

Risk Factors Comparison 2025-03-10 to 2024-03-05 Form: 10-K

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

Investing in our securities involves a high degree of risk. In addition to the other information contained in this ~~annual~~ **Annual report Report on Form 10-K**, **including the financial statements and related notes contained in Part II, Item 8 – “ Financial Statements and Supplementary Data ” and the discussion in Part II, Item 7 – “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations ” of this Annual Report**, the following information should be carefully considered before making an investment in our common stock. The risk factors described below are the principal risk factors associated with an investment in our securities, as well as those factors generally associated with a business development company with investment objectives, investment policies, capital structure or trading markets similar to ours. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our NAV and the trading price of our common stock could decline, ~~resulting in potential~~ **and you could lose all or part of your investment loss in our common stock**. We have listed below the risk factors applicable to us grouped into the following categories: Risks related to our Business and Structure, Risks related to our Investments, Risks related to our Indebtedness, Risks related to our Common Stock and Risks Relating to U. S. Federal Income Tax. We are dependent upon RCM for our future success. Our day- to- day investment operations are managed by our investment adviser and administrator, RCM, subject to oversight by our Board. After the completion of the Transaction, we no longer have any employees, and, as a result, RCM’ s investment team evaluates, negotiates, structures, closes and monitors our investments. We depend on the diligence, skill, investment expertise and network of business contacts of RCM’ s investment professionals ~~and~~ the Investment Committee to source appropriate investments for us. We also depend on members of RCM’ s investment team and the Investment Committee to analyze potential investments for us and monitor those investments, and on members of the Investment Committee to make investment decisions for us. Our future success depends on the continued availability of members of RCM’ s investment team and the Investment Committee and the other investment professionals available to RCM. The Corporation does not have any employment agreements with key personnel of RCM, including members of the Investment Committee, and we cannot provide any assurance that unforeseen business, medical, personal or other circumstances would not lead any such individual to terminate his or her relationship with RCM. In addition, ~~it is we do not expected~~ **expect** that members of RCM’ s investment team and the Investment Committee will devote all of their business time to our operations, ~~and~~, **as a result**, each such person will have other demands on their time as a result of their other **business activities and obligations**. ~~Therefore As a result~~, RCM may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process and may not be able to find investment professionals in a timely manner or at all. The loss of a material number of investment professionals ~~that to which~~ **currently** has access **to**, or **the loss of a material number of** members of the Investment Committee, could have a material adverse effect on our ability to achieve our investment objectives as well as on our financial condition and results of operations. Our financial results will depend on RCM’ s skill to manage and deploy capital effectively. Our ability to achieve long- term capital appreciation on our equity investments and to maintain a current cash flow from our debt investments while shifting our portfolio to contain a greater percentage of interest- yielding debt securities depends on RCM’ s capability to effectively identify, invest, and manage our capital. Accomplishing this investment objective effectively and on a cost - effective basis will be based on RCM’ s handling of the investment process, ~~including starting with~~ **to continue** to find investments that offer favorable terms and meet our investment objective, and its ability to provide competent, attentive and efficient services to us. RCM will also need to **continue to** monitor our portfolio companies’ performance and **has been in the past, and** may **continue to** be called upon to provide managerial assistance. These competing demands on their time may slow the rate of investment or **impact** the effective deployment of capital. Even if RCM is able to grow and build on our investment portfolio, any failure by RCM to manage the growth of our portfolio effectively could have a material adverse effect on our business, financial condition, results of operations and **investment** prospects. If RCM cannot successfully manage our investment portfolio or implement our investment objectives, this could negatively impact our results of operation and financial condition. We are subject to risks created by our highly regulated environment. We are regulated by the SEC as a BDC and subject to the requirements applicable to BDCs under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of BDCs and their external advisers. Changes in the laws or regulations that govern BDCs could significantly affect our business. Regulations and laws may be changed periodically, and the interpretations of the relevant regulations and laws are also subject to change. Any change in the regulations and laws governing our business could have a material impact on our financial condition and our results of operations. Moreover, the laws and regulations that govern BDCs may place conflicting demands on the manner in which we operate, and the resolution of those conflicts may restrict or otherwise adversely affect our operations. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and / or expose us to claims of private litigants. The 1940 Act permits us to issue senior securities, which include borrowing money from banks or other financial institutions, in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200 % after each issuance of senior securities, subject to certain disclosure requirements. On January 24, 2024, the Board, including a “ required majority ” (as such term is defined in Section 57 (o) of the 1940 Act) of the Board, approved the application of the modified asset coverage requirements set forth in Section 61 (a) (2) of the 1940 Act, as amended by the Small Business Credit Availability Act. ~~Therefore As a result~~, the Company’ s asset coverage requirements

