

Risk Factors Comparison 2024-04-01 to 2023-03-31 Form: 10-K

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

The following factors may affect our growth and profitability of and should be considered by any prospective purchaser or current holder of our securities: Risks Related to Our Business and Our Company Difficult conditions in the mortgage and real estate markets, the financial markets and the economy generally have caused and may cause us to experience losses in the future. Our business is materially affected by conditions in the residential and commercial mortgage markets, the residential and commercial real estate markets, the financial markets and the economy generally. We believe the risks associated with our mortgage loan portfolio will be more acute during periods of economic slowdown, recession or market dislocations, especially if these periods are accompanied by declining real estate values and defaults. In prior years, concerns about the health of the global economy generally and the residential and commercial real estate markets specifically, as well as inflation, energy costs, perceived or actual changes in interest rates, European sovereign debt, U. S. budget debates, geopolitical issues, international trade issues, public health issues, and the availability and cost of credit have contributed to increased volatility and uncertainty for the economy and the financial and credit markets. For example, COVID- 19 ~~has~~ contributed significantly to the supply chain issues in the real estate sector that have affected our borrowers, ultimately slowing construction and driving up ~~cost~~ **costs**. In addition, we cannot assure that similar or a completely different set of adverse conditions will not arise in the future. An economic slowdown, a public health crisis (such as COVID- 19), delayed recovery or general disruption in the mortgage markets may result in decreased demand for residential and commercial properties, which could adversely impact homeownership rates and force owners of commercial properties to lower rents, thus placing additional pressure on property values. We believe there is a strong correlation between real estate values and mortgage loan delinquencies. For example, to the extent that a commercial property owner has fewer tenants or receives lower rents, such owner will generate less cash flow on the property, thus reducing the value of the property and increasing the likelihood that such property owner will default on its debt service obligations. If the borrowers of our mortgage loans default or become delinquent on their obligations, we may incur material losses on those loans. Any sustained period of increased payment delinquencies, defaults, foreclosures, or losses could adversely affect both our operating income and our ability to obtain financing on favorable terms or at all. Any deterioration in the mortgage markets, the residential or commercial real estate markets, the financial markets and the economy generally may lower net income, increase losses and a decline in the market value of our assets, all of which may adversely affect our results of operations, the availability and cost of credit and our ability to make distributions to our shareholders. Adverse geopolitical developments could have a material adverse impact on our business. Currently, there are several geopolitical concerns that could, indirectly, have an adverse impact on our business. These concerns include the ongoing war between Russia and Ukraine **and Israel and Hamas**, heightened tensions between the United States and China **over trade, intelligence gathering and Taiwan**, Iran's pursuit of nuclear weapons **and its ongoing attempts to destabilize the Middle East** and North Korea's continued belligerence. The conditions, and the responses thereto, such as sanctions imposed by the United States and other western democracies, and any expansion thereof is likely to have unpredictable and wide- ranging effects on the domestic and global ~~economy and~~ financial markets, which could have an adverse effect on our business and results of operations. Already, these conditions have led to market volatility, a sharp increase in certain commodity prices, such as wheat and oil, and an increasing number and frequency of cybersecurity threats. So far, we have not experienced any direct impact from the conflict and, as our business is conducted exclusively in the United States, we are probably less vulnerable than companies with international operations. We will continue to monitor the situation carefully and, if necessary, take action to protect our business, operations, and financial condition. ~~An~~ **Further increase increases** in interest rates could adversely affect our ability to generate income and pay dividends. **Although the Fed has not increased since July 2023, and most analysts expect interest rates to decrease in 2024, there is still the possibility of interest rate increases in the future, especially if there is a recurrence of inflation**. Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. In addition, rising interest rates may also cause loans that we originated prior to an interest rate increase to provide yields that are below prevailing market interest rates. Moreover, if we must refinance our existing indebtedness at higher rates, the spread between our cost of funds and the yield on our mortgage loan portfolio will decrease. As interest rates increase, the aforementioned factors could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our shareholders. Prepayment rates can change, adversely affecting the performance of our assets. The frequency at which prepayments (including both voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) occur on our mortgage loans is difficult to predict and is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, legislative and other factors. Generally, borrowers tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. To the extent that faster prepayment rates are due to lower interest rates, the principal payments received from prepayments will tend to be reinvested in lower- yielding mortgage loans, which may reduce our income in the long run. Therefore, if actual prepayment rates differ from anticipated prepayment rates, our business, financial condition and results of operations and ability to make distributions to our shareholders could be materially adversely affected. Short- term loans may involve a greater risk of loss than traditional mortgage loans. Borrowers usually use the proceeds of a long- term mortgage loan or sale to repay a short- term loan. We may therefore depend on a borrower's ability to obtain permanent financing or sell the property to repay our loan, which could depend on market conditions and other factors. In a period of rising interest rates, it may be more difficult for borrowers to obtain long- term financing, which increases the risk of non- payment. Similarly, declining real estate values could

adversely impact an owner's ability to refinance a mortgage or sell the underlying property. In this respect, we note that at December 31, 2022-2023, approximately 105-89 mortgage loans in our portfolio have matured and have not been repaid in full or extended. Short-term loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of a default, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest on our loan. To the extent we suffer such losses with respect to our loans, our enterprise value and the price of our Common Shares may be adversely affected. Many of our loans are not funded with interest reserves and our borrowers may be unable to pay the interest accruing on the loans when due, which could have a material adverse impact on our financial condition. Our Many of our loans are do not have always funded with an interest reserve. Thus, we generally rely on the borrowers to make interest payments as and when due from other sources of cash. Given the fact that many of the properties securing our loans are not income producing or even cash producing and most of the borrowers are entities with no assets other than the single property that is the subject of the loan, some of our borrowers have considerable difficulty servicing our loans and the risk of a non-payment of default is considerable. We depend on the borrower's ability to refinance the loan at maturity or sell the property for repayment. If the borrower is unable to repay the loan, together with all the accrued interest, at maturity, our operating results and cash flows would be materially and adversely affected. Many of the properties securing our mortgage loans are not income producing, thus increasing the risks of delinquency and foreclosure. Most of our loans are secured by properties, whether residential or commercial, that are under construction or renovation and are not income producing. The risks of delinquency and foreclosure on these properties may be greater than similar risks associated with loans made on the security of single-family, owner-occupied, residential property. In the case of income producing properties, the ability of a borrower to repay the loan typically depends primarily upon the successful operation of such property. If the net operating income of the subject property is reduced, the borrower's ability to repay the loan, or our ability to receive adequate returns on our investment, may be impaired. In the case of non-income producing properties, the expectation is that our loans will be repaid out of sale or refinancing proceeds. Thus, the borrower's ability to repay our mortgage loans will depend, to a great extent, on the value of the property at the maturity date of the loan. In the event of any default under a mortgage loan held by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued interest of the mortgage loan, and any such losses could have a material adverse effect on our cash flow from operations and our ability to make distributions to our shareholders. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the 22the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. 22Our-- Our due diligence may not reveal all the risks associated with a mortgage loan or the property that will be mortgaged to secure the loan, which could lead to losses. Despite our efforts to manage credit risk, there are many aspects of credit risk that we cannot control. Our credit policies and procedures may not be successful in limiting future delinquencies, defaults, and losses, or they may not be cost effective. Our underwriting reviews and due diligence procedures may not be effective. Borrower circumstances could change during the term of the loan. Delay of foreclosures could delay resolution and increase ultimate loss severities, as a result. The value of the properties collateralizing or underlying the loans may decline. The frequency of default and the loss severity on loans upon default may be greater than we anticipate. If properties securing our mortgage loans become real estate owned because of foreclosure, we bear the risk of not being able to sell the property and recovering our investment and of being exposed to the risks attendant to the ownership of real property. Before approving and funding a mortgage loan, we undertake extensive due diligence of the borrower, its principals (if the borrower is not an individual) and the property that will be mortgaged to secure the loan. Such due diligence is usually limited to (i) the credit history of the borrower and its principals (if the borrower is not an individual), (ii) the value of the property, (iii) legal and lien searches against the borrower, the guarantors and the property, (iv) an environmental assessment of the property, (v) a review of the documentation related to the property and (vi) other reviews and or assessments that we may deem appropriate to conduct. There can be no assurance that we will conduct any specific level of due diligence, or that, among other things, the due diligence process will uncover all relevant facts, which could result in losses on the loan in question, which, in turn, could adversely affect our business, financial condition and results of operations and our ability to make distributions to our shareholders. Residential mortgage loans are subject to increased risks. At December 31, 2022-2023, approximately 66-67. 75% of the loans in our loan portfolio (representing approximately 49. 9-4% of our outstanding mortgage loans receivable) are secured by residential real property. None of these loans are guaranteed by the U. S. government or any government sponsored entity. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and the priority and enforceability of the lien will significantly impact the value of such mortgage. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may be less than the outstanding balance of the loan (including principal, accrued but unpaid interest and other fees and charges). In addition, any costs or delays involved in the foreclosure or liquidation process may increase losses. Finally, residential mortgage loans are also subject to "special hazard" risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower's mortgage debt by a bankruptcy court). In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be "recourse liabilities" or may otherwise lead to losses in excess of the purchase price of the related mortgage or property. Our real estate assets are subject to risks particular to real property. As a result of foreclosures, we also directly own real estate. In some cases, the real estate is classified as "held for sale" and in other cases it

