctions by regulatory agencies, Inc. civil monetary penalties and / damage to or our reputation. In addition, we will be required to serve as a "source of strength" to Newtek Bank. Applicable Congress and federal regulatory agencies continually review banking laws and, regulations, policies and other supervisory guidance for possible changes. Other changes in the laws or regulations that will be applicable to us as a financial holding company, including changes in the interpretation or implementation of those regulations or policies, may negatively impact the profitability of our business activities, require us to change certain of our business practices, materially affect our business model, limit the activities in which we may engage, affect retention of key personnel, require us to raise additional regulatory capital and, increase the amount of liquidity--- liquid assets that we hold requirements and the Operating Agreement, could restrict otherwise affect our funding profile or expose us to additional costs (including increased compliance costs). Any such changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect our ability to transfer funds between Newtek Bank and NewtekOne, Inc. conduct our business as previously conducted or our results of operations or financial condition. We may be adversely affected by increased governmental and regulatory scrutiny or negative publicity. Political and public sentiment regarding financial institutions has in the past resulted and may in the future result in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials. Press coverage and other public statements that assert some form of wrongdoing (including, in some cases, press coverage and public statements that do not directly involve us) often result in some type of investigation by regulators, legislators and law enforcement officials or in lawsuits. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our business cash flow and results of operations. The financial condition services industry generally has been subject to negative publicity. Our reputation and business may be restricted what NewtekOne, Inc. is able to do with the liquidity it does possess, which may adversely affect affected by negative publicity or information regarding our business and personnel results of operations. Further, whether pursuant to the Operating Agreement we have made certain commitments to the OCC which requires Newtek Bank to hold capital incremental to the minimum required under the applicable standards, which could also impact the Company's ability to invest in assets. From time to time, regulators may implement changes to these capital adequacy and liquidity requirements. If we fail to meet these minimum capital adequacy and liquidity guidelines and other regulatory requirements, our or business activities not accurate or true, including lending, and its ability to expand could be limited. It could also result in the Company being required to take steps to increase its regulatory capital that may be dilutive posted on social media or other internet forums or published by news organizations. Postings on these types of forums may also adversely to stockholders impact risk positions of our clients and other parties that owe us money, including limiting securities or other assets and increase the chance that the they Company will not perform their obligations to us or reduce the revenues we receive from their use of our services. The speed and pervasiveness with which information can be disseminated through these channels, in particular social media, may magnify risks relating to negative publicity. The rapid dissemination of negative information through social media, in part, is believed to have led to the collapse of Silicon Valley Bank, Signature Bank and First Republic Bank. These banks suffered a level of deposit withdrawals within a time period not previously experienced by a financial institution. We could also be subject to rapid deposit withdrawals or other outflows as a result of negative social media posts or other negative publicity. Failure to comply with applicable laws, regulations or commitments, or to satisfy our regulators' supervisory expectations, could subject us to, among other things, supervisory or enforcement action, which could adversely affect our business, financial condition and results of operations. If we do not comply with applicable laws, regulations or commitments, if we are deemed to have engaged in unsafe or unsound conduct, or if we do not satisfy our regulators' supervisory expectations, then we may be subject to increased scrutiny, supervisory criticism, governmental or private litigation and / or a wide range of potential monetary penalties or consequences, enforcement actions, criminal liability and / or reputational harm. Such actions could be public or of a confidential nature, and arise even if we are acting in good faith or operating under a reasonable interpretation of the law and could include, for example, monetary penalties, payment of damages or other monetary relief, restitution or disgorgement of profits, directives to take

remedial action or to cease or modify practices, restrictions on growth or expansionary proposals, denial or refusal to accept applications, removal of officers or directors, prohibition on dividends or capital distributions, increases in capital or liquidity requirements and / or termination of Newtek Bank's deposit insurance ability to pay dividends to stockholders or limiting the Company's ability to invest in assets even if deemed more desirable from a financial and business perspective. Federal **Additionally, compliance with applicable law-laws , regulations and commitments** Federal Reserve policy **requires significant investment** that a bank holding company serve as a source of financial and managerial strength for any FDIC-insured depository institution that it controls. Thus, if Newtek Bank were to be in financial distress or to otherwise be viewed by the regulators as in an unsatisfactory condition, then the federal banking regulators could require the Company to provide additional capital or liquidity support, or take other action, in support of Newtek Bank, even if doing so is not otherwise in the best interest of the Company or its shareholders. Our risk management **attention** framework seeks to appropriately balance risk and return and mitigate **resources**. **Any failure to comply with applicable laws, regulations or commitments** risks, including risks attributable to third..... losses or be adversely affected, which could have **an** a material adverse effect on our business. For example, **financial condition** assessment of our risk profile depends, in part, upon the use of forecasting models. If these models are ineffective at predicting future losses or are otherwise inadequate, we may incur unexpected losses or otherwise be adversely affected. In addition, the information we use may be inaccurate or incomplete, both of which may be difficult to detect and **results of operations** avoid. Additionally, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. Finally, our risk management framework may be deemed insufficient or inadequate by our regulators, which have in the past required, and we expect to continue to require, that we invest additional resources into remediating any deficiencies and adversely impact our ability to operate our business until such time as the revised framework is deemed sufficient and adequate by our regulators. Federal law may discourage certain acquisitions of our common stock which could have a material adverse effect on our shareholders. Federal law may make it more difficult for someone to acquire our common stock in certain circumstances. Under federal law and subject to certain exemptions, a person, entity or group must notify the federal banking agencies before acquiring control of a bank holding company. An acquisition of 10 % or more of any class of voting stock of a bank holding company generally creates a rebuttable presumption that the acquirer **will " controls- control "** the bank holding company. In addition, a bank holding company must obtain the prior approval of the **Board of Governors of the Federal Reserve System** before, among other things, acquiring direct or indirect ownership or control of more than 5 % **percent** of the voting shares of any bank **or**, including Newtek Bank **bank holding company**. These provisions could delay or prevent a third party from acquiring us, despite the possible benefit to our shareholders, or otherwise adversely affect the market price of our common stock. **As of January 6, 2023, we are no longer regulated as a BDC and are no longer be subject to the regulatory provisions of the 1940 Act, which is designed to protect the interests of investors in investment companies, including certain laws and regulations related to insurance, custody, capital structure, composition of the Board, affiliated transactions, leverage limitations, and compensation arrangements. We do, however, continue to be subject to certain 1940 Act provisions related to asset coverage in relation to the 2024 and 2026 Notes. See " Item 1A. Risk Factors- Risks Related to Our Notes- We are subject to 150 % asset coverage requirements due to covenants contained in the indentures under which the 2024 and 2026 Notes were issued. "** The withdrawal of the Company's election to be regulated as a BDC has resulted in a significant change in our accounting and financial reporting requirements. Due to the Company's withdrawal of its election to be regulated as a BDC on January 6, 2023, the Company is no longer subject to FASB Accounting Standards Codification Topic 946, Financial Services – Investment Companies, which **will has result- resulted** in a significant change in our accounting and financial reporting requirements. **Our financial statements as of December 31, 2022 are, and in previous years were, presented and accounted for under the specialized method of accounting applicable to investment companies, including BDCs, which required us to recognize our investments, including controlled investments, at fair value.** As a BDC, we were precluded from consolidating any entity other than another investment company that acted as an extension of our investment operations and facilitated the execution of our investment strategy or an investment in a controlled operating company that provided substantially all of its services to us. **Our Beginning with the first quarter of 2023, we were required to consolidate the** financial statements for the fiscal year ended December 31, 2022 **consolidate the accounts of the Company and NSBF, and excludes other wholly-owned subsidiaries. Our financial statements for the fiscal year ended December 31, 2022 reflect our investments at fair value, as determined in good faith by our Board. Certain of our subsidiaries' financial statements are separately provided as significant unconsolidated wholly-owned subsidiaries. In future financial statements, beginning with the first quarter of 2023, the Company will be required to consolidate the financial statements of certain of its-our controlled or majority- owned investments (now consolidated subsidiaries) together with those of the Company, which is will be a significant change in our accounting and financial reporting requirements. Our Management management will has been and continues to** be required to expend significant efforts in order to implement this change in accounting and financial reporting requirements, which could adversely affect the time and attention devoted to other aspects of our business and operations. **These significant changes in our accounting and financial reporting requirements resulted in failures by the Company to adequately and timely identify financial reporting risks and the associated identification of key controls in connection therewith. As a result, we have identified material weaknesses in our internal controls that impacted the overall effectiveness of our internal controls over financial reporting. We have taken actions to enhance our internal controls over financial reporting relating to the material weaknesses identified as of the date of this Annual Report, and are still in the process of implementing a comprehensive remediation plan. See " Item 9A. Controls and Procedures " and " Item 1A. Risk Factors- Risks Related to Our Business and Structure- We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, investor confidence in our company and, as a result, the value of our common stock. "** Our shareholders no longer have

the protections of the 1940 Act, as the Company withdrew election to be regulated as a BDC. Because the Company ceased to operate as a BDC, our shareholders no longer have the following protections of the 1940 Act: • we are no longer subject to provisions of the 1940 Act prohibiting us from protecting any director or officer against any liability to the Company or our shareholders arising from willful malfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of that person’s office; • we are no longer required to provide and maintain an investment company blanket bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement; • while the majority of our directors are still required to be “independent” under applicable NASDAQ regulations, we are no longer required to ensure that a majority of our directors are persons who are not “interested persons,” as defined in the 1940 Act, and certain persons who were prevented from serving on our Board when we were a BDC are now able to serve on our Board; • we are no longer subject to provisions of the 1940 Act regulating transactions between BDCs and certain affiliates; • we are no longer subject to provisions of the 1940 Act restricting our ability to issue shares below net asset value or in exchange for services or to issue warrants and options; • we are no longer required to disclose the Company’s net asset value per share in our financial statements; • we are no longer subject to provisions of the 1940 Act restricting our ability to change the nature of our business or fundamental investment policies without having to obtain the approval of our shareholders; • we are no longer subject to the provisions of the 1940 Act limiting our ability to grant stock based compensation to officers, directors and employees or to provide a profit sharing program for them; and • we are no longer subject to the other protective provisions set out in the 1940 Act and the rules and regulations promulgated under the 1940 Act. In addition, we are very much affected by the legal, regulatory, tax and accounting regimes under which we operate. We periodically evaluate whether those regimes and our existing corporate structure are the optimum means for the operation and capitalization of our business. As a result of these evaluations, we may decide to proceed with structural and organizational changes (certain of which may require the approval of our shareholders), which could result in material dispositions of various assets, changes in our corporate form or other fundamental changes. We may incur certain costs in completing these evaluations and may receive no benefit from these expenditures, particularly if we do not proceed with any changes. If we are deemed to be an investment company under the Investment Company Act of 1940, we will not be able to successfully execute our business strategy. Certain of our subsidiaries rely on Rule 3a-7 to exclude their securitization activities from the definition of an “investment company” under the 1940 Act. Additionally, the Company has determined that, after withdrawing its election to be treated as a business development company, it is not an “investment company” because it neither holds more than 40 % of its assets in “investment securities,” nor is it primarily engaged in, or holding itself out as being primarily engaged in, the business of investing, reinvesting or trading in securities. As a part of its determination, the Company has determined that certain of the loans held by its subsidiaries are neither securities nor “investment securities” under the 1940 Act. However, the staff of the SEC may disagree with our conclusions that (i) loans held by us and our subsidiaries are not securities as defined in the Act and that (ii) the Company did not meet the definition of an investment company under section 3 of the 1940 Act subsequent to our withdrawal of the election to be regulated as a BDC. If the SEC or a court determines that one or more of our subsidiaries’ activities cause us to fall within the definition of an “investment company,” and if no exemption is available, we could be required to register under the 1940 Act. Compliance with the 1940 Act, as a registered investment company, would require us to significantly alter our business and could impair our ability to operate as financial holding company, with potential adverse impacts on our business, and, thus, our shareholders. The loss of pass-through tax treatment may substantially reduce net assets and income available for dividends and debt repayments. Prior to January 6, 2023, we operated so as to qualify as a RIC, which generally allowed us to qualify for effective pass-through tax treatment. Upon withdrawing our election to be regulated as a BDC, we have ceased to qualify for such pass-through tax treatment, and we will have to pay corporate-level taxes on all of our income whether or not we distribute it, which we expect will substantially reduce the amount of income available for distribution to our shareholders and to repay our borrowings. The Company will no longer qualify as a RIC beginning with the 2023 taxable year (e.g., beginning on January 1, 2023). For more information, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary —” and “Risk Factors- Risks Related to Converting to a Financial Holding Company” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on March 1, 2022. RISKS RELATED TO THE ECONOMY Global economic, political, social and market conditions, including uncertainty, including uncertainty about the financial stability of the United States could have a significant adverse effect on our business, operating results and financial condition. The current worldwide financial markets situation, as well as various social, political, economic and other conditions and events (including political tensions in the United States and around the world, wars and other forms of conflict, terrorist acts, security operations and catastrophic events such as natural disasters, epidemics and pandemics) may create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which companies and their investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Uncertainty can result in or coincide with, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit and currency; a decrease in the reliability of market prices and difficulty in valuing assets; greater fluctuations in spreads on debt instruments; investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the

economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and / or enforcing legal judgments. In addition, the war between Russia and Ukraine, and resulting market volatility, could adversely affect our business, financial condition or results of operations. In response to the war between Russia and Ukraine, the United States have imposed sanctions or other restrictive actions against Russia. The ongoing war and the measures in response could have a negative impact on the economy and business activity globally and could have a material adverse effect on our business, financial condition, cash flows and results of operations. The severity and duration of the war and its impact on global economic and market conditions are impossible to predict. In addition, sanctions could also result in Russia taking counter measures or retaliatory actions which could adversely impact our business, including, but not limited to, cyberattacks targeting private companies, individuals or other infrastructure upon which our business and the business of our clients rely. 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 shares and / or debt securities to decline. **In addition, recently, concerns have arisen. We monitor developments and seek to manage our investments in a manner consistent with achieving our** respect to the financial condition of a number of banking organizations in the United States, in particular those with exposure to certain types of depositors and large portfolios of investment **objective securities**. On March 10, **but** 2023 Silicon Valley Bank was closed by the **there** California Department of Financial Protection and Innovation and the Federal Deposit Insurance Corporation was appointed receiver of Silicon Valley Bank. On March 11, 2023, Signature Bank was similarly closed and placed into receivership and concurrently the Federal Reserve Board announced it will make available additional funding to eligible depository institutions to assist eligible banking organizations with potential liquidity needs. While the Company's business, balance sheet and depositor profile differs substantially from banking institutions that are the focus of the greatest scrutiny, the operating environment and public trading prices of financial services sector securities can be highly correlated, **no assurance that we will be successful in doing so** particular in times of stress, which may adversely affect the trading price of the Company's common stock and potentially its results of operations. Any public health emergency, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us **and the fair value of our investments**, our subsidiaries and our clients. The extent of the impact of any public health emergency, such as the COVID- 19 pandemic, on our **results of operations operational** and financial performance will depend on many factors, including the duration and scope of such public health emergency, the actions taken by governmental authorities to contain its financial and economic impact, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In addition, our operations may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any of our personnel. This could create widespread business continuity issues for us. A number of factors related to a public health emergency impacting us or our borrowers, customers or business partners could materially adversely affect our business, results of operations, and financial condition, including but not limited to: • increases in loan delinquencies, losses and charge- offs; • increases in borrowers seeking and being granted deferments of principal and interest payments; • collateral for loans, including real estate, may decline in value, which could cause loan losses to increase; • demand for our business products and solutions may decline, making it difficult to grow or maintain our assets and income; • net worth and liquidity of the guarantors on our loans may decline, which could cause loan losses to increase; • our risk management policies and practices may be negatively impacted by **,** among other things, changes in the SBA 7 (a) loan program, including changes to SBA rules, regulations and SBA standard operating procedures; **and** • increases in cyber risk as criminals may take advantage of the changes of business practices necessitated by a public health emergency. If the economy is unable to substantially reopen or remain reopened after a public health emergency, and high levels of unemployment 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. Any public health emergency, pandemic or any outbreak of other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us. **Economic recessions or downturns could impair our clients and our operating results.** Many of our clients may be susceptible to economic slowdowns, **a prolonged period of high interest rates** or recessions and may be unable to repay **outstanding borrowings our debt investments** during these periods. 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 addition, **continued uncertainty surrounding the impact of trade deals between Britain and the European Union following the United Kingdom's exit from the European Union,** uncertainty in connection with economic sanctions resulting from the ongoing war between Russia and Ukraine, and uncertainty between the United States and other countries, including China, with respect to trade policies, treaties, and tariffs, among other factors, have caused disruption in the global markets. There can be no assurance that market conditions will not worsen in the future. In an economic downturn **or a prolonged period of high interest rates**, we may have non-performing assets or non-performing assets may increase, and the value of our **assets portfolio** is likely to decrease during these periods. **Adverse economic conditions may also decrease the value of any collateral securing our loans. A severe recession may further decrease the value of such collateral and result in losses of value in our portfolio and a decrease in our revenues, net income, assets and net worth. 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. These events could prevent us from increasing investments and harm 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 or a prolonged period of high** interest rates, may also 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 **loan investment** originations, **limit our ability to grow and** negatively impact **the revenues of our subsidiaries, limit our ability to grow and negatively impact** our operating results and **Recent events in the banking sector may have an adverse effect on aspects of our results of operations and the price of our common stock. During 2023 and more recently, concerns have arisen with respect to the financial condition of a number of banking organizations in the United States, in particular those with exposure to certain types of depositors and large portfolios of investment securities. Silicon Valley Bank and Signature Bank were both placed into FDIC receivership resulting from significant and rapid deposit outflows and the Federal Reserve announced it will make available additional funding to eligible depository institutions to assist banking organizations with potential liquidity needs. While our business, balance sheet and depositor profile differs substantially from the banking institutions that are the focus of the greatest scrutiny, the operating environment and public trading prices of financial services sector can be highly correlated, in particular in times of stress, which has, and may continue to adversely affect the trading price of our common stock. In addition, there is uncertainty at the present time with respect to the effect that these events will have on the perceptions held by individual and commercial depositors as to the safety of deposited funds at smaller banking institutions, which could affect Newtek Bank's ability to maintain its levels of deposit funding. We believe that our client base and business model differs from those of the banking organizations which are under the most scrutiny at the present time, however no assurances can be given that the effects of recent events will not have an adverse effect on our results of operations and financial performance. Changes in interest rates could adversely affect our results of operations and financial condition. Our earnings depend substantially on our interest rate spread, which is the difference between (i) the rates Newtek Bank earns on loans, securities and other earning assets and (ii) the interest rates Newtek Bank pays on deposits and other borrowings, and its costs of capital. These rates are highly sensitive to many factors beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities. If market interest rates continue to rise, especially at the pace they did in 2022 and 2023, we will continue to face competitive pressure to increase the rates Newtek Bank pays on deposits, which could negatively affect net interest margin. However, we believe that our loan portfolio is less sensitive to a rising interest rate environment based on the fact that a material portion of our loan portfolio consists of SBA 7 (a) loans, which are floating rate loans that bear interest at the prime rate plus a spread from 2.25 % to 3.00 %, which interest rates reset on a quarterly basis. Moreover, in response to these market conditions and consistent with its business plan, Newtek Bank has been focused on increasing its liquidity position by raising additional deposits and maintaining a significant portion of its liquidity in the form of cash held at the Federal Reserve, as opposed to long term investments. In addition, Newtek Bank management continues to closely monitor market conditions with a focus on its asset liability management policies, as well as closely monitoring, among other things, capital levels, to ensure compliance with regulatory guidelines and the OCC Operating Agreement. Inflation may adversely affect the business, results of operations and financial condition of companies.** Recent inflationary pressures have increased the costs of **capital,** labor, energy and raw materials and have adversely affected consumer spending, economic growth and our clients' operations. **Additionally, the Federal Reserve has raised, and has indicated its intent to continue raising, its benchmark interest rates in an effort to combat inflation.** Certain of our clients may **operate be** in industries that have been, or are expected to be, impacted by inflation. If such clients are unable to pass any increases in their costs along to their customers, it could adversely affect their results and impact their ability to pay interest and principal on our loans. **In addition, any projected future decreases in our clients' operating results due to inflation could adversely impact them- the and fair value of those investments. Any deterioration in the quality of our assets could result in future unrealized losses and require increased loan loss reserves and therefore negatively impact our financial condition or results of operations. The Federal Reserve raised interest rates in 2022 and 2023, and future changes to its monetary policy and the timing of them are not certain.** While the United States and other developed economies **are have recently experiencing experienced** higher- than- normal inflation rates, it remains uncertain whether substantial inflation will be sustained over an extended period of time or have a significant effect on the U. S. economy or other economies. **Inflation may affect our loan portfolio adversely in a number of ways, including those noted above.** During periods of rising inflation, interest and dividend rates of any instruments we or our subsidiaries may have issued could increase, which

would tend to reduce returns to our investors. Inflationary expectations or periods of rising inflation could also be accompanied by the rising prices of commodities which are critical to the operation of many of our clients as noted above. Clients may have fixed income streams and, therefore, be unable to pay their debts when they become due. The market value of such investments may decline in value in times of higher inflation rates. **As Some of our investments may have income linked to inflation through contractual rights or other means. However, as** inflation may affect both income and expenses, any increase in income may not be sufficient to cover increases in expenses. Governmental efforts to curb inflation, **including by raising of interest rates,** often have negative effects on the level of economic activity. **In an attempt to stabilize inflation, certain countries** have imposed wage and price controls at times. Past governmental efforts to curb inflation have also involved more drastic economic measures that have had a materially adverse effect on the level of economic activity in the countries where such measures were employed. There can be no assurance that continued and more widespread inflation in the United States and / or other economies **or the maintenance of higher interest rests in an effort to curb inflation** will not become a serious problem in the future and have a material adverse impact on us. **⚡ Terrorist acts, acts of war, global health emergencies or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest . Such acts** ~~S. debt ceiling and budget deficit concerns have increased--~~ **created , and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, global health emergencies or natural disasters could further weaken** the possibility of **domestic / global economies and create** additional **uncertainties** credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U. S. lawmakers have passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any downgrades to the U. S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U. S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact **the businesses in which we invest directly our- or ability to access indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks, global health emergencies and natural disasters are generally uninsurable. A failure or the perceived risk of a failure to raise the statutory debt markets-limit of the U. S. could have a material adverse effect on favorable terms our business, financial condition and results of operations . In addition June 2023 , disagreement over the federal budget has caused the U. S. federal government suspended the federal debt limit until 2025. If Congress does not raise the debt ceiling prior to shut down 2025, the United States could default on its obligations, including Treasury securities that play an integral role in financial markets. A default by the United States could result in unprecedented market volatility and illiquidity, heightened operational risks relating to the clearance and settlement of transactions, margin and other disputes with clients and counterparties, an adverse impact to investors including money market funds that invest in U. S. Treasuries, downgrades in the U. S. credit rating, further increases in interest rates and borrowing costs and a recession in the United States or other economies. Continued uncertainty relating to the debt ceiling could result in downgrades of the U. S. credit rating, which could adversely affect market conditions, lead to margin disputes, further increases in interest rates and borrowing costs and necessitate significant operational changes among market participants, including us. A downgrade of the U. S. federal government's credit rating could also materially and adversely affect the market for periods repurchase agreements, securities borrowing and lending, and other financings typically collateralized by U. S. Treasury or agency obligations. Further, the fair value, liquidity and credit ratings of time securities issued by, or other obligations of, agencies of the U. S. government or related to the U. S. government or its agencies, as well as municipal bonds could be similarly adversely affected. An increasing frequency of government shutdowns, or near shutdowns, in the United States could also lead to uncertainty as to the continued funding of the U. S. government, which could, in turn, adversely affect the credit ratings of the United States and the market for U. S. Treasury or agency obligations .** Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations. If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending activities ; ~~the value of our loan portfolio could decrease~~ and our level of **distributions and** liquidity could be affected adversely. Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all. **RISKS RELATED TO OUR INDUSTRY-BUSINESS AND STRUCTURE We are dependent upon our Senior Lending Team and our executive officers for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our Senior Lending Team or our executive officers our business could be significantly harmed. We depend on our Senior Lending Team and executive officers as well as other key personnel for the management of our and our subsidiaries' businesses. These executive officers and employees have critical industry experience and relationships that we rely on to implement our business plan. Our future success depends on the continued service of our Senior Lending Team and our executive officers and the replacement of any departing individuals with others of comparable skills and experience. The departure of any of the members of our Senior Lending Team, our executive officers or a significant number of our senior personnel could have a material adverse effect on our business. As a result, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. The commercial lending market to independent business owners is very competitive and is served by a variety of entities, including banks, savings and loan associations, credit unions, independent finance companies, and nonbank lenders,**