for senior securities ~~were will automatically be~~ changed from 200 % to 150 %, effective January 24, 2025. If our asset coverage is not at least 200 % or, beginning January 24, 2025, at least 150 %, we are not permitted to pay distributions or issue additional senior securities. As a result, and if we are unable to comply with our asset coverage requirement under the 1940 Act, we could have difficulty meeting the distribution requirements necessary to maintain RIC tax treatment. Moreover, if the value of our assets declines, we may also be unable to satisfy this asset coverage test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when we may be unable to do so or unable to do so on favorable terms. **Political and regulatory conditions that contribute to uncertainty and market volatility, including the impact of the 2024 U. S. presidential election and legislative, regulatory, trade and policy changes associated with the new administration, could materially impact our business operations and financial performance and business and financial performance of our portfolio companies. The political and economic environment in the U. S. has resulted in, and will continue to result in, an uncertain business climate. Changing regulatory policies because of the recently changed political environment could impact our regulatory and compliance costs and future revenues, all of which could materially and adversely affect our business, financial condition and results of operations. Failure to adapt to or comply with evolving regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation and ability to do business with certain partners. Further, the recent change in the U. S. presidential administration and the U. S. Congress as a result of the 2024 election cycle may result in increased regulatory and economic uncertainty. Changes in federal policy by the executive branch and regulatory agencies may occur over time through the new presidential administration's and / or Congress's policy and personnel changes, which could lead to changes involving the level of oversight and focus on our industry; however, the nature, timing and economic and political effects of such potential changes remain highly uncertain. Any future changes in federal and state laws and regulations, as well as the interpretation and implementation of such laws and regulations, could affect us and our portfolio companies in substantial and unpredictable ways. At this time, it is unclear what laws, regulations and policies may change and whether future changes or uncertainty surrounding future changes will adversely affect our operating environment and therefore our business, the business of our portfolio companies, our financial condition and results of operations.** We are subject to risks created by the valuation of our portfolio investments. At December 31, 2023-2024, all 91% of our investments are in private securities that are not publicly traded. There is typically no public market for securities of the small privately held companies in which we typically invest. Investments are valued on a quarterly basis in accordance with our established valuation policy and are stated at fair value and approved by our Board. The inputs into the determination of fair value of these investments may require significant judgment or estimation. In the absence of a readily ascertainable market value, the estimated value of our investment portfolio may differ significantly, favorably or unfavorably, from the values that would be placed on the portfolio if a ready market for the securities existed and may fluctuate significantly over short periods of time. Any changes in estimated value of our investments are recorded in our consolidated statement of operations as "Net change in unrealized appreciation / depreciation on investments." In addition, the participation of RCM's investment professionals in our valuation process may result in a conflict of interest, as RCM's Base Management Fee under the Investment Management Agreement is based, in part, on the value of our gross assets, and the Incentive Fees payable under the Investment Management Agreement are based, in part, on realized gains and realized and unrealized losses. RCM, acting as our investment adviser, operates in a competitive market for investment opportunities. RCM faces significant competition in effecting our investing activities on our behalf from many entities, including private venture capital funds, other providers of private credit, investment affiliates of large companies, wealthy individuals and other domestic or foreign investors. The competition is not limited to entities that operate in the same general geographical areas as we do. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors have a lower cost of capital and access to funding sources that are not available to us, including from the Small Business Administration. In addition, increased competition for attractive investment opportunities allows debtors to demand more favorable terms and offer fewer contractual protections to creditors. Some of our competitors have higher risk tolerances or different risk assessments than we do. These characteristics have allowed and could continue to allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we choose to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. As a regulated BDC, we are also required to disclose quarterly and annually the name and business description of our portfolio companies and the value of their portfolio securities. Most of our competitors are not subject to this public disclosure requirement or similar types of disclosure requirements. This obligation to disclose this information could hinder RCM's ability to invest in potential portfolio companies on our behalf. Additionally, other regulations, current and future, may make us less attractive as a potential investor to a given portfolio company than a private fund that is not subject to these regulations. There are potential conflicts of interest, including the management of other investment funds and accounts by the principals and certain members of the Investment Committee of RCM, which could impact our investment returns. The principals and certain members of the Investment Committee of RCM manage other funds and accounts, including for entities affiliated with members of the Investment Committee. Accordingly, they have obligations to those investors, the fulfillment of which may not be in the best interests of, or may be adverse to the interests of, us or our shareholders. Although the principals, members of the Investment Committee and other professional staff of RCM are expected to devote as much time to our management as appropriate to enable RCM to perform its duties in accordance with the Investment Management Agreement, the members of the Investment Committee and investment professionals of RCM may have conflicts in allocating their time and services among RCM, on the one hand, and the other managed investment vehicles, on the other hand. RCM, including members of its Investment Committee, may face conflicts in allocating investment