is classified as “held for rental”. Given the nature of our business, we may in the future acquire more real estate assets upon a default of mortgage loans. In general, real estate assets are subject to various risks, including: ● acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses; ● acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001, social unrest and civil disturbances; ● adverse changes in national and local economic and market conditions; and ● changes in governmental laws and regulations, fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance with laws and regulations, fiscal policies and ordinances. ~~23~~²⁴In addition, whether the real estate is held for sale or for rental, if it is income producing property, the net operating income can be adversely affected by, among other things: ● tenant mix; ● success of tenant businesses; ● the performance, actions and decisions of operating partners and the property managers they engage in the day- to- day management and maintenance of the property; ● property location, condition and design; ● new construction of competitive properties; ● a surge in homeownership rates; ● changes in laws that increase operating expenses or limit rents that may be charged; ● changes in specific industry segments, including the labor, credit and securitization markets; ● declines in regional or local real estate values; ● declines in regional or local rental or occupancy rates; ● increases in interest rates, real estate taxes, energy costs and other operating expenses; ● costs of remediation and liabilities associated with environmental conditions; ● the potential for uninsured or underinsured property losses; and ● the risks particular to real property. The occurrence of any of the foregoing or similar events may reduce our return from an affected property or asset and, consequently, materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our shareholders. We may be adversely affected by the economies and other conditions of the markets in which we operate, particularly in Connecticut, **Florida and New York**, where we have a high concentration of our loans. The geographic distribution of our loan portfolio exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we operate. These risks include, without limitation: ● declining real estate values; ● overbuilding; ● extended vacancies of properties; ● increases in competition; ²⁴ ● increases in operating expenses such as property taxes and energy costs; ²⁴ ● changes in zoning laws; ● unemployment rates; ● environmental issues; ● public health issues (such as COVID- 19); ● casualty or condemnation losses; ● uninsured damages from floods, hurricanes, earthquakes or other natural disasters; and ● changes in interest rates. At December 31, ~~2022~~²⁰²³, approximately ~~61~~⁵⁹. ~~3~~²% of our mortgage loans (representing approximately ~~43~~³⁹. ~~5~~⁸% of the aggregate outstanding principal balance of our loan portfolio) were secured by property located in the state of Connecticut; **12. 5 % (representing approximately 13. 8 % of the aggregate outstanding principal balance of our loan portfolio) were secured by property located in New York State; and 10. 9 % (representing approximately 25. 4 % of the aggregate outstanding principal balance of our loan portfolio) were secured by property located in Florida**. As a result, we are subject to the general economic and market conditions in ~~Connecticut~~^{those markets} as well as ~~in those of New England and the other northeastern United States markets where we lend~~. For example, other geographic markets in neighboring states could become more attractive for developers, investors and owners based on favorable costs and other conditions to construct or improve or renovate real estate properties. Some states have created tax and other incentives to attract businesses to relocate or to establish new facilities in their jurisdictions. These changes in other markets may increase demand in those markets and result in a corresponding decrease in demand in the markets in which we currently operate. Any adverse economic or real estate developments or any adverse changes in the local business climate in any geographic market in which we have a concentration of properties, could have a material adverse effect on us. To the extent any of the foregoing risks arise in Connecticut, New ~~England~~^{York} and ~~Florida~~^{the northeastern United States}, our business, financial condition and results of operations and ability to make distributions to shareholders could be materially adversely affected. The illiquidity of our loan portfolio could significantly impede our ability to respond to adverse changes in economic, financial, investment and other conditions. Due to the relative illiquidity of our loan portfolio, our ability to promptly sell all or a portion of the portfolio in response to changing economic, financial, investment or other conditions is limited. The real estate market, in general, and real estate lending, especially the type of loans we typically make, is affected by many factors that are beyond our control, including general economic conditions, the state of capital and credit markets. Our inability to dispose of our real estate loans at opportune times or on favorable terms could have a material adverse effect on us. In addition, the Internal Revenue Code of 1986, as amended (the “ Code ”) imposes restrictions on a REIT’ s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our loans for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic, financial, investment or other conditions promptly or on favorable terms, which could have a material adverse effect on us. Declining real estate valuations could result in impairment charges **or provisions for credit losses**, the determination of which involves a significant amount of judgment on our part. Any impairment ~~charge or provision~~^{impairment charge or provision} could have a material adverse effect on us. We review our loan portfolio for ~~impairment~~^{impairments and provisions for credit losses} on a quarterly basis and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of ~~impairment loss~~^{impairment loss} include, but are not limited to, a sustained significant decrease in the value of the collateral securing the loan, including the value of the real estate and other assets pledged to secure the loan as well as personal guarantees by the principals of the borrower, or a borrower’ s inability to stay current with respect to its obligations under the terms of the loan. A significant amount of judgment is involved in determining the presence of an ~~an~~^{an} indicator of impairment **or credit loss**. If we determine that the value of the collateral is less than the amount outstanding on the loan or the amount that may become due upon the maturity of the loan, a loss must be recognized for the difference between the fair value of the property and the carrying value of the loan. The evaluation of the market value of the underlying collateral requires a significant amount of judgment on our part. **For the year ended December 31, 2023, we recorded impairment charges of approximately \$ 0. 8 million compared to \$ 0. 8 million in 2022. For the years ended December 31, 2023 and 2022, we recorded provisions for credit losses related to**