including financial technology companies. The lending market to independent business owners is also highly fragmented, with a small number of lenders capturing large shares of each market and many smaller lenders competing for the remaining market share. We compete for clients with other financial institutions and various SMB lenders, as well as other sources of funding. Additionally, competition for clients has emerged among alternative investment vehicles, such as CLOs, some of which are sponsored by other alternative asset investors, as these entities have begun to focus on making investments in SMBs. As a result of these new entrants, competition for our clients may intensify. Many of our competitors will be substantially larger and have considerably greater financial, technical and marketing resources than us. For example, some competitors may have a lower cost of capital and access to funding sources that will not be available to us. **Our competitors often seek to provide financing on terms more favorable to independent business owners than we offer. Many of these competitors also have long- standing relationships with independent business owners and may offer other forms of financing that we do not offer.** In addition, some of our competitors may have higher risk tolerances or different risk assessments than we will have. Additionally, some of our competitors may also be subject to less burdensome licensing and other regulatory requirements **and, as a result, these competitors may have advantages in conducting certain business and providing certain services and may be more aggressive in their loan origination activities**. These characteristics could allow our competitors to establish more relationships and offer better pricing and more flexible structuring than we will be able to offer. We may lose clients if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns or may bear substantial risk of capital loss. **Substantial and increasing competition in our industry may harm our business. The financial services and banking industry is increasingly competitive. We compete with a variety of entities in various markets in this industry. The consumer lending market is very competitive and is served by a variety of entities, including banks, savings and loan associations, credit unions, independent finance companies, and financial technology companies. The recreation lending and home improvement lending markets are also highly fragmented, with a small number of lenders capturing large shares of each market and many smaller lenders competing for the remaining market share. Our competitors often seek to provide financing on terms more favorable to consumers or dealers, contractors, and financial services providers ("FSPs") than we offer. Many of these competitors also have long- standing relationships with dealers, contractors, and FSPs and may offer other forms of financing that we do not offer.** We may encounter greater competition as we expand our operations, and competition may also increase in more stable or favorable economic conditions. **Certain of our competitors are not subject to the same regulatory requirements that we are and, as a result, these competitors may have advantages in conducting certain business and providing certain services and may be more aggressive in their loan origination activities.** Increasing competition could also require us to lower the rates we charge on loans in order to maintain our desired loan origination volume, which could also have a material adverse effect on our business, financial condition and results of operations. **We could be adversely affected by weakness in the residential housing and commercial real estate markets. Weakness in residential home and commercial real estate values could impair our ability to collect on defaulted SBA loans as real estate is pledged in many of our SBA loans as part of the collateral package.** Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when our collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations. **Moreover, we may be adversely affected by the soundness of** RISKS RELATED TO OUR BUSINESS AND STRUCTURE **We depend on our Senior Lending Team and Executive Committee as well as other key personnel- financial institutions even when we are not directly exposed to those institutions. For example, the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in 2023 resulted in significant disruption in the financial services industry and negative media attention, which has also adversely impacted the volatility and market prices of the securities of financial institutions and resulted in outflows of deposits for many financial institutions. Defaults by, declines in the financial condition of, or even rumors or questions about, one or more financial institutions, financial service companies or the financial services industry generally, may lead to difficulties related to liquidity, asset quality or the other problems identification, final selection, structuring, closing and monitoring of business opportunities could lead to losses or defaults by us or by other institutions.** These **problems, losses** executive officers and employees have critical industry experience and relationships that we rely on to implement our **or defaults** business plan. Our future success depends on the continued service of our Senior Lending Team and our Executive Committee and the replacement of any departing individuals with others of comparable skills and experience. The departure of any of the members of our Senior Lending Team, our Executive Committee or a significant number of our other senior personnel could have **an** a material adverse effect on our business and, **financial condition or results of** operations. **As a result, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.** If we are unable to acquire and process clients effectively, we may be unable to achieve our objectives. Our ability to achieve our objectives depends on our **Senior Lending Team' s and our executive officers'** ability to acquire clients. Accomplishing this **result** on a cost- effective basis is largely a function of our marketing capabilities, our management of our **referral client** processing, our ability to provide efficient services and our access to financing sources on acceptable terms. To grow, we need to continue to hire, train, supervise and manage new employees and to implement computer and other systems capable of effectively accommodating our growth. However, we cannot provide assurance that any such employees will contribute to the success of our business or that we will implement such systems effectively. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations. Our business model depends **to a significant extent** upon strong referral

relationships, and our inability to maintain or further develop these relationships, as well as the failure of which these relationships to generate investment opportunities, could adversely affect our business, financial condition and results of operations. We expect that members of our Senior Lending Team and our Executive Committee will maintain their relationships with intermediaries, financial institutions, investment bankers, commercial bankers, financial advisors, attorneys, accountants, consultants, alliance partners, and other individuals within their networks, and we will rely, to a significant extent, upon these relationships to provide us with potential clients. If our Senior Lending Team and our Executive Committee officers fail to maintain its existing relationships or develop new relationships with referral partners potential clients, we may not be able to acquire new clients. In addition, individuals with whom members of our Senior Lending Team and our Executive Committee officers have relationships are not obligated to provide us with referral client opportunities, and, therefore, there is no assurance that such relationships will generate opportunities for us. Indebtedness could adversely affect our business and financial results. In the past, we have had a significant amount of indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, more of our cash flow from operations would need to be allocated to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to execute our business plans and withstand competitive pressures and could reduce our flexibility in responding to changing business and economic conditions. Our ability to make payments on our debt, to repay our existing indebtedness when due, and to fund our business, operations and significant planned capital expenditures will depend on our ability to pay with available cash or generate cash in the future. This, to a certain extent, is subject to financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, if we cannot service our indebtedness, we may have to take actions such as utilizing available capital, limiting the facilitation origination of additional loans, selling assets, selling equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy, prevent us from entering into transactions that would otherwise benefit our business and / or adversely affect our business and financial results. We also may not be able to refinance our indebtedness or take such other actions, if necessary, on commercially reasonable terms, or at all. To the extent we borrow money to originate new loans finance our lending activities, changes in interest rates will affect our cost of capital and net investment income interest margin. To the extent we borrow money to finance client loans our lending activities, our earnings net interest margin will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we lend those funds. General interest rate fluctuations may also have an impact on the value of our common stock and our rate of return. As a result, we can offer no assurance that a significant change in market interest rates may will not have a material adverse effect on our income net interest margin in the event we borrow money to finance our loans. In periods of rising interest rates, our cost of funds would increase, which could reduce our income net interest margin. Further, rising interest rates could also adversely affect our performance financial condition and results of operations if we hold loans with floating interest rates, subject to specified minimum interest rates (such as a LIBOR floor), while at the same time engaging in borrowings subject to floating interest rates not subject to such minimums. In such a scenario, rising interest rates may increase our interest expense, even though our interest income is not increasing in a corresponding manner as a result of such minimum interest rates. Rising interest rates could also cause clients to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, rising interest rates may increase pressure on us to provide fixed rate loans, which could adversely affect our income net interest margin, as increases in our cost of borrowed funds would not be accompanied by increased interest income from such fixed- rate investments. Also, an increase in interest rates available to investors could make an investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock. We may LIBOR is the basic rate of interest used - use in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities. If we do not implement these techniques properly, we could experience losses on loans globally. In July 2017, the Financial Conduct Authority announced its intention to cease sustaining LIBOR by the end of 2021. As of January 1, 2023, USD LIBOR is available in five settings (overnight, one month, three-month, six month and 12-month). The ICE Benchmark Administration has stated that it will cease to publish all remaining USD LIBOR settings immediately following their publication on June 30, 2023. As such, when LIBOR is discontinued, if a replacement rate is not widely agreed upon or our hedging positions if a replacement rate is significantly different from LIBOR, it which could be material cause a disruption in the credit markets generally. Such a disruption could have an adverse impact on the market 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 or on our overall financial condition or results of operations. It is not possible to predict the effect of any of these developments, and any future initiatives to regulate, reform or change the manner of administration of LIBOR could result in adverse consequences to the rate of interest payable and receivable on, market value of and market liquidity for LIBOR-based financial instruments. The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market 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 or on our overall financial condition or results of operations. In addition, while depending on the frequency majority of our LIBOR-linked loans contemplate that LIBOR may cease to exist and magnitude of rising interest allow for amendment to a new base rate rates without, the these approval of 100 % of the lenders, if LIBOR ceases to exist, we will still need to renegotiate any credit agreements extending beyond June 2023 that utilize LIBOR as a factor in determining the interest rate increases could negatively impact premiums received, in order to replace LIBOR with the new standard that is established, which may have an adverse effect on our overall the sale of guaranteed SBA loans, and further, could increase prepayment speeds on

outstanding SBA loans, potentially negatively impacting the Company's financial condition or results of operations. 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 loans and, as a result on our results of operations. Moreover, if LIBOR ceases to exist, we may need to renegotiate certain terms of our credit facilities. If we are unable to do so, amounts drawn under our credit facilities may bear interest at a higher rate, which would increase the cost of our borrowings and, in turn, affect our results of operations. We may expose ourselves to risks as we engage in hedging transactions. In the second half of 2021, we began using derivatives to hedge interest rate exposure on specific fixed rate loans originated by us or our subsidiaries until such fixed rate loans are sold or securitized. We may continue to enter into such hedging transactions in an effort to mitigate our exposure to adverse fluctuations in interest rates and we may increase our floating rate **loans investments** to hedge against interest **position the portfolio for** rate increases. However, we cannot assure you that such transactions will be successful in mitigating our exposure to interest rate risk or if we will continue to enter into such interest rate hedges. Hedging transactions may also limit our ability to participate in the benefits of lower interest rates with respect to our loans. Moreover, as we engage in hedging transactions, we expose ourselves to certain risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of certain of our portfolio positions from changes in market interest rates. Hedging against a decline in the values of our positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against interest rate fluctuations affecting the value of securities in our portfolio. **We are subject to stringent capital and liquidity regulations and requirements. NewtekOne is the parent company of and a separate and distinct legal entity from Newtek Bank. Legal entity liquidity is an important consideration as there are legal, regulatory, contractual and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, which could result in adverse liquidity events at either NewtekOne and / or Newtek Bank. Applicable laws and regulations, including capital and liquidity requirements and the Operating Agreement, could restrict our ability to transfer funds between Newtek Bank and NewtekOne, which could adversely affect our cash flow and financial condition. Additionally, applicable laws and regulations may restrict what NewtekOne is able to do with the liquidity it does possess, which may adversely affect our business and results of operations. Further, pursuant to the Operating Agreement we have made certain commitments to the OCC which requires Newtek Bank to hold capital incremental to the minimum required under the applicable standards, which could also impact the Company's ability to invest in assets. From time to time, regulators may implement changes to these capital adequacy and liquidity requirements. If we fail to meet these minimum capital adequacy and liquidity guidelines and other regulatory requirements, our business activities, including lending, and its ability to expand could be limited. It could also result in the Company being required to take steps to increase its regulatory capital that may be dilutive or adverse to stockholders, including limiting the Company's ability to pay dividends to stockholders or limiting the Company's ability to invest in assets even if deemed more desirable from a financial and business perspective. Federal law and Federal Reserve policy require that a bank holding company serve as a source of financial and managerial strength for any FDIC-insured depository institution that it controls. Thus, if Newtek Bank were to be in financial distress or to otherwise be viewed by the regulators as in an unsatisfactory condition, then the federal banking regulators could require the Company to provide additional capital or liquidity support, or take other action, in support of Newtek Bank, even if doing so is not otherwise in the best interest of the Company or its shareholders.** Liquidity is essential to our business. Although we believe that we currently have an adequate amount of liquidity to support our business, there are a number of factors that could reduce and / or deplete our existing liquidity position, including results of operations that are reduced relative to our projections, costs related to existing or future litigation or regulatory matters, the pursuit of strategic business opportunities (whether through acquisition or organic) and unanticipated liabilities. Additionally, as noted above, we are subject to stringent capital and liquidity regulations and requirements and need to manage our liquidity position at **both** NewtekOne, ~~NSBF~~ and Newtek Bank within the parameters and terms set forth by applicable regulations and regulators. Newtek Bank is subject to various legal, regulatory and other restrictions on its ability to make distributions and payments to the Company. Any inability to maintain an adequate liquidity position could adversely affect our operations, our compliance with applicable regulations and the performance of our business. Further, our ability to raise additional capital, should that be deemed beneficial and / or necessary, depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the financial services and banking industry, market conditions, governmental activities, and our financial condition and performance. Accordingly, we may be unable to raise additional capital if needed or on acceptable terms, which may adversely affect our liquidity, business, financial condition and results of operations. We have historically ~~and~~ may continue to ~~evaluate and consider~~ strategic transactions, combinations, acquisitions, dispositions or alliances. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be successful in negotiating favorable terms and / or consummating the transaction and, even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction. In particular, on January 6, 2023, we completed the Acquisition ~~(of NBNYC)~~. We anticipate that the Acquisition will continue to be transformational for the

Company from both a financial and strategic perspective. However, any acquisition (including the Acquisition), disposition or other strategic transactions involves risks, including: • difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business, which may require ongoing investment in development and enhancement of additional operational and reporting processes and controls; • inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits; • difficulties in retaining, training, motivating and integrating key personnel; • diversion of management’s time and resources from our normal daily operations; • difficulties in successfully incorporating licensed or acquired technology and rights into our platform; • difficulties in maintaining uniform standards, controls, procedures and policies within the combined organization; • difficulties in retaining relationships with customers, employees and suppliers of the acquired business; • risks of entering markets in which we have no or limited direct prior experience; • regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre- closing or post- closing approvals, as well as being subject to new regulators with oversight over an acquired business; • assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability; • failure to successfully further develop any acquired technology; • liability for activities of the acquired or disposed of business before the acquisition or disposition, including patent and trademark infringement claims, violations of laws, regulatory actions, commercial disputes, tax liabilities and other known and unknown liabilities; • difficulty in separating assets and replacing shared services; • assumption of exposure to performance of any acquired loan portfolios; • potential disruptions to our ongoing businesses; and • unexpected costs and unknown risks and liabilities associated with the acquisition. Accordingly, any acquisition, disposition or other strategic transaction may not be successful, may not benefit our business strategy, may not generate sufficient revenue to offset the associated costs or may not otherwise result in the intended benefits. Additionally, it may take us longer than expected to fully realize the anticipated benefits and synergies of these transactions (including the Acquisition), and those benefits and synergies may ultimately be smaller than anticipated or may not be realized at all, which could adversely affect our business and operating results. Any transactions, combinations, acquisitions, dispositions or alliances may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), liabilities and amortization expenses related to intangible assets or write- offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders and the interests of holders of our indebtedness. In addition, we cannot assure you that any acquisition of new businesses or technology will lead to the successful development of new or enhanced products and services or that any new or enhanced products and services, if developed, will achieve market acceptance or prove to be profitable. Finally, we may also choose to divest certain businesses or product lines that no longer fit with our strategic objectives. If we decide to sell assets or a business, we may have difficulty obtaining terms acceptable to us in a timely manner, or at all. Additionally, the terms of such potential transactions may expose us to ongoing obligations and liabilities. ~~Our risk management framework seeks to appropriately balance risk and return and mitigate our~~ risks, including risks attributable to third parties. We have established policies intended to regularly identify and assess our risk profile, including credit risk, pricing risk, liquidity risk, strategic risk and operational risk, and then implement appropriate processes and controls to mitigate risk. **We have recently adopted a number of new policies as part of the conversion to a financial holding company and those policies and their efficacy are untested.** If our risk management framework does not effectively identify, assess and / or mitigate our risk profile, we could suffer unexpected losses or be adversely affected, which ~~could have a material adverse effect on our business.~~ For example, ~~assessment~~ Internal control deficiencies could impact the accuracy of our financial results or prevent the detection of fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the **trading** price of our common stock. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. Any failure by us to identify future deficiencies in our internal control over financial reporting in a timely manner or remediate any such deficiencies, could prevent us from accurately and timely reporting our financial results. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. We **review and update our internal controls, disclosure controls and procedures and corporate governance policies as our Company continues to evolve. In addition, we are required to comply with the internal control evaluation and certification requirements of Section 404 of the Sarbanes- Oxley Act of 2002 (SOX). We** are required to disclose changes made in our internal control and procedures on a quarterly basis and our management is required to assess the effectiveness of these controls annually. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not **have detected**. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. In the event that we are unable to maintain or achieve compliance with Section 404 of the ~~SOX Sarbanes- Oxley Act~~ and related rules, the market price of our common stock may be adversely affected. **We have identified material weaknesses in our internal controls over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, investor confidence in our Company and, as a result, the value of our common stock. We have assessed the effectiveness of our internal controls over financial reporting based upon the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on this assessment, we have concluded that we did not maintain effective internal controls over financial reporting as of December 31, 2023, as a result of the material weaknesses described in “Item 9A. Controls and Procedures,” herein. We have taken actions to enhance our internal controls over financial reporting relating to the**