opportunities between us and other investment vehicles affiliated with members of the Investment Committee that have overlapping investment objectives with ours. Although RCM, including members of the Investment Committee, and its affiliates that manage other investment portfolios will endeavor to allocate investment opportunities in a fair and equitable manner in accordance with its written allocation policies and procedures, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by RCM or members of the Investment Committee given the requirements or application of such allocation policies and procedures or if such investment is prohibited by laws that are applicable to us. RCM and its affiliates, including some of our officers and directors, face conflicts of interest caused by compensation arrangements with us, which could result in actions that are not in the best interests of our shareholders. RCM and its affiliates receive fees from us in return for their services, including certain incentive fees based on the performance of our investments. These fees could influence the **investment** advice provided to us. Generally, the greater the risk assumed by us with respect to our investments, the greater the potential for growth in our assets and profits, and, correlatively, the fees payable by us to RCM under the terms of the Investment Management Agreement. These compensation arrangements could affect RCM or its affiliates' judgment with respect to investments made **by us on our behalf**, which ~~would allow~~ **allow** RCM to earn increased asset management fees. Our ability to enter into transactions with our affiliates is restricted. We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of the "required majority" of our directors as defined in Section 57 (o) of the 1940 Act and, in some cases, the SEC. Any person that owns, directly or indirectly, 5 % or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we will generally be prohibited from buying from, or selling to, such affiliate any securities, absent the prior approval of the "required majority" of our directors as defined in Section 57 (o) of the 1940 Act. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, including other funds or clients advised by RCM or its affiliates, which in certain circumstances could include investments in the same portfolio company (whether at the same or different times to the extent the transaction involves a joint investment), without prior approval of our Board and, in some cases, the SEC. If a person acquires more than 25 % of our voting securities, or is otherwise deemed to control, be controlled by, or be under common control with us, we will be prohibited from buying from, or selling to, such person or certain of that person's affiliates any securities, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. For example, given East's approximately 64 % ownership position in our common stock, this prohibition impacts our ability to participate in certain transactions or investments where East is involved, including with respect to certain of the loans and other securities that were contributed to us by East as part of the consideration for East's purchase of our common stock in the Transaction, to the extent such loans and other securities are also held by East or another one of our affiliates. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates or anyone who is under common control with us. As a result of these restrictions, we may also be prohibited from buying securities from, or selling securities to, any portfolio company that is controlled by a fund managed by either RCM or its affiliates without the prior approval of the SEC, which may limit the scope of investment or disposition opportunities that would otherwise be available to us. The analysis of whether a particular transaction constitutes a joint transaction requires a review of the relevant facts and circumstances then existing. On October 7, 2020, we, RCM and certain of our affiliates received the Order from the SEC to permit us to co- invest in portfolio companies with certain other affiliates, including other BDCs and registered investment companies, **managed by RCM and certain of its affiliates in a manner consistent with our investment objective, policies, strategies, and restrictions as well as regulatory requirements**, subject to compliance with certain conditions. On March 29, 2021, the SEC granted us, RCM, Callodine, and certain of their affiliates the New Order that superseded the Order and permits us to co- invest with affiliates managed by RCM and Callodine. ~~The New Order was sought in connection with the completion of the Adviser Change of Control. After the Adviser Change of Control, Callodine held a controlling interest in RCM.~~ Pursuant to the New Order, we generally are permitted to co- invest with affiliates covered by the New Order if a "required majority" (as defined in Section 57 (o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co- investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to us and our shareholders and do not involve overreaching of us or our shareholders on the part of any person concerned, (2) the transaction is consistent with the interests of our shareholders and is consistent with our investment objective and strategies, and (3) the investment by our affiliates would not disadvantage us, and our participation would not be on a basis different from or less advantageous than that on which our affiliates are investing. In addition, on September 6, 2022, the SEC granted an amendment to the New Order to permit us to participate in follow- on investments in our existing portfolio companies with certain Affiliated Funds (as defined in the New Order) that do not hold any investments in such existing portfolio companies. In situations when co- investment with funds managed by RCM or its affiliates is not permitted under the 1940 Act and related rules, existing or future staff guidance, or the terms and conditions of the exemptive relief granted to us by the SEC, RCM and its affiliates will need to decide which client or clients (including us) will proceed with the investment. Generally, we will not be entitled to make a co- investment in these circumstances and, to the extent that a client (other than us) is granted the opportunity to proceed with the investment, we will not be permitted to participate in the investment we otherwise may have made. RCM may be paid incentive compensation even if we incur a net loss, and we cannot recover any portion of the incentive fee previously paid. RCM is entitled to incentive compensation under our Investment Management Agreement for each fiscal quarter under the Income Based Fee in an amount equal to a percentage of our pre- incentive fee net investment income, subject to a hurdle rate, a catch- up provision, a cap and a deferral mechanism. For purposes of calculating the Income Based Fee, our pre- incentive fee net investment income excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss for that quarter. Thus, we may be required to pay RCM incentive compensation under the Income Based Fee for a fiscal quarter even if we incur a net loss for that quarter. In addition, if we pay the Capital Gains Fee and thereafter experience additional realized capital losses or unrealized capital losses, we will not be able to recover any portion of the incentive fee previously

paid. RCM's liability is limited under the Investment Management Agreement and the Administration Agreement, and we are required to indemnify RCM against certain liabilities, which may lead RCM to act in a riskier manner on our behalf than it would when acting for its own account. Under the Investment Management Agreement and the Administration Agreement, RCM does not assume any responsibility to us other than to render the services described in the Investment Management Agreement and Administration Agreement, as applicable, and it is not responsible for any action of our Board in declining to follow RCM's advice or recommendations. Pursuant to the Investment Management Agreement and the Administration Agreement, RCM, its members and their respective officers, managers, partners, agents, employees, controlling persons, members and any other person affiliated with any of them are not liable to us for their acts under the Investment Management Agreement and Administration Agreement, as applicable, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect RCM, its members and their respective officers, managers, partners, agents, employees, controlling persons and any other person affiliated with any of them with respect to all damages, liabilities, costs and expenses arising out of or otherwise based upon the performance of any of RCM's duties or obligations under the Investment Management Agreement or Administration Agreement, as applicable, or otherwise as investment adviser or administrator, as applicable, for us, and not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the Investment Management Agreement or the Administration Agreement. These protections may lead RCM to act in a riskier manner when acting on our behalf than it would when acting for its own account. ~~Our investment adviser and administrator, RCM,~~ has the right to resign on 60 days' written notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations. ~~Our investment adviser and administrator, RCM,~~ has the right, under both the Investment Management Agreement and the Administration Agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If RCM resigns, we may not be able to find a new investment adviser or administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations are likely to be adversely affected and the market price of our common stock may decline. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objectives may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations. If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to maintain our qualification as a BDC or be precluded from investing according to our current business strategy. As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70 % of our total assets are qualifying assets. We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe to be attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times ~~in order to comply~~ **come into compliance** with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility. The fee structure under the Investment Management Agreement may induce RCM to pursue investments and incur leverage, which may not be in the best interests of the shareholders. Under the terms of the Investment Management Agreement, the Base Management Fee is payable even if the value of our investment portfolio declines. The Base Management Fee is calculated based on the total assets (other than cash or cash equivalents but including assets purchased with borrowed funds), as determined according to procedures duly adopted by the Board. Accordingly, the Base Management Fee is payable regardless of whether the value of Rand's total assets or investment portfolio has decreased during the then-current quarter and creates an incentive for RCM to incur leverage, such as borrowings under our Credit Facility, which may not be consistent with our shareholders' interests. The Incentive Fee payable to RCM is calculated based on a percentage of our return on invested capital. The terms of the Incentive Fee calculation may create an incentive for RCM to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. Unlike the Base Management Fee, the Income Based Fee is payable only if the hurdle rate is achieved. Because the portfolio earns investment income on gross assets while the hurdle rate is based on net assets, and because the use of leverage, such as borrowings under our Credit Facility, increases gross assets without any corresponding increase in net assets, RCM may be incentivized to incur leverage to grow the portfolio, which will tend to enhance returns where our portfolio has positive returns and increase the chances that the hurdle rate is achieved. Conversely, the use of leverage may increase losses where our portfolio has negative returns, which would impair the value of our common stock. In addition, RCM receives the Incentive Fees based, in part, upon net capital gains realized on our investments under the Capital Gains Fee. Unlike the Income Based Fee, there is no hurdle rate applicable to the Capital Gains Fee. As a result, RCM may have an incentive to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative equity securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. We may need to raise additional capital to grow. We may need additional capital to fund new investments and grow.