loans of approximately \$ 5.6 million and \$ 105,000, respectively. Any impairment charge or credit losses could have a material adverse effect on our financial condition. ~~25A-A~~ high level of defaults, particularly among larger mortgage loans, could have a material adverse impact on our business, operations and financial condition. **Historically**, At December 31, 2022, approximately 8.8% of our mortgage loans, representing approximately 4.9% of the total amount of our loan portfolio, were in foreclosure. ~~Because, historically, our loans have been relatively small, this has~~ **and a small number of foreclosures did not had-have** a material adverse impact on our business. However, our business strategy has changed, and we are now making larger loans with increasing frequency. At December 31, ~~2022~~ **2023** we had ~~98-113~~ **113** loans, approximately ~~22-36~~ **36** +~~3~~ **3**% of all the loans in our portfolio, with an outstanding principal balance in excess of \$ 1 million. These loans have an aggregate outstanding principal balance of \$ ~~354-427~~ **427**. 2 million, or approximately ~~76-85~~ **85** . ~~9-6~~ **6**% of our loan portfolio. This alters the risk profile of our portfolio. ~~If 8.8%~~ **At December 31, 2023**, of our ~~the 311 mortgage~~ **311 mortgage** loans in our portfolio, ~~56~~ **56** were in ~~the process of~~ **the process of** foreclosure, ~~with and all of those had an aggregate outstanding principal balance in excess and the accrued but unpaid interest and borrower charges on these loans of approximately \$ 68.1 million.~~ **with and all of those had an aggregate outstanding principal balance in excess and the accrued but unpaid interest and borrower charges on these loans of approximately \$ 68.1 million.** **In comparison**, at December 31, 2022, of ~~they~~ **the 444 mortgage** would represent a much greater portion of our loan loans in our portfolio, ~~which 40 were in the process of foreclosure.~~ **which 40 were in the process of foreclosure.** **The aggregate outstanding principal balance and the accrued but unpaid interest and borrower charges on these loans was approximately \$ 24.0 million. If this trend continues, it** could have a material adverse impact on our business, operations and financial condition. Competition could have a material adverse effect on our business, financial condition and results of operations. We operate in a highly competitive market and we believe these conditions will persist for the foreseeable future as the financial services industry continues to consolidate, producing larger, better capitalized and more geographically diverse companies with broad product and service offerings. Our existing and potential future competitors include other “hard money” lenders, mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage banks, insurance companies, mutual funds, pension funds, private equity funds, hedge funds, institutional investors, investment banking firms, non-bank financial institutions, governmental bodies, family offices and high net worth individuals. We may also compete with companies that partner with and / or receive government financing. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. In addition, larger and more established competitors may enjoy significant competitive advantages, including enhanced operating efficiencies, more extensive referral networks, greater and more favorable access to investment capital and more desirable lending opportunities. Several of these competitors, including mortgage REITs, have recently raised or are expected to raise, significant amounts of capital, which enables them to make larger loans or a greater number of loans. Some competitors may also have a lower cost of funds and access to funding sources that may not be available to us, such as funding from various governmental agencies or under various governmental programs for which we are not eligible. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of possible loan transactions or to offer more favorable financing terms than we would. Finally, as a REIT and because we operate in a manner to be exempt from the requirements of the Investment Company Act, we may face further restrictions to which some of our competitors may not be subject. For example, we may find that the pool of potential qualified borrowers available to us is limited. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. As a result of these competitive factors, we may not in the future be able to originate and fund mortgage loans at favorable spreads over our cost of capital, which could have a material adverse effect on our business, financial condition, results of operations and ability to make distributions to our shareholders. We may adopt new or change our existing underwriting financing, or other strategies and asset allocation and operational and management policies without shareholder consent, which may result in the purchase of riskier assets, the use of greater leverage or commercially unsound actions, any of which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our shareholders. Currently, we have no policies in place that limit or restrict our ability to borrow money or raise capital by issuing debt securities. Similarly, we have only a limited number of policies regarding underwriting criteria, loan metrics and operations in general. Even within these policies, management has broad discretion. We may adopt new strategies, policies and / or procedures or change any ~~of 26of~~ **of 26of** our existing strategies, policies and / or procedures regarding financing, hedging, asset allocation, lending, operations and management at any time without the consent of shareholders, which could result in us originating and funding mortgage loans or entering into financing or hedging transactions with which we have no or limited experience or that are different from, and possibly riskier than our existing strategies and policies. The adoption of new strategies, policies and procedures or any changes, modifications or revisions to existing strategies, policies and procedures, may increase our exposure to fluctuations in real estate values, interest rates, prepayment rates, credit risk and other factors and there can be no assurance that we will be able to effectively identify, manage, monitor or mitigate these risks. A change in our lending guidelines could result in us making riskier real estate loans than those we have been making until now. ~~26The~~ **The** Board determines our operational policies and may adopt new policies or amend or revise existing policies regarding lending, financing, investment or other operational and management policies relating to growth, operations, indebtedness, capitalization and distributions or approve transactions that deviate from these policies without a vote of, or notice to, shareholders. Changes in our lending and financing strategies and to our operational and management policies, or adoption of new strategies and / or policies, could materially adversely affect our business, financial condition and results of operations and ability to make distributions to our shareholders. Moreover, while the Board may periodically review our loan guidelines and our strategies and policies and while it may also approve certain loans, it does not approve every individual mortgage loan that we originate or fund, leaving management with day-to-day discretion over our loan portfolio composition within our broad lending guidelines. Within those guidelines, management has discretion to significantly change the composition of our loan portfolio. In addition, in conducting periodic reviews, the directors may rely primarily on information provided to them by management. Moreover, because management has great latitude within our guidelines in determining the