material weaknesses identified as of the date of this Annual Report. We hired a new Chief Financial Officer in May 2023 and appointed a new Chief Accounting Officer in March 2024, and hired a Chief Risk Officer, each with recent and significant financial holding company experience. We are still in the process of implementing other remediation measures as part of a comprehensive remediation plan. The material weaknesses identified herein cannot be considered remediated until each control has been appropriately designed, has operated for a sufficient period of time, and until management has concluded, through testing, that the control is operating effectively. See “Item 9A. Controls and Procedures.” We can give no assurance that a comprehensive remediation plan will remediate the material weakness in internal control, or that additional material weaknesses or significant deficiencies in our internal controls over financial reporting will not be identified in the future. A failure by us to timely and effectively remediate the material weaknesses could prevent us from accurately and timely reporting our financial results and could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that are costly and could adversely affect our business and financial results. We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC, the OCC and the Nasdaq Global Market, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with existing requirements, or any revised or amended requirements, have resulted in, and may continue to result in, an increase in expenses and a diversion of management’s time from other business activities. In addition, our failure to keep pace with any such rules, or for our management to appropriately address compliance with such rules fully and in a timely manner, exposes us to an increasing risk of inadvertent non-compliance. While our management team takes reasonable efforts to ensure that we are in full compliance with all laws applicable to its operations, the increasing rate and extent of regulatory change increases the risk of a failure to comply, which may result in our ability to operate our business in the ordinary course or may subject us to potential fines, regulatory findings or other matters that may materially impact our business. Our clients may be concentrated in a limited number of industries, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which a number of our loans are concentrated. Our clients may be concentrated in a limited number of industries. A downturn in any particular industry in which we provide loans could significantly impact the aggregate returns we realize. If an industry to which we provide significant loans suffers from adverse business or economic conditions, as these industries have to varying degrees, a material portion of our business could be affected adversely, which, in turn, could adversely affect our financial position and results of operations. The proprietary software essential to our business and that of our subsidiaries is owned by us and made available to them for their use. Our future success and competitive position will depend in part upon our ability to maintain and protect proprietary technology used in our products and services. We will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate our intellectual property, and disputes as to ownership of intellectual property may arise. We may, from time to time, be required to institute litigation to enforce the patents, copyrights or other intellectual property rights, protect 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.

RISKS RELATED TO SBA LENDING

Changes to the SBA Section 7 (a) Program can negatively impact our SBA 7 (a) loan origination volume. Changes to the SBA Section 7 (a) Program, including recent revisions to SBA Standard Operating Procedure SOP 50 10 7. 1 (“SOP 7. 1”), shifted to the SBA a PLP lender’s delegated authority in making determinations of a borrower’s satisfaction of certain eligibility requirements to participate in the Section 7 (a) Program. Potential impacts of the SOP 7. 1 revisions remain unclear, including the SBA’s ability to demonstrate that it can timely and appropriately make these eligibility determinations; and therefore, there can be no assurance that these and future SOP revisions will not negatively impact, among other things, the volume of SBA 7 (a) loans originated by PLP lenders, including Newtek Bank, which could have an adverse impact on the Company’s business, financial condition and / or operating results. There can be no guarantee that Newtek Bank and NSBF will be able to maintain ~~its~~ **their** SBA 7 (a) lending ~~license~~ **licenses**. Prior to the Acquisition, ~~both~~ **Both** Newtek Bank, N. A. and NSBF ~~were~~ **have been** granted SBA 7 (a) lending licenses. Additionally, prior to the Acquisition, NSBF had been granted PLP status, which allowed it to place SBA guarantees on loans without seeking prior SBA review and approval. **Newtek Bank obtained PLP status in April 2023. PLP status allowed** ~~allows~~ **NSBF and Newtek Bank** to expedite loans since ~~NSBF was~~ **they are** not required to present applications to the SBA for concurrent review and approval. While the Company intends that NSBF will continue to service its current portfolio of SBA 7 (a) loans, and that new SBA 7 (a) loan originations will be made by Newtek Bank, there can be no guarantee that Newtek Bank ~~and NSBF~~ **and NSBF** will be able to maintain ~~its~~ **their** SBA 7 (a) lending ~~license~~ **licenses** ~~or obtain and maintain PLP status~~. The loss of Newtek Bank’s SBA 7 (a) lending license ~~would negatively impact or our failure~~ **results of operations. Further, there can be no assurance that Newtek Bank will be able to obtain and maintain its status as a**, ~~or delays in obtaining~~ **PLP**, ~~status would have a material adverse impact on Newtek Bank’s ability to~~ **loss of PLP status would adversely impact our marketing efforts and ultimately loan** ~~originate~~ **origination volume which would negatively impact our results of operations. NSBF and Newtek Bank, our wholly- owned subsidiaries, are subject to regulation by the SBA, which has specific risks. NSBF is licensed by the SBA as an SBLC. In order to operate as an SBLC, a licensee is required to maintain a minimum regulatory capital (as defined by SBA regulations) of the greater of (1) 10 % of its outstanding loans receivable and other investments or (2) \$ 1. 0 million. Moreover, before consenting to a securitization, NSBF and other securitizers must, among other things, be considered well capitalized by the SBA. For NSBF and other SBLC securitizers, the SBA will consider it well capitalized if it maintains a minimum unencumbered**

paid in capital and paid in surplus equal to at least 10 % of its assets, excluding the guaranteed portion of 7 (a) loans. In addition, an SBLC is subject to certain other regulatory restrictions. Among other things, SBLCs are required to: establish, adopt, and maintain a formal written capital plan; submit to the SBA for review a credit policy that demonstrates the SBLC's compliance with the applicable regulations and the SBA's Standard Operating Procedures for origination, servicing and liquidation of 7 (a) loans; submit to the SBA for review and approval annual validation, with supporting documentation and methodologies, demonstrating that any scoring model used by the SBLC is predictive of loan performance; obtain SBA approval for loan securitization and borrowings; and adopt and fully implement an internal control policy which provides adequate direction for effective control over and accountability for operations, programs, and resources. Additionally, in connection with our 2018 examination by the SBA, NSBF entered into a voluntary agreement with the SBA to meet certain other requirements and conditions. See "Item 1A. Risk Factors- Risks Related to SBA Lending- If NSBF or Newtek Bank fail to comply with SBA regulations in connection with the origination, servicing, or liquidation of an SBA 7 (a) loan- loan at, liability on the SBA guaranty, in whole or in part, could be transferred to NSBF or Newtek Bank's historic levels, and it may negatively impact Newtek Bank's SBA 7 (a) loan origination volumes and revenues to be generated from the sale of guaranteed portions of SBA 7 (a) loans, which could in turn negatively impact our results of operations." NSBF will remain subject to SBA regulation as it winds down its operations. NSBF's regulations in connection with the origination, servicing, or liquidation of an SBA 7 (a) loan, the SBA may be released from liability on its guaranty of a 7 (a) loan, and may refuse to honor a guaranty purchase request in full (referred to by SBA as a "denial") or in part (referred to by SBA as a "repair"), or recover all or part of the funds already paid in connection with a guaranty purchase. In the event of a repair or denial, liability on the guaranty, in whole or in part, would be transferred to NSBF or Newtek Bank. In addition, the growth in the number of loans made by Newtek Bank, changes in SBA regulations and economic factors may adversely impact our current repair and denial rate. **Curtailment of the government- guaranteed loan programs could adversely affect**. In connection with NSBF's 2018 examination by the SBA, NSBF entered into a voluntary agreement with the SBA pursuant to which NSBF's commitment to operate under the SBA Loan Program Requirements. The agreement formalized many of the actions previously taken by NSBF to strengthen its operational procedures as they relate to NSBF's delegated lender authority. Consistent with the terms of the agreement, NSBF has established a segregated restricted cash account in the amount of \$ 10 million to account for potential post- purchase repairs and denials of guaranteed portions of SBA 7 (a) loans, and agreed to take certain actions to demonstrate the sufficiency of NSBF's liquidity and establish certain additional reporting and compliance procedures. **As a Curtailment of the government- guaranteed loan programs could adversely affect our result results of operations. Although** the Acquisition, all SBA 7 (a) Program has been in existence since 1953 loan originations are being transitioned to Newtek Bank, and NSBF there can be no assurance that the federal government will maintain the ease origination of SBA 7 (a) program, or that it will continue to guarantee loans at current levels. Furthermore, in relinquish its PLP status and- an wind effort to support our communities during the pandemic, we participated in the PPP under the CARES Act whereby we made loans to small businesses and those loans are subject to the regulatory requirements that require forbearance of loan payments for a specified time or limit our ability to pursue all available remedies in the event of a loan default. If the borrower under the PPP loan fails to qualify for loan forgiveness, we may be at the heightened risk of holding these loans at unfavorable interest rates as compared to the loans to customers that we would have otherwise extended credit. If we cannot continue originating and selling government - guaranteed loans down its operations. During this wind down process, NSBF we will be required generate fewer origination fees and our ability to continue to generate gains own- on the sale of SBA 7 (a) loans will decrease. From time and PPP Loans in its SBA loan portfolio to maturity, liquidation, charge- off to- time, the government agencies that guarantee these loans reach their internal budgeted limits and cease to guarantee loans or for (subject to a stated time period. In addition, these agencies may change their rules for extending loans. Also, Congress may adopt legislation that would have the effect of discontinuing or changing the SBA's prior written approval), sale programs. Non- governmental programs could replace government programs or for transfer. NSBF will some borrowers, but the terms might not be equally acceptable. If these changes occur required to continue to service and liquidate its SBA Loan Portfolio, the volume of including processing forgiveness and loan loans reviews to SMBs and industrial borrowers of the types that now qualify for government PPP Loans, pursuant to an SBA approved lender service provider agreement with SBL. During the wind down process, it is anticipated that NSBF will be required to maintain minimum capital requirements established by the SBA, will be required to maintain certain amounts of restricted cash available to meet any obligations to the SBA, will have restrictions on its ability to make dividends and distributions to its parent, and will remain liable to SBA for post- guaranteed purchase denials and repairs, from the proceeds generated by NSBF's SBA loan loans portfolio. Any future post- purchase denials and repairs demands on NSBF could negatively impact our results decline, as could the profitability of operations. It is also anticipated that the these loans Company will guarantee NSBF's obligations to the SBA. Our loans under If NSBF or Newtek Bank fail to comply with SBA regulations in connection with the Section origination, servicing, or liquidation of an SBA-7 (a) loan- Loan Program involve a high risk of default and such default, liability on the SBA guaranty, in whole or part, could adversely impact be transferred to NSBF or our Newtek Bank results of operations. Loans to small businesses involve a high risk of default. Such loans are generally not rated by any statistical rating organization. Small businesses usually have smaller product lines and market shares than larger companies and therefore may be more vulnerable to competition and general economic conditions. These businesses' success typically depends on their management talents and efforts of one person or a small group of persons whose death, disability or resignation would adversely affect the business. Because these businesses frequently have highly leveraged capital structures, reduced cash flow resulting from economic downturns can severely impact the businesses' ability to meet their obligations, which could impact our results of operations. The portions of SBA Section 7 (a) loans to be retained by us do not benefit directly from any SBA guarantees; in an event of default, however, we and the SBA