We may access the capital markets periodically to issue equity **or debt** securities as a means to raise additional capital. Pursuant to the restrictions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the then- current net asset value of our common stock if our Board determines that such sale is in the best interests of the Corporation **and our shareholders**, and our shareholders also approve the sale, giving us the authority to do so. Although we currently do not have such authorization, we may seek such authorization in the future. In addition to amounts available to be borrowed under our Credit Facility, we may also issue debt securities or borrow additional amounts from financial institutions in order to obtain such additional capital, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue debt securities or incur indebtedness only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least **200 %**, **or beginning after January 24, 2025, at least 150 %** ; immediately after such issuance or incurrence. Unfavorable economic conditions could increase our funding costs and limit our access to the capital markets or result in a decision by lenders not to extend credit to us. Furthermore, the debt capital that may be available to us in the future, if any is available at all, may be at a higher **costs- cost** and on less favorable terms and conditions. A reduction in the availability of new capital could limit our ability to grow. In addition, we are required to distribute at least 90 % of our net ordinary income and net short- term capital gains in excess of net long- term capital losses, if any, to our shareholders to maintain our RIC election. As a result, our earnings may not be able to be retained by the Corporation to fund new investments and, instead, may need to be distributed to shareholders. If we are unable to access the capital markets or if we are unable to borrow from financial institutions, we may be unable to grow our business and execute our business strategy fully, and our earnings, if any, could decrease, which could have an adverse effect on the value of our common stock. We are subject to cybersecurity risks and incidents that may adversely affect our operations, the operations of RCM or the companies in which we invest. A failure in our, or RCM' s, cybersecurity systems could impair our ability to conduct business and damage our business relationships, compromise or corrupt our confidential information and ultimately negatively impact business, financial condition and operating results. Our and RCM' s operations are dependent on secure information technology systems for data processing, storage and reporting. Increased cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber- attacks pose a risk to the security of our and RCM' s information and the information of our portfolio companies. Like other companies, we or RCM may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information stored in, or transmitted through, our or RCM' s computer systems and networks, or otherwise cause interruptions or malfunctions in our or RCM' s operations, which could result in damage to our or RCM' s reputation, financial losses, litigation, increased costs or regulatory penalties. Furthermore, if one of these events were to occur at one of our portfolio companies, it could impact their business, financial condition and results of operations, which could negatively impact our investment. In addition, these cyber- attacks could affect our and RCM' s computer network, our website or our other service providers (such as, but not limited to, accountants, lawyers, **and transfer agents and our third- party IT service provider**) and could result in operating disruptions or information misappropriation, which could have a material adverse effect on our business operations and the integrity and availability of our financial information. We and RCM have attempted to mitigate these cybersecurity risks by employing a number of processes, procedures and internal controls within our organization and RCM, but we remain potentially vulnerable to additional known and unknown threats. **For more information regarding how we oversee, assess and manage cybersecurity risks, see Item 1C – “ Cybersecurity. ”** We may experience fluctuations in our annual and quarterly results. We could experience fluctuations in our annual and quarterly operating results due to a number of factors, some of which are beyond our control, including RCM' s ability or inability to make investments in companies that meet our investment criteria, RCM' s transition of our portfolio to include more interest- yielding securities, the interest rate payable on the debt securities acquired and the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses and the timing of RCM' s decision to exit from certain of our investments, the degree to which we encounter competition in the markets in which we operate 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 quarters or any future fiscal years. We are subject to risks related to corporate social responsibility. Our business and the businesses of our portfolio companies are facing increasing public scrutiny related to environmental, social and governance (“ ESG ”) activities. We risk damage to our reputation if we fail to act responsibly in several areas, such as diversity, equity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency, and having RCM consider ESG factors in their investment processes on our behalf. Failure to act responsibly with respect to ESG activities could negatively impact our reputation, our relationship with existing and future portfolio companies, and our relationships with our investors, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business and the businesses of our portfolio companies. New laws and regulations increase our regulatory burden and could make compliance more difficult and expensive, affect the manner in which we or our portfolio companies conduct our businesses and adversely affect our results of operation. **We Risks related to our Investments** We have a limited number of companies in our portfolio of investments and may be subjected to greater risk if any of these companies default. Our portfolio investment values are concentrated in a small number of companies and as such, we may experience a significant loss in our net asset value if one or more of these companies performs poorly or goes out of business. The unrealized or realized depreciation in the value of the securities of any one of these companies would negatively impact our net asset value. The lack of liquidity in our investments may adversely affect our business. RCM, on our behalf, invests, and we expect that RCM will continue, on our behalf, to invest, primarily in portfolio companies whose securities are not publicly traded and may be subject to restrictions on resale, and as a result will be less liquid than publicly traded securities. Most of our investments are or will be either equity securities or debt securities acquired directly from small, private companies. The illiquidity of most of our portfolio may adversely affect our ability to dispose of the securities at times when it may be