amounts and other terms of a particular mortgage loan, there can be no assurance that management will not make or approve loans that result in returns that are substantially below expectations or result in losses, which would materially adversely affect our business, results of operations, financial condition and ability to make distributions to our shareholders. In connection with our lending operations, we rely on third- party service providers to perform a variety of services, comply with applicable laws and regulations, and carry out contractual covenants and terms, the failure of which by any of these third- party service providers may adversely impact our business and financial results. In connection with our business of originating and funding mortgage loans, we rely on third- party service providers to perform a variety of services, comply with applicable laws and regulations, and carry out contractual covenants and terms. For example, we may rely on appraisers for a valuation analysis of the property that will be mortgaged to secure the loan. We may rely on attorneys to close the loans and to make sure that the loan is properly secured. These and other service providers upon whom we rely, may fail to adequately perform the services that they have been engaged to provide. As a result, we are subject to the risks associated with a third party's failure to perform, including failure to perform due to reasons such as fraud, negligence, errors, miscalculations, or insolvency. In addition, we could also suffer reputational damage as a result of their acts or omissions, which could lead to borrowers and lenders and other counterparties ceasing to do business with us, which could materially adversely affect our business, financial condition and results of operations and ability to make distributions to our shareholders. We may be adversely affected by deficiencies in foreclosure practices as well as related delays in the foreclosure process. One of the biggest risks overhanging the mortgage market has been uncertainty around the timing and ability of lenders to foreclose on defaulted loans, so that they can liquidate the underlying properties. Given the magnitude of the housing crisis of 2008, and in response to the well- publicized failures of many mortgage servicing companies to follow proper foreclosure procedures (such as involving " robo- signing "), lenders, and their agents, are being held to much higher foreclosure- related documentation standards than they previously were. As a result, the mortgage foreclosure process has become lengthier and more expensive. Many factors delaying foreclosure, such as borrower lawsuits and judicial backlog and scrutiny, are outside of our control and have delayed, and will likely continue to delay, foreclosure processing in both judicial states (where foreclosures require court involvement) and non- judicial states. The extension of foreclosure timelines also increases the inventory backlog of distressed homes on the market and creates greater uncertainty about housing prices. The concerns about deficiencies in foreclosure practices of servicers and related delays in the foreclosure process may impact our loss assumptions and affect the values of, and our returns on, our mortgage loans. **We** may be unable to identify and complete acquisitions on favorable terms or at all, which may inhibit our growth and have a material adverse effect on us. As part of our growth strategy, we occasionally evaluate acquisition opportunities, including other real estate lenders or loan portfolios. To date, we have never pursued any of these opportunities. Acquisitions, in general, involve a high degree of risk including the following: ● we could incur significant expenses for due diligence, document preparation and other pre- closing activities and then fail to consummate the acquisition; ● we could overpay for the business or assets acquired; ● there may be hidden liabilities that we failed to uncover prior to the consummation of the acquisition; ● the demands on management' s time related to the acquisition will detract from their ability to focus on the operation of our business; and ● challenges or difficulties in integrating the acquired business or assets into our existing platform. We cannot assure you that we will be able to identify or consummate any acquisitions and we cannot assure you that, if we are able to identify and consummate one or more acquisitions, that those acquisitions will yield the anticipated benefits. Our inability to complete property or business acquisitions on favorable terms or at all could have a material adverse effect on us. The downgrade of the credit ratings of the U. S., any future downgrades of the credit ratings of the U. S. and the failure to resolve issues related to U. S. fiscal and debt policies may materially adversely affect our business, liquidity, financial condition and results of operations. ~~In response to the COVID-19 pandemic, the U. S. Congress has passed multiple relief bills that have significantly increased the gross federal debt and the budget deficit.~~ Concerns regarding the gross federal debt and the budget deficit have increased the possibility of credit- rating downgrades or economic slowdowns in the U. S. The impact of 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. A downgrade of the U. S. Government' s credit rating or a default by the U. S. Government to satisfy its debt obligations likely would create broader financial turmoil and uncertainty, which would weigh heavily on the global banking system and these developments could cause interest rates and borrowing costs to rise and a reduction in the availability of credit, which may negatively impact the value of our loan portfolio, our net income, liquidity and our ability to finance our assets on favorable terms. Inflation and rising interest rates could adversely impact our business, operations and financial condition. **Since January 1, 2022, Inflation and rising interest rates could adversely impact our business, operations and financial condition. In 2022-2023, through the date of this Report, the Federal Reserve Board (the "Fed") has raised interest rates nine-four times for an aggregate of 14.75%. These are the first interest increases since December 2018. As a result, the Fed Funds rate has increase increased from 0.4-0.50%, at January 3-1, 2022-2023, to 4.5-5.00%, as of March 29-December 31, 2023, and the prime rate has increased from 3.75-5% to 8.00-50%, as of March 29, 2023. The Fed' s rate increases are in response to a sharp increase in the annual rate of inflation in the United States over the last several years, which was reported to be 3.4% and 6.5% for the 12 months ended December 31, 2023 and 2022, respectively. As The Fed increases appear to have suppressed inflation growth, but as a result of these increases, the growth of the U. S. economy has slowed growth in the commercial real estate sector. Until now, these These economic factors have not had an adverse impact on the volume or velocity of our business, likely because of the slowdown in the regional banking system. However, they have led to an increase in our borrowing costs. Our In addition, the increase in interest rates and inflation and the decrease in the rate of growth of the U. S. economy has caused a severe decrease in the major stock indices and a general decrease in the valuations of many public companies, including Sachem Capital. As a consequence, our ability to access the public markets to raise reasonably priced capital has been adversely impacted. If Additionally, if these trends continue, they could result in decreased demand for our products given our increased pricing and a decrease in property valuations, which**

could have an adverse impact on the ability of our borrowers to repay their loans. Thus, we cannot assure you that our business, operations and financial condition will not be adversely impacted. ~~Risks-28Risks~~ Related to Our Operations, Structure and Change in Control Provisions Interruptions in our ability to provide our products and our service to our customers could damage our reputation, which could have a material adverse effect on us. Our business and reputation could be adversely affected by any interruption or failure on our part to provide our products and services to our customers and prospective customers in a timely manner, even if such failures are a result of a natural disaster, public health issues (such as COVID - 19), human error, errors and / or omissions by third parties on whom we depend, whether willful or unintentional, sabotage, vandalism, terrorist acts, unauthorized entry or other unanticipated problems. If a significant disruption occurs, we may be unable to take corrective action in a timely manner or, if and when implemented, these measures may not be sufficient or could be circumvented through the reoccurrence of a natural disaster or other unanticipated problem, or as a result of accidental or intentional actions. Furthermore, such disruptions may result in legal liability. Accordingly, our failure or inability to ~~28provide--~~ **provide** products and services to our customers in a timely and efficient manner may result in significant liability, a loss of customers and damage to our reputation, which could have a material adverse effect on us. The occurrence of cyber- incidents, or a deficiency in our cybersecurity or in those of any of our third - party service providers, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our business relationships or reputation, all of which could negatively impact our business and results of operations. In general, any adverse event that threatens the confidentiality, integrity, or availability of our information resources or the information resources of our third-party service providers is considered a cyber- attack. More specifically, a cyber- incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. The primary risks that could directly result from the occurrence of a cyber- incident include operational interruption and private data exposure. We cannot assure you that our business and results of operations will not be negatively impacted by a cyber **incident. We face risks from cybersecurity threats that could have a material adverse effect on our business, financial condition, results of operations, cash flows or reputation. We acknowledge that the risk of a cyber incident is prevalent in the current threat landscape and that a future cyber incident may occur in the normal course of our business. However, cyber incidents have not been identified to date, therefore having no material adverse effect on our business, financial condition, results of operations, or cash flows. We understand potential vulnerabilities to known or unknown threats remain and have implemented our cyber risk management program described in Item 1. C. below to stay up - to- date on attacks against IT assets, data, and services, and to prevent their occurrence and recurrence where practicable. We cannot assure you that our program will be effective in preventing a cyber incident in the future. If it' s not effective it could have a material adverse effect on our business, financial condition, results of operations, or cash flows**. The loss of key personnel, such as one of our executive officers, could have a material adverse effect on us. We believe that our continued success depends on the continued services of John L. Villano, our chairman, chief executive officer and president. Our reputation among and our relationships with our key customers are the direct result of a significant investment of time and effort by him to build our credibility in a highly specialized industry. The loss of Mr. Villano' s services could diminish our business and investment opportunities and our relationships with lenders, business partners and existing and prospective customers and could have a material adverse effect on us. While we have entered into an employment agreement with Mr. Villano, he can terminate his employment with us at any time, for any reason. In the event Mr. Villano terminates his employment with us or is unable to carry out his duties, our business and operations will be adversely impacted. Our inability to recruit or retain qualified personnel or maintain access to key third- party service providers and software developers, could have a material adverse effect on us. ~~In 2022,~~ **Over the last two years** we added 14 employees, nine of which we hired when we acquired the assets of Urbane New Haven, LLC in October 2022, reflecting the increase in the size and volume of operations. Each of these new employees had to be trained to follow our policies and procedures. Training new employees is a difficult, time consuming and expensive task but is key to our growth and success. We must continue to identify, hire, train, and retain qualified professionals, operations employees, and sales and senior ~~management~~ **29management** personnel who maintain relationships with our customers and who can provide the technical, strategic and marketing skills that will help us grow. Currently, the U. S. labor market is “ tight ” – meaning there are many more jobs available than people to fill them. Accordingly, competition for quality personnel is fierce. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. An increase in these costs or our inability to recruit and retain necessary professional, technical, managerial, sales and marketing personnel or to maintain access to key third- party providers could have a material adverse effect on us. The stock ownership limit imposed by our charter may inhibit market activity in our Common Shares and may restrict our business combination opportunities. For us to maintain our qualification as a REIT under the Code, not more than 50 % in value of the issued and outstanding shares of our capital stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year (other than our first year as a REIT). This test is known as the “ 5 / 50 test. ” Attribution rules in the Code apply to determine if any individual or entity actually or constructively owns our capital stock for purposes of this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of each taxable year (other than our first year as a REIT). To help ensure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and provides that, unless exempted by the Board, no person may own more than 4. 99 % in value of the aggregate of the outstanding shares of our capital stock or more than 4. 99 % in value or in number of shares, whichever is more restrictive, of the aggregate of our outstanding shares of our Common Shares. Our founders, Jeffrey C. Villano and John L. Villano, are both exempt from this provision. (Jeffrey Villano is no longer affiliated with us