typically cooperate in collateral foreclosure or other work-out efforts and share in any resulting collections. We have generally sold ~~the loans we make under the guaranteed portion~~ Section 7 (a) Loan Program face competition. There are a large number of banks and several non-bank lenders that participate in the SBA loans in Section 7 (a) Loan Program. All of these participants compete secondary market. Such sales have resulted in our earning premiums and creating a stream of servicing income. Sale prices for guaranteed portions ~~the business of~~ eligible borrowers. Accordingly, we may be at a competitive disadvantage with regard to other lenders or financial institutions that may be able to achieve greater leverage at a lower cost. A governmental failure to fund the SBA could adversely affect NSBF's and Newtek Bank's SBA 7 (a) loans can be negatively impacted by market..... of our SBA 7 (a) loan portfolio, we retain credit risk on the non-guaranteed portion of the SBA loans. We share pro rata with the SBA in any recoveries. In the event of default on an SBA loan, our pursuit of remedies against a borrower is subject to SBA approval. If we fail to comply with certain of the SBA's regulations in connection with the origination-originations-, servicing, or liquidation of an and SBA 7 (a) loan,.....- guaranteed loan programs could adversely affect our results of operations. We are dependent upon the federal Federal government to maintain the SBA 7 (a) Program. NSBF's and Newtek Bank's lending business could be materially and adversely affected by circumstances or events limiting the availability of funds for this program. Although In October 2013, Congress failed to approve a budget, which, in turn, eliminated availability of funds for the SBA 7 (a) program. At has been in existence since 1953, there-- the time, can be no assurance that the federal government shutdown affected will maintain the SBA 7 (a) lenders' ability to originate SBA 7 (a) loans. More recently, the government shut down in January 2018 due to a lapse in appropriations, and the SBA closed all non-disaster related programs and activities, including the SBA 7 (a) program. The government could again fail to fund the SBA which would affect NSBF's and Newtek Bank's ability to originate government guaranteed loans and to sell the government guaranteed portions of those loans in the secondary market. Any failure to fund the SBA could adversely affect NSBF's SBA 7 (a) loan originations and or our results of operations. As a participating lender in the SBA Paycheck Protection Program ("PPP"), the Company and NSBF are subject to risks that the SBA may not fund some or all PPP loan guaranties. On March 27, 2020, President Trump signed the CARES Act, which included a \$ 349 billion loan program administered through the SBA referred to as the PPP. Under the PPP, small businesses and other entities and individuals can apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. On or about April 16, 2020, the SBA notified lenders that the \$ 349 billion earmarked for the PPP was exhausted. Congress approved additional funding for the PPP of approximately \$ 320 billion on April 24, 2020. NSBF is participating as a lender in the PPP. The PPP opened on April 3, 2020; however, because of the short timeframe between the passing of the CARES Act and the opening of the PPP, there had been some ambiguity in the laws, rules and guidance regarding the operation of the PPP, which may expose the Company and NSBF to risks relating to noncompliance with the PPP. During the duration of the PPP, NSBF funded approximately 10, 570 PPP loans totaling \$ 1. 19 billion. NSBF also has credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which a PPP loan was originated, funded, or serviced by NSBF, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP or additional or new laws, rules, and guidance. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by NSBF, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from the Company. In addition, in order to facilitate NSBF's involvement as an authorized lender in the PPP, during the second quarter of 2020, NSBF entered into PPP loan participation agreements where NSBF originated PPP loans and sold participating interests to four banks. See "PPP Loan Participations." In accordance with the terms of the PPP participation agreements and SBA regulations and guidance, NSBF, as the originating lender, must continue to hold the PPP loan note, the PPP loan documents and service the PPP loan (i. e., retain all servicing rights). Moreover, as the originating lender, NSBF is the party responsible to the SBA with respect to all servicing actions, including requests for advance purchases and loan forgiveness, and will be the party eligible for the guarantee purchase of the PPP loan. NSBF has agreed that it will continue repurchase from the Participants on demand the Participants' Percentage of any outstanding principal and interest under the applicable PPP Loan under certain standard representations and warranties, including in the event of a loss due to fraud, gross negligence or willful misconduct on the part of NSBF or any failure to recover under the SBA guarantee as a result of any deficiency in documenting or servicing such PPP Loan by NSBF. We could be adversely affected by weakness in the residential housing and commercial real estate markets. Weakness in residential home and commercial real estate values could impair our ability to collect on defaulted SBA loans as real estate is pledged in many of our SBA loans as part of the collateral package. The development and use of Artificial Intelligence (AI) present risks and challenges that may adversely impact our business. We or our third-party vendors, clients or counterparties may develop or incorporate AI technology in certain business processes, services or products. The development and use of AI present a number of risks and challenges to our business. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, both in the United States and internationally, and includes regulatory schemes targeted specifically at AI current levels. From time-to-time the SBA has reached its internal budgeted limits and ceased to guarantee loans for a stated period of time. In addition, the SBA may change its rules regarding loans or Congress may adopt legislation or fail to approve a budget that would have the effect of discontinuing, reducing availability of funds for, or changing the SBA 7 (a) program or other loan programs. Non-governmental programs could replace government programs for some borrowers, but the terms might not be equally acceptable. If these changes occur, the volume of loans to small businesses that now qualify for government guaranteed loans could decline, as could the

profitability of these loans. There are non-bank lenders as well as a large number of banks. **provisions in intellectual property, privacy, consumer protection, employment and other laws applicable to the use of AI. These evolving laws and regulations could require changes in our implementation of AI technology and increase our compliance costs and the risk of non-compliance. AI models, particularly generative AI models, may produce output or take action that participate is incorrect, that result in the release of private, confidential or proprietary information, that reflect biases included in the data on which they are trained, infringe on the intellectual property rights of others, or that is otherwise harmful. In addition, the complexity of many AI models makes it challenging to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous output, eliminating bias and complying with regulatory requirements that require documentation forbearance of loan payments for- or explanation a specified time or limit our ability to pursue all available remedies in the event of a loan default. If the basis on which decisions are made. Further borrower under the PPP loan fails to qualify for loan forgiveness, we may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models, including risks arising from the inclusion of any unauthorized material in the training data for their models, and the effectiveness of the steps these third parties have taken to limit the risks associated with the output of their models, matters over which we may have limited visibility. Any of these risks could expose us to liability or adverse legal or regulatory consequences and harm our reputation and the public perception of our business or the effectiveness of our security measures. In addition to our use of AI technologies, we are exposed to risks arising from the use of AI technologies by bad actors to commit fraud and misappropriate funds and to facilitate cyberattacks. Generative AI, if used to perpetrate fraud or launch cyberattacks, could create panic at a particular financial institution or exchange, which could pose a threat to financial stability. RISKS RELATED TO U. S. FEDERAL INCOME TAX Legislative or the other heightened risk of holding actions relating to taxes could have a negative effect on us. The rules dealing with U. S. federal income taxation are constantly under review by persons involved in these-- the loans at unfavorable interest rates legislative process and by the Internal Revenue Service and the U. S. Treasury Department. The current U. S. presidential administration as has compared enacted significant changes to the existing U. S. tax rules, and the there loans to customers are a number of proposals in Congress that we 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 the U. S. federal income tax consequences to us and our stockholders of such qualification, or could have otherwise extended credit other adverse consequences. If we cannot continue originating and selling government-guaranteed loans Stockholders are urged to consult with their tax advisor regarding tax legislative, regulatory, we will generate fewer origination fees and our- or ability to generate gains administrative developments and proposals and their potential effect on an investment in our securities the sale of loans will decrease.**

RISKS RELATED TO OUR SUBSIDIARIES- NEWTEK MERCHANT SOLUTIONS (NMS) We could be adversely affected if either of NMS' two bank sponsorships is terminated. Because NMS is not a bank, it is unable to belong to and directly access the Visa ® and MasterCard ® bankcard associations. The Visa ® and MasterCard ® operating regulations require NMS to be sponsored by a bank in order to process bankcard transactions. A bank sponsorship is an agreement under which a financial institution that has a membership with MasterCard ®, Visa ® or American Express sponsors an independent sales organization, like NMS, that markets credit card processing services to merchants who accept credit cards as a form of payment, gains access to the Visa ®, MasterCard ®, and American Express networks. NMS is currently sponsored by two banks. If either of the sponsorships is terminated, and NMS is not able to secure or transfer the respective merchant portfolio to a new bank sponsor or sponsors, the business, financial condition, results of operations and cash flows of the electronic payment processing business could be materially adversely affected. If both the sponsorships are terminated and NMS is unable to secure a bank sponsor for the merchant portfolios, it will not be able to process bankcard transactions for the affected portfolios. Consequently, the loss of both of NMS' sponsorships would have a material adverse effect on our business. Furthermore, NMS' agreements with sponsoring banks gives the sponsoring banks substantial discretion in approving certain elements of its business practices, including its solicitation, application and qualification procedures for merchants, the terms of their agreements with merchants, the processing fees that they charge, their customer service levels and its use of independent sales organizations and independent sales agents. We cannot guarantee that NMS' sponsoring banks' actions under these agreements would not be detrimental to us. Other service providers, some of whom are NMS' competitors, are necessary for the conduct of NMS' business. The termination by service providers of these arrangements with NMS or their failure to perform these services efficiently and effectively may adversely affect NMS' relationships with the merchants whose accounts it serves and may cause those merchants to terminate their processing agreements with NMS. If NMS or its processors or bank sponsors fail to adhere to the standards of the Visa ® and MasterCard ® bankcard associations, its registrations with these associations could be terminated and it could be required to stop providing payment processing services for Visa ® and MasterCard ®. Substantially all of the transactions NMS processes involve Visa ® or MasterCard ®. If NMS, its bank sponsors or its processors fail to comply with the applicable requirements of the Visa ® and MasterCard ® bankcard associations, Visa ® or MasterCard ® could suspend or terminate its registration. The termination of NMS' registration or any changes in the Visa ® or MasterCard ® rules that would impair its registration could require it to stop providing payment processing services, which would have a material adverse effect on its business and could be detrimental to us. On occasion, NMS experiences increases in interchange and sponsorship fees. If it cannot pass along these increases to its merchants, its profit margins will be reduced. NMS pays interchange fees or

assessments to bankcard associations for each transaction it processes using their credit, debit and gift cards. From time to time, the bankcard associations increase the interchange fees that they charge processors and the sponsoring banks, which generally pass on such increases to NMS. From time to time, the sponsoring banks increase their fees as well. If NMS is not able to pass these fee increases along to merchants through corresponding increases in its processing fees, its profit margins in this line of business will be reduced. Unauthorized disclosure of merchant or cardholder data, whether through breach of our computer systems or otherwise, could expose us to liability and business losses. Through NMS, we collect and store sensitive data about merchants and cardholders, and we maintain a database of cardholder data relating to specific transactions, including payment, card numbers and cardholder addresses, in order to process the transactions and for fraud prevention and other internal processes. If anyone penetrates our network security or otherwise misappropriates sensitive merchant or cardholder data, we could be subject to liability or business interruption. While we subject these systems to periodic independent testing and review, we cannot guarantee that our systems will not be penetrated in the future. If a breach of our system occurs, we may be subject to liability, including claims for unauthorized purchases with misappropriated card information, impersonation or other similar fraud claims. Similar risks exist with regard to the storage and transmission of such data by our processors. In the event of any such a breach, we may also be subject to a class action lawsuit. SMBs are less prepared for the complexities of safeguarding cardholder data than their larger counterparts. In the event of noncompliance by a customer of card industry rules, we could face fines from payment card networks. There can be no assurance that we would be able to recover any such fines from such customer. NMS is liable if its processing merchants refuse or cannot reimburse charge- backs resolved in favor of their customers. If a billing dispute between a merchant and a cardholder is not ultimately resolved in favor of the merchant, the disputed transaction is “ charged back ” to the merchant’ s bank and credited to the account of the cardholder. If NMS or its processing banks are unable to collect the charge- back from the merchant’ s account, or if the merchant refuses or is financially unable due to bankruptcy or other reasons to reimburse the merchant’ s bank for the charge- back, NMS must bear the loss for the amount of the refund paid to the cardholder’ s bank. Most of NMS’ merchants deliver products or services when purchased, so a contingent liability for charge- backs is unlikely to arise, and credits are issued on returned items. However, some of its merchants do not provide services until sometime after a purchase, which increases the potential for contingent liability and future charge- backs. NMS and the sponsoring bank can require that merchants maintain cash reserves under its control to cover charge- back liabilities but such reserves may not be sufficient to cover the liability or may not even be available to them in the event of a bankruptcy or other legal action. NMS has potential liability for customer or merchant fraud. Credit card fraud occurs when a merchant’ s customer uses a stolen card (or a stolen card number in a card- not- present transaction) to purchase merchandise or services. In a traditional card- present transaction, if the merchant swipes the card, receives authorization for the transaction from the card issuing bank and verifies the signature on the back of the card against the paper receipt signed by the customer, the card issuing bank remains liable for any loss. In a fraudulent card- not- present transaction, even if the merchant receives authorization for the transaction, the merchant is liable for any loss arising from the transaction. Many NMS customers are small and transact a substantial percentage of their sales over the Internet or by telephone or mail orders. Because their sales are card- not- present transactions, these merchants are more vulnerable to customer fraud than larger merchants, and NMS could experience charge- backs arising from cardholder fraud more frequently with these merchants. Merchant fraud occurs when a merchant, rather than a customer, knowingly uses a stolen or counterfeit card or card number to record a false sales transaction or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Anytime a merchant is unable to satisfy a charge- back, NMS is ultimately responsible for that charge- back unless it has required that a cash reserve be established. We cannot assure that the systems and procedures NMS has established to detect and reduce the impact of merchant fraud are or will be effective. Failure to effectively manage risk and prevent fraud could increase NMS charge- back liability and adversely affect its results of operations. NMS payment processing systems may fail due to factors beyond its control, which could interrupt its business or cause it to lose business and likely increase costs. NMS depends on the uninterrupted operations of our computer network systems, software and our processors’ data centers. Defects in these systems or damage to them due to factors beyond its control could cause severe disruption to NMS’ business and other material adverse effects on its payment processing businesses. The electronic payment processing business is undergoing very rapid technological changes which may make it difficult or impossible for NMS to compete effectively. The introduction of new technologies, primarily mobile payment capabilities, and the entry into the payment processing market of new competitors, Apple, Inc., for example, could dramatically change the competitive environment and require significant changes and costs for NMS to remain competitive. There is no assurance that NMS will have the capability to stay competitive with such changes. NMS and others in the payment processing industry have come under increasing pressures from various regulatory agencies seeking to use the leverage of the payment processing business to limit or modify the practices of merchants which could lead to increased costs. Various agencies, particularly the Federal Trade Commission (“ FTC ”), have within the past few years attempted to pressure merchants to discontinue or modify various sales or other practices. As a part of the payment processing industry, processors such as NMS could experience pressure and / or litigation aimed at restricting access to credit card sales by such merchants. These efforts could cause an increase in the cost to NMS of doing business or otherwise make its business less profitable and may subject NMS to assess penalties for not taking actions deemed sufficiently aggressive to limit such practices. As a result of a litigation brought by the FTC in October 2012, NMS voluntarily entered into, and is presently operating under, a permanent injunction with respect to certain of its business practices. Increased regulatory focus on the payments industry may result in costly new compliance burdens on NMS’ clients and on NMS itself, leading to increased costs and decreased payments volume and revenues. Regulation of the payments industry has increased significantly in recent years. Complying with these and other regulations increases costs and can reduce revenue opportunities. Similarly, the impact of such regulations on clients may reduce the volume of payments processed. Moreover, such regulations can limit the types of products and services that are offered. Any of these occurrences can materially and adversely affect NMS’ business, prospects for future growth, financial

condition and results of operations. Examples include:

- Data Protection and Information Security. Aspects of NMS' operations and business are subject to privacy and data protection regulation. NMS' financial institution clients are subject to similar requirements under the guidelines issued by the federal banking agencies. In addition, many individual states have enacted legislation requiring consumer notification in the event of a security breach.
- Anti- Money Laundering and Anti- Terrorism Financing. The U. S. A. PATRIOT Act requires NMS to maintain an anti- money laundering program. Sanctions imposed by the U. S. Treasury Office of Foreign Assets Control, or OFAC, restrict NMS from dealing with certain parties considered to be connected with money laundering, terrorism or narcotics. NMS has controls in place designed to ensure OFAC compliance, but if those controls should fail, it could be subject to penalties, reputational damage and loss of business.
- Money Transfer Regulations. As NMS expands its product offerings, it may become subject to money transfer regulations, increasing regulatory oversight and costs of compliance.
- Formal Investigation. If NMS is suspected of violating government statutes, such as the Federal Trade Commission Act or the Telemarketing and Consumer Fraud and Abuse Prevention Act, governmental agencies may formally investigate NMS. As a result of such a formal investigation, criminal or civil charges could be filed against NMS and it could be required to pay significant fines or penalties in connection with such investigation or other governmental investigations. Any criminal or civil charges by a governmental agency, including any fines or penalties, could materially harm NMS' business, results of operations, financial position and cash flows. Currently, NMS is operating under an order for injunctive relief it voluntarily entered into with the Federal Trade Commission.

RISKS RELATED TO OUR SUBSIDIARIES- NEWTEK BANK If the credit decisioning, pricing, loss forecasting and scoring models we use contain errors, do not adequately assess risk, or are otherwise ineffective, our reputation and relationships with customers could be harmed, our market share could decline and the value of loans held on our balance sheet may be adversely affected. Our ability to attract clients to, and build trust in, Newtek Bank is significantly dependent on our ability to effectively evaluate a borrower' s credit profile and likelihood of default. To conduct this evaluation, we utilize credit decisioning, pricing, loss forecasting and scoring models that assign each loan offered through our marketplace bank a grade and a corresponding interest rate. **Our models are based on algorithms that evaluate a number of factors, including behavioral data, transactional data, bank data and employment information, which may not effectively predict future loan losses. If we are unable to effectively segment borrowers into relative risk profiles, we may be unable to offer attractive interest rates for borrowers and risk- adjusted returns for investors.** Additionally, if these models fail to adequately assess the creditworthiness of our borrowers, we may experience higher than forecasted losses. Furthermore, as stated above, we hold loans on our balance sheet. We periodically assess the value of these loans and in doing so we review and incorporate a number of factors including forecasted losses. Accordingly, if we fail to adequately assess the creditworthiness of our borrowers such that we experience higher than forecasted losses, the value of the loans held on our balance sheet may be adversely affected. **We continually refine these algorithms based on new data and changing macroeconomic conditions. However, there is no guarantee that the credit decisioning, pricing, loss forecasting and scoring models that we use have accurately assessed the creditworthiness of our borrowers, or will be effective in assessing creditworthiness in the future.** Similarly, if any of these models contain programming or other errors, are ineffective or the data provided by borrowers or third parties is incorrect or stale, our loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans. If these errors were to occur, we may be obligated to repurchase the affected loans, investors may try to rescind their affected investments or decide not to invest in loans in the future or borrowers may seek to revise the terms of their loans or reduce the use of our marketplace bank for loans. If collection efforts on delinquent loans are ineffective or unsuccessful, the return on investment for investors in those loans would be adversely affected and investors may not find investing through our marketplace bank desirable. Many of our loan products are unsecured obligations of borrowers, and they are not secured by any collateral. None of the loans facilitated on our platform are guaranteed or insured by any third party or backed by any governmental authority in any way. We are the loan servicer for all loans supporting notes, all certificates and certain secured borrowings, and we are the loan servicer for most, though not all, loans sold as whole loans. The ability to collect on the loans is dependent on the borrower' s continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including bankruptcy or the economic and / or social factors. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. Accordingly, we and our designated third- party servicers and collection agencies are limited in our ability to collect loans. In addition, most investors must depend on us or our third- party servicers and collection agents to pursue collection on delinquent borrower loans. Because we make payments ratably on an investor' s investment only if we receive the borrower' s payments on the corresponding loan, if we, or third parties on our behalf, cannot adequately perform collection services, the investor will not be entitled to any payments under the terms of the investment. Further, if collection action must be taken in respect of a loan, we or the collection agency may charge a collection fee on any amounts that are obtained (excluding litigation). These fees will correspondingly reduce the amounts of any payments received by an investor. Similarly, the returns to investors may be impacted by declines in market rates for sales of charged- off loans to third- party purchasers. Ultimately, if delinquencies impair our ability to offer attractive risk- adjusted returns for investors, they may seek alternative investments and our business may suffer. In addition, because our servicing fees depend on the collectability of the loans, if we experience a significant increase in the number of delinquent or charged- off loans we will be unable to collect our entire servicing fee for such loans and our revenue could be adversely affected.

RISKS RELATED TO OUR SUBSIDIARIES- NEWTEK TECHNOLOGY SOLUTIONS (NTS) **We have agreed to terminate the activities conducted by NTS. As a result of commitments made to the Federal Reserve, the Company will divest or otherwise terminate the activities conducted by Newtek Technology Solutions, Inc., which includes the entities of SIDCO, LLC d / b / a / Cloud Nine Services and Excel WebSolutions, LLC after a December 31, 2023 merger, within two years of becoming a financial holding company, subject to any extension of the two- year period. The divestiture of NTS may negatively impact the Company' s revenue**

and income and our ability to effectively manage our information technology systems and infrastructure and cybersecurity risk. See “ ITEM I. C Cybersecurity. ”

NTS operates in a highly competitive industry in which technological change can be rapid. The information technology business and its related technology involve a broad range of rapidly changing technologies. NTS equipment and the technologies on which it is based may not remain competitive over time, and others may develop superior technologies that render its products non-competitive, without significant additional capital expenditures. Some of NTS’ competitors are significantly larger and have substantially greater market presence as well as greater financial, technical, operational, marketing and other resources and experience than NTS. In the event that such a competitor expends significant sales and marketing resources in one or several markets, NTS may not be able to compete successfully in such markets. We believe that competition will continue to increase, placing downward pressure on prices. Such pressure could adversely affect NTS gross margins if it is not able to reduce its costs commensurate with such price reductions. There can be no assurances that NTS will remain competitive. NTS’ technology solutions business depends on the efficient and uninterrupted operation of its computer and communications hardware systems and infrastructure. Despite precautions taken by NTS against possible failure of its systems, interruptions could result from natural disasters, power loss, the inability to acquire fuel for its backup generators, telecommunications failure, terrorist attacks and similar events. NTS also leases telecommunications lines from local, regional and national carriers whose service may be interrupted. NTS’ business, financial condition and results of operations could be harmed by any damage or failure that interrupts or delays its operations. There can be no assurance that NTS’ insurance will cover all of the losses or compensate NTS for the possible loss of clients occurring during any period that NTS is unable to provide service. NTS’ inability to maintain the integrity of its infrastructure and the privacy of confidential information would materially affect its business. The NTS infrastructure is potentially vulnerable to physical or electronic break-ins, viruses or similar problems. If its security measures are circumvented, it could jeopardize the security of confidential information stored on NTS’ systems, misappropriate proprietary information or cause interruptions in NTS’ operations. We may be required to make significant additional investments and efforts to protect against or remedy security breaches. Security breaches that result in access to confidential information could damage our reputation and expose us to a risk of loss or liability. The security services that NTS offers in connection with customers’ networks cannot assure complete protection from computer viruses, break-ins and other disruptive problems. The occurrence of these problems may result in claims against NTS or us or liability on our part. These claims, regardless of their ultimate outcome, could result in costly litigation and could harm our business and reputation and impair NTS’ ability to attract and retain customers. NTS could be adversely affected by information security breaches or cyber security attacks. NTS’ web and cloud services involve the storage and transmission of our customers’ and employees’ proprietary information. NTS’ business relies on its digital technologies, computer and email systems, software, and networks to conduct its operations. NTS’ technologies, systems and networks may become the target of criminal cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of NTS or third parties with whom NTS deals, or otherwise disrupt our or our customers’ or other third parties’ business operations. It is critical to NTS’ business strategy that its facilities and infrastructure remain secure and are perceived by the marketplace to be secure. **Although NTS believes it employs**

appropriate security technologies, NTS cannot guarantee that the security technologies (including data encryption processes, intrusion detection systems) it employs or, the comprehensive risk assessments it conducts, or its other internal control procedures will assure the security of its customers’ data. If NTS’ security measures are breached as a result of third- party action, employee error or otherwise, and as a result, its customers’ data becomes available to unauthorized parties, NTS and our other subsidiaries could incur liability and its reputation would be damaged, which could lead to the loss of current and potential customers. In addition, NTS will be required to expend significant capital and other resources to detect, remedy, protect against or alleviate breaches of its network and security, and it may not be able to remedy these problems in a timely manner, or at all. Because techniques used by outsiders to obtain unauthorized network access or to sabotage systems change frequently and generally are not recognized until launched against a target, NTS may be unable to anticipate these techniques or implement adequate preventative measures. For example, in early 2018 following an unauthorized third party misappropriating three of NTS’ domain names, NTS’ management and forensic investigators determined that attackers compromised a portion of its shared webhosting system, and may have acquired certain customer information limited to its shared webhosting customers, and / or gained access to certain of its shared webhosting servers. In response, NTS took a range of steps designed to further secure its systems, enhance its security protections, enhance access controls, and prevent future unauthorized activity.

For more information on risks relating to cybersecurity, see “ **Item 1A. Risk Factors—Risks Related to Cybersecurity.** ” NTS’ business depends on Microsoft Corporation and others for the licenses to use software as well as other intellectual property in the managed technology solutions business. NTS’ managed technology business is built on technological platforms relying on the Microsoft Windows ® products and other intellectual property that NTS currently licenses. As a result, if NTS is unable to continue to have the benefit of those licensing arrangements or if the products upon which its platform is built become obsolete, its business could be materially and adversely affected. **RISKS RELATED TO OUR SUBSIDIARIES- NEWTEK**

INSURANCE AGENCY (NIA) NIA depends on third parties, particularly property and casualty insurance companies, to supply the products marketed by its agents. NIA contracts with property and casualty insurance companies typically provide that the contracts can be terminated by the supplier without cause. NIA’ s inability to enter into satisfactory arrangements with these suppliers or the loss of these relationships for any reason would adversely affect the results of its insurance business. Also, NIA’ s inability to obtain these products at competitive prices could make it difficult for it to compete with larger and better capitalized providers of such insurance services. If NIA fails to comply with government regulations, its insurance agency business would be adversely affected. NIA insurance agency business is subject to comprehensive regulation in the various states in which it conducts business. NIA’ s success will depend in part upon its

ability to satisfy these regulations and to obtain and maintain all required licenses and permits. NIA's failure to comply with any statutes and regulations could have a material adverse effect on it. Furthermore, the adoption of additional statutes and regulations, changes in the interpretation and enforcement of current statutes and regulations could have a material adverse effect on it. NIA does not have any control over the commissions it earns on the sale of insurance products which are based on premiums and commission rates set by insurers and the conditions prevalent in the insurance market. NIA earns commissions on the sale of insurance products. Commission rates and premiums can change based on the prevailing economic and competitive factors that affect insurance underwriters. In addition, the insurance industry has been characterized by periods of intense price competition due to excessive underwriting capacity and periods of favorable premium levels due to shortages of capacity. We cannot predict the timing or extent of future changes in commission rates or premiums or the effect any of these changes will have on the operations of NIA.