advantageous for us to liquidate investments. In addition, we may not realize the full value of these private investments if we have to liquidate all or a part of our portfolio investment quickly, given the lack of available markets for their sale. Economic downturns or recessions may adversely affect our portfolio companies' financial performance and therefore harm our operating results. The United States economy has periodically experienced periods of instability and recessions, including as a result of the COVID-19 pandemic, and the financial results of the small companies in which we invest could be more acutely affected negatively by this instability and suffer deterioration in operational or financial results. This deterioration may have a negative effect on our financial performance. Investing in private companies involves a high degree of risk. We typically invest a substantial portion of our assets in small private companies. These private businesses may be thinly capitalized, unproven companies with risky technologies, products or services, may lack management depth, and may not have attained profitability. Because of the speculative nature and the lack of a public market for these investments, there is significantly greater risk of loss than is the case with securities traded on a public publicly exchange. We expect that some of our investments will become worthless and that some will appear likely to become successful but will never realize their potential. We have historically been risk seeking rather than risk averse in our approach to our investments. Given the incentive compensation components of our arrangement with RCM under the Investment Management Agreement, RCM may have similar incentives to be risk seeking rather than risk averse in making its investment decisions on our behalf. Even if our portfolio companies can are able to develop commercially viable technologies, products or services, the market for those new technologies, products and services is likely to be highly competitive and rapidly changing. Commercial success is difficult to predict, and the marketing and other efforts of our portfolio companies may not be successful, which could have a material adverse effect on our business, financial condition and results of operations. Any unrealized losses we experience in our portfolio may be an indication of future realized losses, which could reduce our income available for distribution. As a BDC, we are required to carry our investments at fair value as determined in good faith by our Board. Decreases in the fair values of our investments are recorded as unrealized depreciation. Any unrealized losses in our portfolio of debt investments could be an indication of a portfolio company's inability to meet its debt repayment obligations to us with respect to the affected investments. Any unrealized losses in our portfolio of equity investments could be an indication of operating or other problems at a portfolio company and the possibility that this investment may become worthless in the future. In either such case, this could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods. We may be subject to risks associated with our origination of, or investment in, covenant-lite loans to our portfolio companies. We have originated or invested in, and may in the future originate or invest in, covenant-lite loans to our portfolio companies, which means the loan agreement or other debt instrument governing these debt obligations contains fewer maintenance covenants than other loan agreements or debt obligations, or no maintenance covenants, and may not include covenants that we could use to monitor the financial performance of the portfolio company borrower, including covenants based upon compliance with financial ratios, and declare a default under the loan agreement or other debt instrument if the specified covenants are breached. While these loans or other debt obligations to portfolio company borrowers may still contain other collateral protections, a covenant-lite loan may carry more risk than a covenant-heavy loan made to the same portfolio company borrower as it does not require this borrower to provide affirmation that certain specific financial tests have been satisfied on a routine basis, as is generally required under a covenant-heavy loan agreement or other debt instrument. Generally, covenant-lite loans or other debt instruments provide borrowers more freedom, which may negatively impact lenders because these covenants, if any, tend to be inurrence occurrence-based, meaning they are only tested and can only be breached following an affirmative action of the borrower, rather than by deterioration in the borrower's financial condition. Should the financial condition of a portfolio company borrower begin to deteriorate, our investment in or origination of covenant-lite loans or other debt instruments to such portfolio company borrower may potentially reduce our ability to restructure such problematic loan and mitigate potential loss. As a result of our investment in or origination of covenant-lite loans, our exposure to losses may be increased, which could result in an adverse impact on the Corporation's revenues, net income and NAV per share. We provide debt and equity capital primarily to small companies that are not publicly traded, which may present a greater risk of loss than providing debt and equity capital to larger companies. Our portfolio consists primarily of debt and equity investments in small companies that are not publicly traded. Compared to larger companies, small companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand, compete and operate their business. They also typically have fewer administrative resources, which can lead to greater uncertainty in their ability to generate accurate and reliable financial data, including their ability to deliver audited financial statements. In addition, many small companies may be unable to obtain financing from the public capital markets or other traditional sources, such as commercial banks, in part because loans made to these types of companies entail higher risks than loans made to companies that have larger businesses, greater financial resources or are otherwise able to access traditional credit sources on more attractive terms. A variety of factors may affect the ability of borrowers to make scheduled payments on debt securities or loans, including failure to satisfy financial targets and covenants, a downturn in a borrower's industry or changes in the economy in general. In addition, investing in small companies in general involves a number of significant risks, including that small companies: • may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment; • typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render small companies more vulnerable to competitors' actions and market conditions, as well as general economic downturns; • are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us; • generally have less predictable operating results, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial

additional capital to support their operations, finance expansion or maintain their competitive position; • may from time to time be parties to litigation **and may have fewer resources than larger companies to handle such litigation**; • may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity; and • may be particularly vulnerable to changes in customer preferences and market conditions, depend on a limited number of customers, and face intense competition, including from companies with greater financial, technical, managerial and marketing resources. Any of these factors or changes thereto could impair a small company's financial condition, results of operation, cash flow or result in other adverse events, such as bankruptcy, any of which could limit a borrower's ability to make scheduled payments on our debt securities. This, in turn, could result in losses in our investments and a decrease in our net interest income and NAV per share. We may have limited access to information about privately held companies in which we invest. We invest primarily in privately held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of RCM's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes- Oxley Act of 2002, **as amended**, and other rules that govern public companies. If we are unable to uncover all material information about these companies, RCM may not make a fully informed investment decision, and we may lose money on our investment. Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our returns on equity. We are subject to the risk that investments intended to be held over long periods are, instead, repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments that will typically have substantially lower yields than the debt being prepaid or repay outstanding borrowings under our Credit Facility that has a lower interest rate than the yield of the debt being prepaid, and we could experience significant delays ~~in or an inability to reinvesting~~ **reinvest** these amounts **in comparable debt securities**. Any future investment may also be at lower yields or on less favorable terms than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed by them. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock. Our portfolio companies may incur debt that ranks equal with, or senior to, our investments in such companies. We invest primarily in debt securities issued by our portfolio companies. In ~~some many~~ **cases**, portfolio companies are permitted to have other debt that ranks equal with, or senior to, the debt securities in which we invest. By their terms, such debt instruments ~~may often~~ provide that the holders thereof are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have **any sufficient** remaining assets to use for repaying its obligation to us. In the case of debt ranking equal with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company. There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims. Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the size of our investment and the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance **as required by the 1940 Act**. We generally do not control our portfolio companies. We do not have an expectation to control the decision making in our portfolio companies, even though we may have a board seat or board observation rights. Because of this, we are subject to the risk that our portfolio companies will make business decisions with which we disagree or will incur risks or otherwise act in ways that do not maximize their value and serve our interests as minority debt and equity holders. Due to the lack of liquidity in our investments in these private companies, we may not be able to dispose of our investment in these portfolio companies as freely as we would like or at a valuation that we believe is appropriate. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings. We typically are a minority shareholder in our portfolio companies in which we have made equity investments. In connection with equity investments, we typically invest as a minority shareholder in our portfolio companies. As a minority shareholder, we are unable to require the company to seek or entertain liquidity events as a way to exit our investments. This may cause us to hold equity investments longer than planned or to seek a sale that may not reflect the full value of our equity investment. We may not have the funds or ability to make follow- on investments in our portfolio companies. We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a company, we may be asked to participate in another round of financing by the company. There is no assurance that we will make, have sufficient funds to make or be permitted to make under the 1940 Act, these follow- on investments. Any decision to not make an additional investment in a portfolio company may have a negative impact on the portfolio company in need of the capital and have a negative impact on our investment in the company. ~~We~~ **Risks related to our Indebtedness** ~~We~~ borrow money, which magnifies the potential for loss on amounts invested and increases the risk of investing with us. Leverage is generally considered a speculative investment technique, and we intend to continue to borrow money as part of our business plan. The use of leverage magnifies the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in us. Lenders of senior debt securities, such as under our Credit Facility, have fixed dollar claims on our assets that are superior to the claims of our shareholders. We have outstanding existing indebtedness and, subject to the limitations imposed under our Credit

Agreement, may in the future borrow additional money under our Credit Facility with M & T Bank, as lender (**the "Lender"**), which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us. Our ability to service our existing and potential future debt depends largely on our financial performance, which is impacted by the financial performance of our portfolio companies, and is subject to prevailing economic conditions and competitive pressures. If the fair value of our consolidated assets decreases while we have debt outstanding, leveraging would cause our NAV to decline more sharply than it otherwise would have had we not leveraged. In addition, if the fair value of our consolidated assets declines substantially, we may fail to maintain the asset coverage ratios imposed upon us by the 1940 Act or our Lender. Similarly, any decrease in our consolidated income while we have debt outstanding would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay distributions to shareholders and the price of our common stock. On January 24, 2024, the Board, including a "required majority" (as such term is defined in Section 57 (o) of the 1940 Act) of the Board, approved the application of the modified asset coverage requirements set forth in Section 61 (a) (2) of the 1940 Act, as amended by the Small Business Credit Availability Act ("SBCAA"). **Therefore As a result**, the Company's asset coverage requirements for senior securities **were will automatically be** changed from 200 % to 150 %, effective January 24, 2025. As a result, if we comply with certain disclosure requirements, we will be able to incur additional indebtedness, which may increase the risk of investing in us. As of December 31, **2023-2024**, we had \$ **600,000 16.25 million** in principal amount of outstanding indebtedness under our Credit Facility, which had an annualized interest cost of 8. **72-91**%. For us to cover these annualized interest payments on indebtedness, we must achieve annual returns on our investments of at least 8. **72-91**%. Since we pay interest at a floating rate on our Credit Facility, an increase in interest rates will generally increase our borrowing costs. We expect that our annualized interest cost and returns required to cover interest will increase if we issue additional debt securities. In order to assist investors in understanding the effects of leverage, the following table illustrates the effect of leverage on returns from an investment in our common stock assuming our asset coverage equals (i) our actual asset coverage as of December 31, **2023-2024**, (ii) 200 % asset coverage as of December 31, **2023-2024**, and (iii) 150 % asset coverage as of December 31, **2023-2024**, at various annual returns, net of expenses. Leverage generally magnifies the return of shareholders when the portfolio return is positive and magnifies their losses when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. Effects of Leverage Based on Actual Amount of Borrowings Incurred by us as of December 31, **2023-2024**

Assumed Return on Our Portfolio (net of expenses)	(1)- 10 %	5 %	0 %	5 %	10 %	15 %
Corresponding return to a shareholder assuming actual asset coverage as of December 31, 2023-2024	15.11	7.2	0.9	5.6	0.1	5.5
Corresponding return to a shareholder assuming 200 % asset coverage as of December 31, 2023-2024	28.79	18.79	8.79	1.31	11.31	21.31
Corresponding return to a shareholder assuming 150 % asset coverage as of December 31, 2023-2024	47.48	32.48	17.48	2.4	12.62	27.62