29and ~~and~~, as far as we know, no longer owns any of our Common Shares.) The ownership limits contained in our charter could delay or prevent a transaction or a change in control of our company under circumstances that otherwise could provide our shareholders with the opportunity to realize a premium over the then current market price for our Common Shares or would otherwise be in the best interests of our shareholders. If we sell or transfer mortgage loans to a third party, including a securitization entity, we may be required to repurchase such loans or indemnify such third party if we breach representations and warranties. In order to raise working capital, we may in the future sell or transfer mortgage loans to a third party, including a securitization entity. In such event, we probably will be required to make customary representations and warranties about such loans to the third party. In addition, the loan sale agreement and the terms of any securitizations into which we sell or transfer loans will generally require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser or securitization. Furthermore, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against an originating broker or correspondent. Repurchased loans are typically worth only a fraction of the original price. Significant repurchase activity could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our shareholders. We have significant unfunded commitments to existing borrowers. If we are unable to fund these commitments, we may be subject to borrower legal claims. At December 31, 2022-2023, we had unfunded commitments under existing loans of approximately \$ 114.97. 6-9 million. We do not record these unfunded commitments as liabilities on our balance sheets as the unfunded portion of the loans are not included in the outstanding mortgage loan balances. We ~~also have not created a reserve for these unfunded commitments.~~ We try to maintain a reasonable amount of working capital at all times, although not in amounts sufficient to cover all our deferred funding obligations. In addition, we can also borrow funds against our portfolio of marketable securities, although the value of these securities in our account fluctuate ~~regularly based on~~, which can reduce our liquidity and demand for our loans. ~~We~~ **As of December 31, 2023, we had approximately \$ 1. 0 million of availability remaining under our Wells Fargo Loan and we may also can be able to raise additional capital through one of our the other credit facilities (i. e., Churchill Facility and Needham, which have significant availability)**. Nevertheless, there is a ~~possibility-risk~~ that ~~borrower demands~~ **demand** for funding under existing loans could exceed our available working capital and if we fail to meet our funding obligations, we may be subject to legal claims by the borrowers. This could have a material and adverse impact on our business reputation, our operations as well as our financial condition. ~~Risks~~ **30Risks** Related to Debt Financing If we cannot access external sources of capital on favorable terms or at all, our ability to execute our business and growth strategies will be impaired. **In addition to our normal operating expenses, we have significant cash requirements, notably dividend payments and loan repayments**. To qualify and maintain our qualification as a REIT, we are required under the Code to distribute at least 90 % of our “ REIT taxable income ” (determined before the deduction for dividends paid and excluding net capital gains) annually. In addition, we ~~are will be~~ subject to income tax at regular corporate rates to the extent that we distribute less than 100 % of our “ REIT taxable income, ” including any net capital gains. In addition, we will be subject to a 4 % nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85 % of our ordinary income, 95 % of our capital gain net income and 100 % of our undistributed income from prior years. **In addition, approximately \$ 58. 2 million principal of our unsecured, unsubordinated notes will become due in 2024 and another \$ 56. 4 million will become due in 2025.** Because of these distribution ~~and repayment~~ requirements, we may not be able to fund future capital needs, specifically, capital for funding mortgage loans, from operating cash flow. Consequently, we rely on third- party sources of capital to fund a substantial amount of our working capital needs. We may not be able to obtain such financing on favorable terms or at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and impose operating restrictions on us. In addition, any equity financing could be materially dilutive to the equity interests held by our existing shareholders. Our access to third- party sources of capital depends, in part, on general market conditions, the market’ s perception of our growth potential, leverage, current and expected results of operations, liquidity, financial condition and cash distributions to shareholders and the market price of our Common Shares. If we cannot obtain capital when needed, we may not be able to execute our business and growth strategies, satisfy our debt service obligations, make the cash distributions to our shareholders necessary to qualify and maintain our qualification as a REIT (which would expose us to significant penalties and corporate level taxation), or fund our other business needs, any of which could have a material adverse effect on us. ~~30If~~ **If** we are unable to leverage our assets to the extent we currently anticipate, the returns on certain of our assets could be diminished, which may limit or eliminate our ability to make distributions to our shareholders. A key element of our growth strategy is to use leverage to increase the size of our loan portfolio to enhance our returns. If we are unable to leverage our assets to the extent we currently anticipate, the returns on our loan portfolio could be diminished, which may limit or eliminate our ability to make distributions to our shareholders. Our outstanding indebtedness as of December 31, 2022-2023 was approximately \$ 335-377. 3-7 million, which exposes us to the risk of default thereunder, among other risks. At December 31, 2022-2023, our total outstanding indebtedness was approximately \$ 335-377. 3-7 million, including approximately \$ 58. 2 million original principal amount of unsecured unsubordinated fixed rate term notes that mature in 2024, approximately \$ 56. 4 million original principal amount of unsecured unsubordinated fixed rate term notes that mature in 2025, approximately \$ 51. 8 million original principal amount of unsecured unsubordinated fixed rate term notes that mature in 2026, approximately \$ 122. 1 million original principal amount of unsecured unsubordinated fixed rate term notes that mature in 2027, a line of credit secured by our investment portfolio of approximately \$ 3-26. 6-8 million, approximately \$ 42-26. 5 million under the Churchill Facility that is secured by a first priority security interest on the mortgage loans pledged as collateral, ~~and approximately \$ 750,000~~ **1. 1 million** mortgage loan secured by our corporate office buildings ~~and approximately \$ 35 million under the Needham Credit Facility~~. Our organizational documents contain no limitations regarding the maximum level of indebtedness, whether as a percentage of our market capitalization or otherwise, that we may incur. As our capital needs continue to grow, we anticipate increasing our overall