RISKS RELATED TO OUR SUBSIDIARIES- NEWTEK PAYROLL AND BENEFIT SOLUTIONS (PMT)

Unauthorized disclosure of employee data, whether through a cyber- security breach of our computer systems or otherwise, could expose PMT to liability and business losses. PMT collects and stores sensitive data about individuals in order to process the transactions and for other internal processes. If anyone penetrates its network security or the security of the third- party payroll processing platform in utilizes, or otherwise misappropriates sensitive individual data, PMT could be subject to liability or business interruption. PMT is subject to laws and rules issued by different agencies concerning safeguarding and maintaining the confidentiality of this information. Its activities have been, and will continue to be, subject to an increasing risk of cyber- attacks, the nature of which is continually evolving. Cyber- security risks include unauthorized access to privileged and sensitive customer information, including passwords and account information of PMT' customers. While it subjects its data systems to periodic independent testing and review, PMT cannot guarantee that its systems or the systems of the third- party payroll processing platform in utilizes will not be penetrated in the future. Experienced computer programmers and hackers may be able to penetrate PMT' network security or the security of its third- party payroll processing platform, and misappropriate or compromise our confidential information, create system disruptions, or cause shutdowns. As a result, PMT' customers' information may be lost, disclosed, accessed or taken without its customers' consent. If a breach of these systems occurs, PMT may be subject to liability, including claims for impersonation or other similar fraud claims. In the event of any such breach, PMT may also be subject to a class action lawsuit. Any significant violations of data privacy could result in the loss of business, litigation and regulatory investigations and penalties that could damage PMT' reputation, and the growth of its business could be adversely affected. For more information on risks relating to cybersecurity, see " Risks Related to Cybersecurity. " PMT is subject to risks surrounding Automated Clearing House (" ACH ") payments. Credit risk in ACH payments arises when a party to a contract fails to deposit funds required to settle the contract. This can occur if a client of PMT suffers losses, enters into bankruptcy or defrauds PMT. In such an event, PMT could bear the financial burden of settling the customer' s contract. PMT' s systems may be subject to disruptions that could adversely affect its business and reputation. PMT' s payroll business relies heavily on its payroll, financial, accounting and other data processing systems. If any of these systems or any of the vendors which supply them fails to operate properly or becomes disabled even for a brief period of time, PMT could suffer financial loss, a disruption of its business, liability to clients, regulatory intervention or damage to its reputation. PMT has disaster recovery plans in place to protect its businesses against natural disasters, security breaches, military or terrorist actions, power or communication failures or similar events. Despite PMT' preparations, its disaster recovery plans may not be successful in preventing the loss of client data, service interruptions, and disruptions to its operations or damage to its important facilities. If PMT fails to adapt its technology to meet client needs and preferences, the demand for its services may diminish. PMT operates in industries that are subject to rapid technological advances and changing client needs and preferences. In order to remain competitive and responsive to client demands, PMT continually upgrades, enhances and expands its existing solutions and services. If PMT fails to respond successfully to technological challenges, the demand for its services may diminish. PMT could incur unreimbursed costs or damages due to delays in processing inherent in the banking system. PMT generally determines the availability of customer (employer) funds prior to making payments to employees or taxing authorities, and such employer funds are generally transferred in to its accounts prior to making payments out. Due to the structure of the banking system however, there are times when PMT may make payroll or tax payments and not immediately receive the funds to do so from the employer. There can be no assurance that the procedures PMT has in place to prevent these occurrences or mitigate the damages will be sufficient to prevent loss to its business. In addition, PMT could incur unreimbursed costs or damages due to delays in processing customer payrolls or payroll taxes in a timely manner.

RISKS RELATED TO OUR SUBSIDIARIES- NEWTEK BUSINESS CREDIT SOLUTIONS (NBC)

An unexpected level of defaults in NBC' s accounts receivables or inventory portfolios would reduce its income and increase its expenses. If NBC' s level of non- accrual assets in its receivable financing or inventory financing business rises in the future, it could adversely affect its revenue, earnings and cash flow. Non- accrual assets primarily consist of receivables for which the customer has not made timely payment. In certain situations, NBC may restructure the receivable to permit such a customer to have smaller payments over a longer period of time. Such a restructuring or non- payment by a receivables or inventory customer will result in lower revenue and less cash available for NBC' operational activities. NBC' s reserve for credit losses may not be sufficient to cover unexpected losses. NBC' s business depends on the behavior of its customers. In addition to its credit practices and procedures, NBC maintains a reserve for credit losses on its accounts receivable and inventory portfolios, which it has judged to be adequate given the receivables it purchases. NBC periodically reviews its reserve for adequacy considering current economic conditions and trends, charge- off experience and levels of non- accrual assets, and adjusts its reserve accordingly. However, because of recent unstable economic conditions, its reserves may prove inadequate, which could

have a material adverse effect on its financial condition and results of operations. NBC depends on outside financing to support its receivables financing and inventory financing business. NBC's receivables and inventory financing business depends on outside financing to support its acquisition of receivables. Termination of the credit lines for any reason would have a material adverse effect on its business, including but not limited to, the liquidation of its receivables portfolios to pay down the lines. If funds from such sale were insufficient to completely pay down the line of credit, NBC's would be responsible for any short fall. We are a guarantor on the Receivable and Inventory Facility at NBC. Maximum borrowings under the Receivable and Inventory Facility are \$ 12. 0 million. The Receivable and Inventory Facility matures in May 2023. As of December 31, 2022, total principal owed by NBC was \$ 10. 2 million. We have guaranteed NBC's obligations under this facility. If NBC defaults on this line of credit, we would be required to make payments under the guarantee, which could have a material adverse effect on our financial condition and results of operations. In addition, if NBC loses this line of credit and NBC is unable to renew or replace this line of credit, it would materially impact the business of NBC and have a material adverse effect on its financial condition and results of operations.

RISKS RELATED TO OUR CAPCO BUSINESS The Capco programs and the tax credits they provide are created by state legislation and implemented through regulation, and such laws and rules are subject to possible action to repeal or retroactively revise the programs for political, economic or other reasons. Such an attempted repeal or revision would create substantial difficulty for the Capco programs and could, if ultimately successful, cause us material financial harm. The tax credits associated with the Capco programs and provided to our Capcos' investors are to be utilized by the investors over a period of time, which is typically ten years. Much can change during such a period and it is possible that one or more states may revise or eliminate the tax credits. Any such revision or repeal could have a material adverse economic impact on our Capcos, either directly or as a result of the Capco's insurer's actions. Any such final state action that jeopardizes the tax credits could result in the provider of our Capco insurance assuming partial or full control of the particular Capco in order to minimize its liability under the Capco insurance policies issued to our investors. Because our Capcos are subject to requirements under state law, a failure of any of them to meet these requirements could subject the Capco and our shareholders to the loss of one or more Capcos. Despite the fact that we have met all applicable minimum requirements of the Capco programs in which we still participate, each Capco remains subject to state regulation until it has invested 100 % of its funds and otherwise remains in full legal compliance. There can be no assurance that we will continue to be able to do so. A major regulatory violation, while not fatal to our Capco business, would materially increase the cost of operating the Capcos. We know of no other publicly- held company that sponsors and operates Capcos as a part of its business. As such, there are, to our knowledge, no other companies against which investors may compare our Capco business and its operations, results of operations and financial and accounting structures. In the absence of any meaningful peer group comparisons for our Capco business, investors may have a difficult time understanding and judging the strength of our business. This, in turn, may have a depressing effect on the value of our stock.

RISKS RELATED TO OUR COMMON STOCK Our **SECURITIES As of December 31, 2023, our CEO beneficially owns and has shared voting power over approximately 5. 3 % of our common stock price, and may be volatile able to exercise significant influence over the outcome of most shareholder actions.**

Because of his ownership of and shared voting power over our stock, Barry Sloane, our Chairman, Chief Executive Officer and President, may decrease substantially be able to exercise significant influence over actions requiring shareholder approval, including the election of directors, the adoption of amendments to the certificate of incorporation, approval of stock incentive plans and approval of major transactions such as a merger or sale of assets. This could delay or prevent a change in control of the Company, deprive our shareholders of an opportunity to receive a premium for their common stock as part of a change in control and have a negative effect on the market price of our common stock .

The trading price of our common stock may fluctuate substantially. The price of our common stock may be higher or lower depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following: • price and volume fluctuations in the overall stock market from time to time; • investor demand for our stock; • significant volatility in the market price and trading volume of securities of other companies in our sector, which are not necessarily related to the operating performance of these companies; • changes in regulatory policies or tax guidelines with respect to financial holding companies; • any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts; • changes, or perceived changes, in the value of our **loans investments**; • departures of key Company personnel; • operating performance of companies comparable to us; **and or** • general economic conditions and trends and other external factors. 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. Due to the potential volatility of our stock price once a market for our stock is established, we may become the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business .

Future issuances of our common stock or other securities, including preferred shares, may dilute the per share book value of our common stock or have other adverse consequences to our common shareholders. Our Board has the authority, without the action or vote of our shareholders, to issue all or part of the approximately 175, 319, 600 authorized but unissued shares of our common stock. Our business strategy relies in part upon the acquisitions of businesses using the resources available to us, including our common stock. Additionally, we anticipate granting additional options or restricted stock awards to our employees and directors in the future pursuant to the 2023 Stock Incentive Plan, which was approved by the Board in April 2023 and the Company's shareholders on June 14, 2023. The 2023 Stock Incentive Plan reserved a maximum of 3, 000, 000 shares of common stock for issuance to our employees and directors, and 2, 917, 523 shares of common stock remain available for issuance as of December 31, 2023. Option holders may exercise their options at a time when we would otherwise be able to obtain additional equity capital on more favorable terms. We may also issue additional securities, through public or private offerings, in order to raise capital. Future issuances of our common stock will dilute the percentage of ownership interest of current shareholders and could

decrease the per share book value of our common stock. Pursuant to our amended and restated charter, our Board is authorized to classify any unissued shares of stock and reclassify any previously classified but unissued shares of stock of any class or series from time to time, into one or more classes or series of stock, including preferred stock. If we issue preferred stock, the preferred stock would rank “senior” to common stock in our capital structure, preferred shareholders would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common shareholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our shareholders at that time will decrease, and shareholders may experience dilution. The authorization and issuance of “blank check” preferred shares could have an anti-takeover effect detrimental to the interests of our shareholders. Our certificate of incorporation allows our Board to issue preferred shares with rights and preferences set by the Board without further shareholder approval. The issuance of these “blank check” preferred shares could have an anti-takeover effect detrimental to the interests of our shareholders. For example, in the event of a hostile takeover attempt, it may be possible for management and the Board to impede the attempt by issuing the preferred shares, thereby diluting or impairing the voting power of the other outstanding common shares and increasing the potential costs to acquire control of us. ~~Our~~ **Under our certificate of incorporation, our** Board has the right to issue any new shares, including preferred shares, without first offering them to the holders of common shares, as they have no preemptive rights. ~~The Company does not currently intend to issue preferred shares.~~ 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. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing 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~~ **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. Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock. The Maryland General Corporation Law and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of ~~NewtekOne~~ **Newtek** or the removal of our directors. We are subject to the Maryland Business Combination Act. Our Board has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our Board, including approval by a majority of our independent directors. If the resolution exempting business combinations is repealed or our Board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our Bylaws to repeal the exemption from the Maryland Control Share Acquisition Act, the Maryland Control Shares Acquisition Act may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction. We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our Board in three classes serving staggered three-year terms and authorizing our Board to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, to amend our charter without shareholder approval and to increase or decrease the number of shares of stock that we have authority to issue. 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 shareholders. ~~Sales~~ **Future issuances of additional equity securities** ~~substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock. All of the common stock held by our executive officers and directors, represents approximately 1,663,000 shares, or approximately 7% of our total outstanding shares as of December 31, 2023. Such shares are generally freely tradable in the public market. Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could result in dilution of existing shareholders’ equity ownership adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability~~ ~~We may determine from time to time to issue additional equity securities to raise additional capital~~ **through the sale of securities should we desire to do so.** **RISKS RELATED TO OUR NOTES** The 2024 Notes, support growth the 2025 Notes the 2026 Notes, and the 2028 Note, together, the “Notes,” are unsecured and therefore are effectively subordinated to any secured indebtedness we have outstanding or may incur in the future. In July 2019, February 2021 and May 2021, we issued \$ 63.25 million, \$ 5.0 million and \$ 10.0 million in aggregate principal amount of the 2024 Notes, respectively. In December 2021, we redeemed \$ 40.0 million in aggregate principal amount of the 2024 Notes. In January 2021, we issued \$ 115.0 million in aggregate principal amount of the 2026 Notes. In November 2020, we issued \$ 5.0 million in aggregate principal amount of the 2025 6.85% Notes and in January 2021 we issued an additional \$ 10.0 million in aggregate principal amount of the 2025 6.85% Notes. In May 2022, we redeemed \$ 15.0 million in aggregate principal amount of the 2025 6.85%