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of December 31, **2023-2024**. As a result, it has not been updated to take into account any changes in assets or leverage since December 31, **2023-2024**. (2) In order to compute the "Corresponding return to a shareholder assuming actual asset coverage as of December 31, **2023-2024**," the "Assumed Return on Our Portfolio" is multiplied by the total value of our assets at December 31, **2023-2024**, to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 8. **72-91** % by the **approximately \$ 600,000 in 16.25 million of principal amount of** debt outstanding as of December 31, **2023-2024**) is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of our net assets as of December 31, **2023-2024**, to determine the "Corresponding return to a shareholder assuming actual asset coverage as of December 31, **2023-2024**." (3) In order to compute the "Corresponding return to a shareholder assuming 200 % asset coverage as of December 31, **2023-2024**," the "Assumed Return on Our Portfolio" is multiplied by the total value of our assets at December 31, **2023-2024**, to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 8. **72-91** % by the **approximately \$ 41.36** million of principal debt outstanding, assuming 200 % asset coverage) is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of our net assets as of December 31, **2023-2024**, assuming 200 % asset coverage to determine the "Corresponding return to a shareholder assuming 200 % asset coverage as of December 31, **2023-2024**." (4) In order to compute the "Corresponding return to a shareholder assuming 150 % asset coverage as of December 31, **2023-2024**," the "Assumed Return on Our Portfolio" is multiplied by the total value of our assets at December 31, **2023-2024**, to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 8. **72-91** % by the **approximately \$ 54.48** million of principal debt outstanding, assuming 150 % asset coverage) is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of our net assets as of December 31, **2023-2024**, assuming 150 % asset coverage to determine the "Corresponding return to a shareholder assuming 150 % asset coverage as of December 31, **2023-2024**." Because we often borrow money to make our investments, if **there is an increase in** market interest rates **continue to increase**, our cost of capital under our Credit Facility is likely to also increase, which could reduce our net investment income. Because we often borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds under our Credit Facility (which is variable rate indebtedness) to make an investment and the rate at which we invest those funds (which, with respect to our debt investments, is fixed rate indebtedness). When interest rates increase, our debt service obligations under our Credit Facility increase even though the amount borrowed remains the same. As a result, an increase in market interest rates **as has occurred in the recent past**, may have an adverse effect on our net investment income in the event we use debt to finance our investments and those debt investments carry a fixed interest rate. In periods of rising interest rates, our cost of funds would

increase with respect to amounts borrowed under our Credit Facility, but the interest income received from our portfolio companies under our fixed interest rate debt investments will remain constant, which has reduced, and could in the future continue to reduce, our net investment income. Legislation allows us to incur additional leverage. Under the 1940 Act, a BDC generally is not permitted to incur borrowings, issue debt securities or issue preferred stock unless immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock is at least 200 %. However, under the SBCAA, which became law in March 2018, BDCs have the ability to elect to become subject to a lower asset coverage requirement of 150 %, subject to the receipt of the requisite board or shareholder approvals under the SBCAA and satisfaction of certain other conditions. On January 24, 2024, the Board, including a “ required majority ” (as such term is defined in Section 57 (o) of the 1940 Act) of the Board, approved the application of the modified asset coverage requirements set forth in Section 61 (a) (2) of the 1940 Act, as amended by the SBCAA. **Therefore As a result**, the Company’ s asset coverage requirements for senior securities **were will automatically be** changed from 200 % to 150 %, effective January 24, 2025. Pursuant to Section 61 (a) of the 1940 Act, as amended by the SBCAA, we will be permitted to potentially increase our maximum debt- to- equity ratio from an effective level of one- to- one to two- to- one. As a result, you may face increased investment risk. We may not be able to implement our strategy to utilize additional leverage successfully. Provisions in our Credit Facility or any other future borrowing facility limit our discretion in operating our business. The Credit Facility is, and any future borrowing facility may be, backed by all of our portfolio company investments on which the lenders will or, in the case of a future facility, may have a security interest. We expect that any security interests we grant will be set forth in a pledge and security agreement and evidenced by the filing of financing statements by the agent for the lenders. If we were to default under the terms of any debt instrument, including under the Credit Facility, the agent for the lenders would be able to assume control of the timing of disposition of any or all of our assets securing such debt, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, any security interests as well as negative covenants under the Credit Facility or any other borrowing facility may limit our ability to create liens on assets to secure additional debt and may make it difficult for us to restructure or refinance indebtedness at or prior to maturity or obtain additional debt or equity financing. In addition, if our borrowing base under the Credit Facility or any other borrowing facility were to decrease, we would be required to secure additional assets in an amount equal to any borrowing base deficiency. In the event that all of our assets are secured at the time of such a borrowing base deficiency, we could be required to repay advances under the Credit Facility or any other borrowing facility, which could have a material adverse impact on our ability to fund future investments and to make distributions to shareholders. An event of default under the Credit Facility or any other borrowing facility could result in an accelerated maturity date for all amounts outstanding thereunder, which could have a material adverse effect on our business and financial condition. This could reduce our liquidity and cash flows and impair our ability to grow our business and maintain our qualification as a RIC. **East Risks related to our Common Stock** East exercises significant influence over us in connection with its ownership of our common stock. East beneficially owns approximately 64 % of Rand’ s outstanding common stock. As a result, East is able to direct the outcome of any matters submitted for shareholder action, including approval of significant corporate transactions, such as amendments to our governing documents, business combinations, consolidations, and mergers. East has substantial influence on us and could exercise its influence in a manner that conflicts with the interests of other shareholders. The presence of a significant shareholder may also have the effect of making it more difficult for a third party to acquire us or for the Board to discourage a third party from seeking to acquire us. In addition, pursuant to the terms of the Shareholder Agreement, East has the right to designate two or three persons, depending upon the size of the Board, for nomination for election to the Board. East has the right to designate (i) up to two persons if the size of the Board is composed of fewer than seven directors; or (ii) up to three persons if the size of the Board is composed of seven or more directors. Under the terms of the Shareholder Agreement, East has designated Adam S. Gusky and Benjamin E. Godley for nomination for election to the Board. The designation right provided to East under the terms of the Shareholder Agreement provides East with a significant presence on the Board and direct influence on matters presented to the Board, although all directors, whether or not nominated by East, owe fiduciary duties to all shareholders. Our shares often trade at a discount to our net asset value. Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares and our shares have often traded at such a discount. Our common stock has continued to trade below our net asset value per share during historical periods and may continue this trend of trading below our net asset value per share during future periods. This characteristic of closed- end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict if, or when, our shares will trade at, above, or below net asset value. Investing in our shares may be inappropriate for an investor’ s risk tolerance. Our investments, in accordance with our investment objective and principal strategies, result in a greater than average amount of risk and volatility and may result in loss of principal. Our investments in portfolio companies are often highly speculative and aggressive and, therefore, an investment in our shares may not be suitable for investors for whom such risk is inappropriate. Neither our investments nor an investment in our shares constitutes a balanced investment program. Sales of substantial amounts of our common stock may have an adverse effect on the market price of our securities. Sales of substantial amounts of our common stock, or the availability of such securities for sale, could adversely affect the prevailing market prices for our common stock. Risks related to U. S. Federal Income **Tax Tax In** connection with our RIC election, we may not be able to pay distributions to our shareholders, our distributions may not grow over time and a portion of our distributions may be a return of capital. In connection with our RIC election, we intend to continue to pay distributions in the form of cash dividends to our shareholders out of assets legally available for distribution. However, we cannot assure shareholders that we will achieve investment results that will allow us to make a specified level of cash distributions or results in year over year increases in cash distribution amounts. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC can limit our