indebtedness. Our substantial outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have other significant adverse consequences, including the following: • our cash flow may be insufficient to meet our required principal and interest payments; • we may use a substantial portion of our cash flows to make principal and interest payments and we may be unable to obtain additional financing as needed or on favorable terms, which could, among other things, have a material adverse effect on our ability to capitalize upon acquisition opportunities, fund working capital, make capital expenditures, make cash distributions to our shareholders, or meet our other business needs; **31** • we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness; • we may be forced to dispose of assets, possibly on unfavorable terms or in violation of certain covenants to which we may be subject; • our financial flexibility may be diminished as a result of various covenants including debt and coverage and other financial ratios; • our vulnerability to general adverse economic and industry conditions may be increased; • we may be at a competitive disadvantage relative to our competitors that have less indebtedness; • our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate may be limited and we may default on our indebtedness by failure to make required payments or violation of covenants, which would entitle holders of such indebtedness, and possibly other indebtedness, to accelerate the maturity of their indebtedness and to foreclose on our mortgages receivable that secure their loans. The occurrence of any one of these events could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to shareholders. ~~31~~ **Despite** our current debt levels, we may still incur substantially more debt or take other actions which could have the effect of diminishing our ability to make payments on our indebtedness when due and distributions to our shareholders. Despite our current debt levels, we may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted presently under the terms of the agreements governing our borrowings from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness when due and distributions to our shareholders. Our outstanding fixed rate term notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have incurred or may incur in the future. As of December 31, ~~2022~~ **2023**, we ~~have had~~ **have had** approximately \$ 288. 4 million aggregate principal amount of fixed rate term notes (the “ Notes ”) outstanding, ~~taking into account the deferred financing costs~~. The Notes are unsecured. As a result, they are effectively subordinated to all our existing and future secured indebtedness, such as the Wells Fargo Loan, approximately \$ ~~3-26~~ **6-8** million at December 31, ~~2022~~ **2023**, the **Churchill Facility**, approximately \$ ~~42-26~~ **5** million of outstanding borrowings as of December 31, ~~2022~~ **2023**, and any future borrowing under the **Churchill Needham Facility**, the \$ ~~750-35~~ **0** million as of December 31, ~~2022~~ **2023**, ~~000~~ **000** outstanding under **2023**, and the NHB Mortgage, **approximately \$ 1. 1 million** at December 31, ~~2022~~ **2023**, as well as any secured indebtedness that we may incur in the future, or any indebtedness that is initially unsecured to which we subsequently grant a security interest, to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. The Churchill Facility is secured by a first priority security interest on the mortgage loans pledged as collateral under the facility; the Wells Fargo Loan is collateralized by our portfolio of short- term securities held at Wells Fargo; and the NHB Mortgage is secured by a first mortgage lien on ~~the properties property~~ **the properties property** located at ~~698 Main Street and~~ **698 Main Street and** 568 East Main Street, Branford, Connecticut ; **and all amounts borrowed under the Needham Credit Facility are secured by a first priority lien on virtually all our assets, not including real estate owned by us (other than real estate acquired pursuant to foreclosure) and mortgages sold under the Churchill Facility**. The Notes are subordinated to the indebtedness and other liabilities of our subsidiaries. The Notes are our exclusive obligations, and not of any of our subsidiaries. In addition, the Notes are not guaranteed by any third- party, whether an affiliate or unrelated. None of the assets of our subsidiaries will be directly available to satisfy the claims of holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such entities (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such entities. Even if we are recognized as a creditor of one or more of these entities, our ~~claims~~ **claims** would still be effectively subordinated to any security interests in the assets of any such entity and to any indebtedness or other liabilities of any such entity senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries. In addition, our subsidiaries and these entities may incur substantial indebtedness in the future, all of which would be structurally senior to the Notes. The indenture under which the Notes are issued contains limited protection for holders of the Notes. The indenture under which the Notes were issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our 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 an investment in the Notes. Except in limited circumstances, the terms of the indenture and the Notes do not restrict our ability to: • issue securities or otherwise incur additional indebtedness or other obligations, including (i) any indebtedness or other obligations that would be equal in right of payment to the Notes, (ii) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (iii) indebtedness that we incur that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (iv) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in those entities and therefore rank structurally senior to the Notes with respect to the assets of these entities; • 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; ~~32~~ • 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 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 indenture does not require us to offer to purchase the Notes in connection with a change of control or any other event. Similarly, the terms of the indenture 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, if any, as long as we adhere to the Asset Coverage Ratio covenant in the indenture. See “Management’s Discussion of Financial Condition and Results of Operations – Financing Strategy Overview.” Our ability to recapitalize, incur additional debt and take other actions that are not limited by the terms of the Notes may have important consequences to the 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 indenture and the Notes, including additional covenants and events of default. For example, the indenture under which the Notes are issued does not contain cross- default provisions. The issuance or incurrence of any indebtedness with incremental protections could affect the market for, trading volume and prices of the Notes. An increase in market interest rates could result in a decrease in the value of the Notes. In general, as market interest rates rise, notes bearing interest at a fixed rate decline in value. Consequently, if you own Notes or purchase Notes, and the market interest rates subsequently increase, the market value of your Notes may decline. We cannot predict the future level of market interest rates. Although the Notes are listed on the NYSE American, an active trading market for the Notes may not develop, which could limit the ability of Noteholders to sell the Notes and / or the market price of the Notes. Although the Notes are listed on the NYSE American, there is limited trading of the Notes on the exchange and we cannot assure holders of the Notes that an active trading market will develop or be maintained for the Notes. In addition, the Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, if any, general economic conditions, our financial condition, performance and prospects and other factors. Although the underwriters advised us at the time of issuance that they intend to make a market in the Notes, they are not obligated to do so. The underwriters may discontinue any market- making in the Notes at any time at their sole discretion. Accordingly, we cannot assure you that a liquid trading market for the Notes will develop or can be sustained, or that holders of the Notes will be able to sell their Notes at a particular time or that the price they will receive at the time of sale will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, the Noteholders may be required to bear the financial risk of an investment in the Notes indefinitely. We may choose to redeem the Notes when prevailing interest rates are relatively low. The Notes are generally redeemable any time beginning on the second anniversary of their issuance date. Notes having an aggregate principal amount of approximately \$ 114.218.62 million are currently redeemable. Notes having an aggregate principal amount of approximately \$ 51.30.80 million will be first become redeemable on May 11 or after December 20, 2023-2024, and Notes having an aggregate principal amount of approximately \$ 51.9 million will be redeemable on or after March 9, 2024, Notes having an aggregate principal amount of \$ 30.0 million will be redeemable on or after May 11, 2024 and Notes having an aggregate principal amount of approximately \$ 40.3 million are will first become redeemable on or after August 23, 2024. We may choose to redeem the Notes when prevailing interest rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, holders of the Notes would 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 the ability of holders to sell the Notes as the optional redemption date or period approaches. If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes. Any default under the agreements governing our existing indebtedness or other indebtedness to which we may be a party that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal 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 and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness, including the Notes. 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. In addition, the lenders under any revolving credit facility or other financing that we may obtain in the future could elect to terminate their commitment, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Any such default may constitute a default under the Notes, which could further limit our ability to repay our indebtedness, including the Notes. If our operating performance declines, we may in the future need to seek to obtain waivers from our existing lenders at the time to avoid being in default. If we breach any loan covenants, we may not be able to obtain such a waiver from the lenders. If this occurs, we would be in default under the credit arrangement that we have, the lender could exercise its rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay indebtedness, lenders having secured obligations could proceed against the collateral securing the debt. Because the Churchill Facility and the NHB Mortgage have, and any future credit facilities will likely have, customary cross- default provisions, if the indebtedness under the Notes, or under any future credit facility is accelerated, we may be unable to repay or refinance the amounts due. We are not obligated to contribute to a sinking fund to retire the Notes and the Notes are not guaranteed by a third party. We are not obligated to contribute funds to a sinking fund to repay principal or interest on the Notes upon maturity or default. The Notes are not certificates of deposit or similar obligations of, or guaranteed by, any depository institution. Further, no private party or governmental entity insures or guarantees payment on the Notes if we do not have enough funds to make principal or interest payments. A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the Notes, if any, could cause the liquidity or market value of the Notes to decline significantly. Our credit rating is an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit rating will generally affect the market value of the Notes. Our credit rating, however, may not reflect the potential impact