Notes. In March 2022, we issued \$ 15.0 million in aggregate principal amount of the 2025 5.00 % Notes and in May 2022 we issued an additional \$ 15.0 million in aggregate principal amount of the 2025 5.00 % Notes. In January 2023, we issued \$ 50.0 million aggregate principal amount of the 2025 8.125 % Notes. In August 2023, we issued \$ 40.0 million in aggregate principal amount of the 2028 8.00 % Notes. The Notes are not secured by any of our assets or any of the assets of our subsidiaries. Further, as a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have outstanding or may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security). In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the existing or future secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. The Notes are obligations exclusively of the Company and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. The indentures under which the Notes were issued contains limited protection for holders of the Notes. The indentures under which the Notes were issued offers limited protection to holders of the Notes. The terms of the indentures and the Notes generally do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have a material adverse impact on your investment in the Notes. In particular, the terms of the indentures and the Notes generally do not place any restrictions on our or our subsidiaries' ability to: • issue stock options securities or otherwise incur additional indebtedness or other stock grants obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and motivate therefore rank effectively senior in right of payment to the Notes, (3) indebtedness of our employees. These issuances of that is guaranteed by one our- or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that could dilute the voting and economic be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness our- or existing shareholders other obligation that would cause a violation of Section 18 (a) (1) (A) as modified by Section 61 (a) (1) of the 1940 Act or any successor provisions, but giving effect to any exemptive relief granted to us by the SEC, pursuant to the indentures under which the 2024 and 2026 Notes were issued. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150 % after such borrowings. See "Item 1A. Risk Factors- Risks Related to Our Notes- We are subject to 150 % asset coverage requirements due to covenants contained in the indentures under which the 2024 and 2026 Notes were issued ;" • pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness; • sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets); • enter into transactions with affiliates; • create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions; • make investments; or • create restrictions on the payment of dividends or other amounts to us from our subsidiaries. In addition, the indentures do not require us to offer to purchase the Notes in connection with a change of control, asset sale or any other event. Furthermore, the terms of the indentures and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for holders of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes. Other debt we issue or incur in the future could contain more protections for its holders than the indentures and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes. If we default on our obligations to pay other indebtedness that we may incur in the future, we may not be able to make payments on the Notes. In the future, we may enter into agreements to incur additional indebtedness, including a secured credit facility. A default under such agreements to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on such future additional indebtedness, or if we otherwise

fail to comply with the various covenants, including financial and operating covenants, in the instruments governing such future additional indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders of other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because any future credit facilities likely will have customary cross- default provisions, if the indebtedness under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. We may choose to redeem the Notes when prevailing interest rates are relatively low. We may choose to redeem the remaining 2024 Notes, as well as the 2025 5.0 % Notes, 2026 Notes and 2028 Notes outstanding, especially if prevailing interest rates are lower than the respective interest rates on the 2024 Notes, 2025 Notes, 2026 Notes or 2028 Notes. If prevailing rates are lower at the time of redemption, holders of the Notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell the Notes as the optional redemption date or period approaches. On February 22, 2021, the Company redeemed all \$ 57.5 million in aggregate principal amount of the 2023 Notes on the redemption date at 100 % of their principal amount (\$ 25 per Note), plus the accrued and unpaid interest thereon from December 31, 2020 through, but excluding, the redemption date. On December 29, 2021, the Company partially redeemed \$ 40.0 million in aggregate principal amount of the \$ 78.25 million of 2024 Notes outstanding at 100 % of their principal amount (\$ 25 per Note), plus the accrued and unpaid interest thereon from November 1, 2021 through, but excluding, the redemption date. On March 31, 2022, the Company redeemed all \$ 15.0 million in aggregate principal amount of the 2025 6.85 % Notes on the redemption date at 100 % of their principal amount (\$ 25 per Note), plus the accrued and unpaid interest thereon from February 28, 2022 through, but excluding, the redemption date. The trading market or market value of our publicly traded debt securities may fluctuate. The 2024, 2026 and 2028 Notes are new issues of debt securities listed on the Nasdaq Global Market under the symbols “NEWTL,” “NEWTZ,” and “NEWTI,” respectively. Although the Notes are listed on Nasdaq, we cannot assure you that a trading market for our publicly issued debt securities will be maintained. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following: • the time remaining to the maturity of these debt instruments; • the outstanding principal amount of debt securities with terms identical to these debt securities; • the ratings assigned by the national statistical rating agencies; • the general economic environment; • the supply of debt securities trading in the secondary market, if any; • the level, direction and volatility of market interest rates generally; and • market rates of interest higher or lower than rates borne by the debt securities. You should be aware that there may be a limited number of buyers should holders of the Notes decide to sell the securities. This too may materially adversely affect the market value of the debt securities of the trading market for the debt securities. The 2024 and 2026 Notes were issued pursuant to a base indenture, dated as of September 23, 2015 (the “ Base Indenture ”), and a **fourth supplemental indenture (the “ Fourth Supplemental Indenture ”)**, dated as of July 29, 2019, and a Seventh Supplemental Indenture dated as of January 22, 2021, respectively, each between us and U. S. Bank National Association, as trustee. The Fourth Supplemental Indenture and Seventh Supplemental Indenture include covenants requiring us to comply with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18 (a) (1) (A) of the 1940 Act as modified by Section 61 (a) of the 1940 Act (or any successor provisions), to comply with (regardless of whether we are subject to) the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18 (a) (1) (B) of the 1940 Act as modified by Section 61 (a) of the 1940 Act and to provide financial information to the holders of the Notes and the Trustee if we should no longer be subject to the reporting requirements under the Exchange Act. As a result, we are subject to 150 % asset coverage requirements under the 1940 Act even though, effective January 6, 2023, we are not regulated as a BDC ~~or under the 1940 Act~~. Under these requirements we are only permitted to issue multiple classes of indebtedness and one class of shares senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150 % immediately after each such issuance. The ratio of our total assets (less total liabilities other than indebtedness represented by senior securities) to our total indebtedness represented by senior securities plus preferred stock, if any, must be at least 150 %. ~~As a result, if we were to redeem all of the outstanding 2024 Notes and 2026 Notes, we would no longer be subject to the above requirements.~~ **RISKS RELATED TO CYBERSECURITY** We could be adversely affected by information security breaches or **cyber** ~~cybersecurity~~ **security** attacks. Our business operations and our subsidiaries’ business operations rely upon secure information technology systems for data processing, storage and reporting. Despite security and controls design, implementation and updating, such information technology systems could become subject to cyber- attacks. Network, system, application and data breaches could result in operational disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition. In addition, our business operations involve the storage and transmission of Newtek, customer and employee proprietary information. Our businesses rely on our digital technologies, computer and email systems, software, and networks to conduct operations. Our technologies, systems and networks may become the target of criminal cyber- attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of us or third parties with whom we deal, or otherwise disrupt our or our customers’ or other third parties’ business operations. **Further, the use of AI by cybercriminals may increase the frequency and severity of cyber- attacks against us or our third- party vendors and clients.** It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. ~~Additionally, the increased use of mobile and cloud technologies due to the increased amount of remote work resulting from the~~

COVID-19 pandemic could heighten these and other operational risks as certain aspects of the security of such technologies may be complex and unpredictable. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. We maintain a cybersecurity risk management program that is overseen by the Chief Information Security Officer (“CISO”) of NTS. The CISO is chiefly responsible for developing, maintaining, and enforcing cybersecurity and cyber risk-related policies; ensuring the Company and its subsidiaries satisfy requirements of relevant regulations, industry standards, and third-party risk assessment requirements; keeping abreast of developing security threats, and helping both the Board and the board of directors of Newtek Bank understand potential security problems that might arise from the changing threat landscape; and overseeing and implementing regular security awareness training of all employees on cybersecurity, and supporting effective communication with users to limit security vulnerabilities. The CISO regularly reports to the Board and the board of directors of Newtek Bank on the state of our cybersecurity risk management program and provides updates on cybersecurity matters. Although we believe we and our IT providers employ appropriate security technologies (including data encryption processes, intrusion detection systems), and conduct comprehensive risk assessments and other internal control procedures to assure the security of our and our customers’ data, we cannot guarantee that these measures will be sufficient for this purpose. If our and our IT provider’s security measures are breached as a result of third-party action, employee error or otherwise, and as a result our or our customers’ data becomes available to unauthorized parties, we could incur liability and our reputation would be damaged, which could lead to the loss of current and potential customers. If we experience any breaches of our network security or sabotage, we might be required to expend significant capital and other resources to detect, remedy, protect against or alleviate these and related problems, and we may not be able to remedy these problems in a timely manner, or at all. Because techniques used by outsiders to obtain unauthorized network access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. **Additionally For example, in early 2018, the increased use of mobile and unauthorized cloud technologies due to the increased amount of remote work resulting from the COVID-19 pandemic could heighten these and other operational risks as certain aspects of the security of such technologies may be complex and unpredictable. We maintain a cybersecurity risk management program that is overseen by the Chief Information Security Officer (“CISO”) of NTS. The CISO is chiefly responsible for developing, maintaining, and enforcing cybersecurity and cyber risk-related policies; ensuring the Company and its subsidiaries satisfy requirements of relevant regulations, industry standards, and third-party misappropriated risk assessment requirements; keeping abreast of developing security threats, and helping both three-- the Board and the board of NTS’ domain names directors of Newtek Bank understand potential security problems that might arise from the changing threat landscape; and overseeing and implementing regular security awareness training of all employees on cybersecurity, and supporting effective communication with users to limit security vulnerabilities. NTS’ The CISO regularly reports to the Risk Committee of the Board and the risk committee of the board of directors of Newtek Bank on the state of our cybersecurity risk management program and provides updates on** forensic investigators determined that attackers compromised a portion of NTS’ shared webhosting system, and may have acquired certain customer information limited to its shared webhosting customers, and /or gained access to certain of its shared webhosting servers. In response, NTS has taken a range of steps designed to further secure its systems, enhance its security-cybersecurity matters protections, enhance access controls, and prevent future unauthorized activity. **See “ITEM I. C Cybersecurity.”** As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Although we have insurance in place that covers such incidents, the cost of a breach or cyber- attack could well exceed any such insurance coverage. The failure in cyber- security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively. The occurrence of a disaster, such as a cyber- attack against us or against a third- 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. We and our subsidiaries 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, use, alteration, or destruction, such as from physical and electronic break- ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to stockholders (and their beneficial owners) and material nonpublic information. The systems we have implemented to manage risks relating to these types of events could prove to be inadequate and, if compromised, could become inoperable for 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, 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 subsidiaries’ 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 on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that 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 sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above. In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. **For example, the SEC recently enacted rules, effective as of December 18, 2023, requiring public companies to disclose material cybersecurity incidents that they experience on Form 8-K within four business days of determining that a material cybersecurity incident has occurred and to disclose on annual basis material information regarding their cybersecurity risk management, strategy, and governance.** If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage. We and our service providers continue to be impacted by the ~~occurrence of~~ **increase in** remote work ~~arising from~~ **in response to** the global COVID-19 pandemic. 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. Accordingly, the risks described above are heightened under current conditions. We and our subsidiaries are subject to risks associated with “phishing” and other cyber-attack. Our business and the business of our subsidiaries relies upon secure information technology systems for data processing, storage and reporting. Despite careful security and controls design, implementation and updating, ours and our subsidiaries’ information technology systems could become subject to cyber-attacks. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking”, malicious software coding, social engineering or “phishing” attempts) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Our employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen information, misappropriation of assets, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, regulatory fines or penalties, or other adverse effects on our business, financial condition or results of operations. 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 related to cyber-attacks. Our and our service providers’ increased use of mobile and cloud technologies could heighten the risk of a cyber-attack as well as other operational risks, as certain aspects of the security of such technologies may be complex, unpredictable or beyond their control. Our and other service providers’ reliance on mobile or cloud technology or any failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber-attacks could disrupt their operations and result in misappropriation, corruption or loss of personal, confidential or proprietary information. In addition, there is a risk that encryption and other protective measures against cyber-attacks may be circumvented, particularly to the extent that new computing technologies increase the speed and computing power available.

GENERAL RISK FACTORS We may experience fluctuations in our quarterly and annual results. We may experience fluctuations in our quarterly and annual 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 of such securities, the level of portfolio dividend and fee income, 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 and our subsidiaries are subject to regulation by laws at the local, state, and federal 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. For example, the current U. S. presidential administration could support an enhanced regulatory agenda that imposes greater costs on all sectors and on financial services companies in particular. 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. Changes to the laws and regulations governing our permitted investments may require a change to our investment strategy. Such changes could differ materially from our strategies and plans as set forth in this report and may shift our investment focus from the areas of expertise of our Adviser. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment in us. We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our securities and our ability to make distributions to our shareholders. Our business is highly dependent on our communications and information systems. Certain of these systems are provided to us by third-party service providers. Any failure or interruption of such systems, including as a result of the termination of an agreement with any such third party service provider, could cause delays or other

problems in our activities. This, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our securities and our ability to make distributions to our shareholders. We are subject to risks related to corporate social responsibility. 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. A variety of organizations measure the performance of companies on ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Additionally, new regulatory initiatives related to ESG could adversely affect our business. The SEC has proposed rules that, among other matters, would establish a framework for reporting of climate- related risks. At this time, there is uncertainty regarding the scope of such proposals or when they would become effective (if at all). Compliance with any new laws or regulations increases our regulatory burden and could make compliance more difficult and expensive, affect the manner in which we or our subsidiaries conduct our businesses and adversely affect our profitability. The effect of global climate change may impact our operations and the operations of our subsidiaries **and clients**. Climate change is widely considered to be a significant threat to the global economy. Climate change creates physical and financial risk and **some** we, **and some of our- or subsidiaries or our clients** 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 ~~us or~~ our subsidiaries **or clients** if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect ~~our and~~ some of our subsidiaries **or clients**’ financial condition, through decreased revenues. 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~~ **U. S.** is a member, adopted a climate accord (the “ **Paris Agreement** ”) 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~~ **U. S.** 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. As a result, **some** we, **and some of** our subsidiaries **or our clients** may become subject to new or strengthened regulations or legislation, which could increase ~~our and~~ their operating costs and **/ or** decrease ~~our and~~ their revenues.