ability to pay distributions. All distributions will be paid at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and state corporate law requirements and such other factors as our Board may deem relevant from time to time. We cannot assure shareholders that we will pay distributions on our common stock in the future. When we make distributions, we are required to determine the extent to which such distributions are paid out of current or accumulated earnings and profits. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of an investor's basis in our stock and, assuming that an investor holds our stock as a capital asset, thereafter as a capital gain. Generally, a non-taxable return of capital will reduce an investor's basis in our stock for federal tax purposes, which will result in higher tax liability when the stock is sold. Shareholders should read any written disclosure accompanying a distribution carefully and should not assume that the source of any distribution is our ordinary income or gains. In connection with our RIC Election, we will be subject to corporate-level income tax if we are unable to satisfy certain RIC qualification requirements under Subchapter M of the Code or do not satisfy the annual distribution requirement. No assurance can be given that we will be able to maintain RIC status, and we will be subject to corporate-level U. S. federal income tax if we are unable to maintain qualification as a RIC under Subchapter M of the Code. In order to satisfy the requirements for RIC tax treatment, we must meet the following annual distribution, income source and asset diversification requirements to be relieved of federal taxes on income and gains distributed to our shareholders.

- The annual distribution requirement for a RIC will be satisfied if we distribute to our shareholders on an annual basis at least 90 % of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. If we are unable to obtain cash from sources in order to make these distributions, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U. S. federal income tax.
- The income source requirement will only be satisfied if we obtain at least 90 % of our income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will only be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50 % of the value of our assets must consist of cash, cash equivalents, U. S. Government securities, securities of other regulated investment companies, and investments in other securities that, with respect to one issuer, do not represent more than 5 % of our total assets or 10 % of the voting securities of the issuer; and no more than 25 % of the value of our assets can be invested in the securities, other than U. S. Government securities or securities of other regulated investment companies, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships." Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of regulated investment company status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. If we fail to satisfy certain RIC qualification requirements under Subchapter M of the Code or to meet the annual distribution requirement for any reason and are subject to corporate-level U. S. federal income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions, if any. Such a failure would have a material adverse effect on us and our shareholders. In connection with our RIC Election, we may have difficulty paying required distributions to shareholders if we recognize income before or without receiving cash representing such income. In connection with our RIC Election, we are required to distribute annually at least 90 % of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses to maintain our eligibility for RIC tax treatment. For U. S. federal income tax purposes, we include in taxable income certain amounts that we have not yet received in cash, such as contracted payment-in-kind ("PIK") interest, which represents contractual interest added to the loan balance and due at the end of the loan term. The increases in loan balances as a result of contracted PIK arrangements are included in income in advance of receiving cash payment and are separately identified on our consolidated statements of cash flows. We also may be required to include in income certain other amounts that we will not receive in cash. Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in our debt instruments having original issue discount ("OID") for tax purposes, which we must recognize as ordinary income as such original issue discount accrues regardless of whether we have received any corresponding payment of such discount. Other features of debt instruments that we hold may also cause such instruments to generate original issue discount. Since in certain cases we may recognize income before or without receiving cash representing such income, we could have difficulty meeting the requirement to distribute at least 90 % of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses to maintain our eligibility for RIC tax treatment. Accordingly, we may have to use cash on hand or sell some of our assets, raise additional equity capital or reduce new investment originations to meet these distribution requirements. If we do not have sufficient cash on hand or are unable to obtain cash from other sources to satisfy such distribution requirements, we may fail to qualify for RIC tax treatment and thus may become subject to corporate-level income tax.