of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. The Notes have received a private rating of BBB from Egan- Jones Ratings Company. An explanation of the significance of ratings may be obtained from the rating agency. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. We have no obligation to maintain our credit rating or to advise holders of the Notes of any changes in our credit rating. There can be no assurance that our credit rating will remain for any given period of time or that such credit rating will not be lowered or withdrawn entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit rating so warrant. ³⁴If we default on our obligations under the Churchill Facility, the Wells Fargo Loan or, NHB Mortgage or Needham Credit Facility, we may suffer adverse consequences and may not be able to make payments on the Notes. To secure our obligations under the Churchill Facility, Churchill has a first priority security interest on the mortgage loans pledged as collateral under the Churchill Facility. If we default on our obligations under the Churchill Facility and fail to cure, Churchill will have the right to assign, sell, or otherwise transfer, the mortgage loans subject to their security interests. If Churchill exercises its right to sell the mortgage loans pledged under the Churchill Facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under the Churchill Facility. The Wells Fargo Loan is secured by our portfolio of short- term securities held at Wells Fargo. A decline in the value of the securities below the margin call limit may require us to provide additional funds or securities to Wells Fargo to avoid a forced sale of such securities. **All amounts borrowed under the Needham Credit Facility are secured by a first priority lien on virtually all our assets excluding real estate owned by us (other than real estate acquired pursuant to foreclosure) and mortgages sold under the Churchill Facility.** The occurrence of ~~any either or both~~ of the foregoing events could have a material adverse effect on our business, financial condition and results of operations, cash flows, our ability to make distributions to shareholders and make the interest payment on the Notes. Any default under the agreements governing our existing indebtedness, including a default under the Churchill Facility or, the Wells Fargo Loan or, the NHB Mortgage or Needham Credit Facility or other indebtedness to which we may be a party that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal 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 and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness, including the Notes. 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. In addition, the lenders under any revolving credit facility or other financing that we may obtain in the future could elect to terminate their commitment, cease making further loans and institute foreclosure proceedings against our assets and force us into bankruptcy or liquidation. Any such default may constitute a default under all our indebtedness, including the Notes, which could further limit our ability to repay our indebtedness, including the Notes. If our operating performance declines, we may in the future need to seek to obtain waivers from our existing lenders at the time to avoid being in default. If we breach any loan covenants, we may not be able to obtain such a waiver from the lenders in which case we would be in default under the credit arrangement and the lender could exercise its rights as described above, and we may be forced into bankruptcy or ~~liquidation~~ **liquidation**. If we are unable to repay indebtedness, lenders having secured obligations could proceed against the collateral securing the debt. Because the Churchill Facility and the NHB Mortgage have, and any future credit facilities will likely have, customary cross- default provisions, if repayment of any outstanding indebtedness, such as the Notes, the Churchill Facility, the Wells Fargo Loan, the NHB Mortgage, **the Needham Credit Facility** or any future credit facility, is accelerated, we may be unable to repay or finance the amounts due. Risks Related to Regulatory Matters Maintenance of our Investment Company Act exemption imposes limits on our operations. We have conducted and intend to continue to conduct our operations so as not to become regulated as an investment company under the Investment Company Act. We believe that there are several exclusions under the Investment Company Act that are applicable to us. To maintain the exclusion, the assets that we acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act. If we fail to qualify for, our exclusion, we could, among other things, be required either (a) to change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company, either of which could have a material adverse effect on our operations and the market price of our Common Shares. Tax Risks Related to Our Structure Failure to qualify as a REIT would adversely affect our operations and ability to make distributions. We believe that we were organized and, since the IPO, have operated and we plan to continue to operate in conformity with the requirements for qualification and taxation as a REIT. We elected to be taxed as a REIT, commencing with our taxable year ended December 31, 2017. Our continued qualification as a REIT will depend on our ability to meet, on an ongoing basis, various complex requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income, and the amount of our distributions to our shareholders. To satisfy these requirements, we might have to forego investments ~~we we~~ might otherwise make. Thus, compliance with the REIT requirements may hinder our operational performance. Moreover, while we intend to continue to operate so to qualify as a REIT for U. S. federal income tax purposes, given the highly complex nature of the rules governing REITs, there can be no assurance that we will so qualify in any taxable year. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT and the statements in this Report are not binding on the IRS, or any court. If we fail to qualify as a REIT in any taxable year and we do not qualify for certain statutory relief provisions, all our taxable income would be subject to U. S. federal and state income taxes at the prevailing corporate income tax rates, we would no longer be allowed to deduct the distributions to our shareholders and we

generally would be disqualified from treatment as a REIT for the four taxable years following the year in which we lost our REIT status. Qualifying as a REIT involves highly technical and complex provisions of the Code and therefore, in certain circumstances, may be subject to uncertainty. To qualify as a REIT, we must satisfy several requirements, including requirements regarding the composition of our assets, the sources of our income and the diversity of our share ownership. Also, we must make distributions to stockholders aggregating annually at least 90 % of our “ REIT taxable income ” (determined without regard to the dividends paid deduction and excluding net capital gain). Compliance with these requirements and all other requirements for qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. Even a technical or inadvertent mistake could jeopardize our REIT status. In addition, the determination of various factual matters and circumstances relevant to REIT qualification is not entirely within our control and may affect our ability to qualify as a REIT. Accordingly, we cannot be certain that our organization and operation will enable us to qualify as a REIT for federal income tax purposes. Even if we qualify as a REIT, we will be subject to some taxes that will reduce our cash flow. Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if we have net income from “ prohibited transactions, ” that income will be subject to a 100 % tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to ~~customers~~ **36customers** in the ordinary course of business. The determination as to whether a sale is a prohibited transaction depends on the facts and circumstances related to that sale. The need to avoid prohibited transactions could cause us to forgo or defer sales of assets that we otherwise would have sold or that might otherwise be in our best interest to sell. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Any of these taxes would reduce our cash flow and could decrease cash available for distribution to shareholders and decrease cash available to service our indebtedness. The REIT distribution requirements could adversely affect our ability to grow our business and may force us to seek third- party capital during unfavorable market conditions. To qualify as a REIT, we generally must distribute to our shareholders at least 90 % of our “ REIT taxable income ” (determined without regard to the dividends paid deduction and excluding net capital gain) each year, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100 % of our “ REIT taxable income ” each year. In addition, we ~~are will~~ **are will** be subject to a 4 % nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85 % of our ordinary income, 95 % of our capital gain net income and 100 % of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may be forced to seek third- party capital to meet the distribution requirements even if the then- prevailing market conditions are not favorable. These capital needs could result from differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of non- deductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we may have to borrow funds on unfavorable terms, or sell assets at disadvantageous prices. In addition, we may be forced to distribute amounts that would otherwise have been invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4 % excise tax in a particular year. ~~36Dividends--~~ **Dividends** payable by REITs do not qualify for the reduced tax rates available for some dividends, which could depress the market price of our Common Shares if it is perceived as a less attractive investment. The maximum tax rate applicable to income from “ qualified dividends ” payable by non- REIT “ C ” corporations to U. S. stockholders that are individuals, trusts and estates generally is 20 % (excluding the 3. 8 % net investment income tax). Dividends payable by REITs, however, generally are not eligible for the current reduced rate, except to the extent that certain holding requirements have been met and a REIT’ s dividends are attributable to dividends received by a REIT from taxable corporations (such as a “ taxable REIT subsidiary ”), to income that was subject to tax at the REIT / corporate level, or to dividends properly designated by the REIT as “ capital gains dividends. ” Effective for taxable years beginning after December 31, 2017, and before January 1, 2026, those U. S. stockholders may deduct 20 % of their dividends from REITs (excluding qualified dividend income and capital gains dividends). For those U. S. stockholders in the top marginal tax bracket of 37 %, the deduction for REIT dividends yields an effective income tax rate of 29. 6 % on REIT dividends, which is higher than the 20 % tax rate on qualified dividend income paid by non- REIT “ C ” corporations. Although the reduced rates applicable to dividend income from non- REIT “ C ” corporations do not adversely affect the taxation of REITs or dividends payable by REITs, it could cause investors who are non- corporate taxpayers to perceive investments in REITs to be relatively less attractive than investments in the stock of non- REIT “ C ” corporations that pay dividends, which could depress the market price of the stock of REITs, including our Common Shares. We may in the future choose to pay dividends in the form of Common Shares, in which case shareholders may be required to pay income taxes in the absence of cash dividends. We may seek in the future to distribute taxable dividends that are payable in cash and Common Shares, at the election of each shareholder. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U. S. shareholder sells Common Shares that it receives as a dividend to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of Common Shares at the time of the sale. In addition, in such case, a U. S. shareholder could have a capital loss with respect to Common Shares sold that could not be used to offset such dividend income. Furthermore, with respect to certain non- U. S. shareholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in Common Shares. In addition, such a taxable share dividend could be viewed as equivalent to a reduction in our cash distributions, and that factor, as well as the possibility that a ~~significant~~ **37significant** number of our

shareholders could determine to sell Common Shares to pay taxes owed on dividends, may put downward pressure on the market price of Common Shares. Complying with REIT requirements may cause us to liquidate or forgo otherwise attractive investment opportunities. To qualify as a REIT, we must ensure that, at the end of each calendar quarter, at least 75 % of the value of our assets consists of cash, cash items, government securities and “ real estate assets ” (as defined in the Code), including certain mortgage loans and securities (the “ 75 % asset test ”). The remainder of our investments (other than securities includable in the 75 % asset test) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our total assets (other than securities includable in the 75 % asset test) can consist of the securities of any one issuer, no more than 20 % of the value of our total assets can be represented by securities of one or more “ taxable REIT subsidiaries ” (of which we have none), and debt instruments issued by publicly offered REITs, to the extent not secured by real property or interests in real property, cannot exceed 25 % of the value of our total assets. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investment opportunities. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders and our income and amounts available to service our indebtedness. In addition to the asset tests set forth above, to qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our stockholders and the ownership of our stock. We may be unable to pursue investment opportunities that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for us to qualify as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments and, thus, reduce our income and amounts available to service our indebtedness.

37 We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our Common Shares. • At any time, the U. S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U. S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U. S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, U. S. federal income tax law, regulation or administrative interpretation. • The Tax Cuts and Jobs Act of 2017 (“ TCJA ”) made significant changes to the U. S. federal income tax rules for taxation of individuals and corporations. In the case of individuals, the tax brackets have been adjusted, the top federal income rate has been reduced to 37 %, special rules reduce taxation of certain income earned through pass-through entities and reduce the top effective rate applicable to ordinary dividends from REITs to 29. 6 % (through a 20 % deduction for ordinary REIT dividends received) and various deductions have been eliminated or limited, including limiting the deduction for state and local taxes to \$ 10, 000 per year. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The top corporate income tax rate has been reduced to 21 %. There were only minor changes to the REIT rules (other than the 20 % deduction applicable to individuals for ordinary REIT dividends received). The TCJA made numerous other large and small changes to the tax rules that do not affect REITs directly but may affect our shareholders and may indirectly affect us. For example, the TCJA amends the rules for accrual of income so that income is taken into account no later than when it is taken into account on applicable financial statements, even if financial statements take such income into account before it would accrue under the original issue discount rules, market discount rules or other Code rules. Such rule may cause us to recognize income before receiving any corresponding receipt of cash. In addition, the TCJA reduces the limit for individuals’ mortgage interest expense to interest on \$ 750, 000 of mortgages and does not permit deduction of interest on home equity loans (after grandfathering all existing mortgages). Such change, and the reduction in deductions for state and local taxes (including property taxes), may adversely affect the residential mortgage markets in which we invest.

Prospective 38 Prospective shareholders are urged to consult with their tax advisors with respect to the status of the TCJA and any other regulatory or administrative developments and proposals and their potential effect on investment in our Common Shares. Risks Relating to our Common Shares

The market price and trading volume of our securities may be volatile. The stock markets, including the NYSE American, which is the exchange on which we list our Common Shares, have experienced significant price and volume fluctuations. During the year ended December 31, **2022-2023**, the price for our Common Shares on the NYSE American has ranged from a high of \$ **6-3. 36-98** to a low of \$ **3-2. 26-99**. We cannot assure you that the market price of our Common Shares will not fluctuate or decline significantly. Some of the factors that could negatively affect our stock price or result in fluctuations in the price or trading volume of our Common Shares are the following: • our actual or projected operating results, financial condition, cash flows and liquidity, or changes in business strategy or prospects; • equity issuances by us, or share resales by our shareholders, or the perception that such issuances or resales may occur; • publication of research reports about us or the real estate industry; • changes in market valuations of similar companies; • adverse market reaction to the level of leverage we employ; • additions to or departures of our key personnel; • accounting issues; **38** • speculation in the press or investment community; • our failure to meet, or the lowering of, our earnings’ estimates or those of any securities analysts; • increases in market interest rates, which may lead investors to demand a higher distribution yield for our Common Shares and would result in increased interest expenses on our debt; • failure to qualify or to remain qualified as a REIT; • price and volume fluctuations in the stock market generally; and • general market and economic conditions, including the current state of the credit and capital markets and current level of inflation. We have not established a minimum dividend payment level for our common shareholders and there are no assurances of our ability to pay dividends to our common shareholders in the future. We intend to pay quarterly dividends and to make distributions to our common shareholders in amounts such that all or substantially all our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax

benefits accorded to a REIT under the Code. We have not established a minimum dividend payment level for our common shareholders and our ability to pay dividends may be harmed by the risk factors described herein. All distributions to our common shareholders will be made at the discretion of the Board and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as the Board may deem relevant from time to time. We cannot assure you of our ability to pay dividends to our common shareholders in the future at the current rate or at all. If our ability to pay dividends is compromised, whether as a result of the risks described in this Report or for any other reason, the market price of our Common Shares could decline. ~~Future~~ **Future** offerings of preferred shares or debt securities would rank senior to our Common Shares upon liquidation and for dividend purposes, would dilute the interests of our common shareholders and may adversely affect the market price of our Common Shares. In the future we may seek to increase our capital resources by making offerings of debt, including short- and medium- term notes, senior or subordinated or convertible notes, or additional offerings of preferred shares. Issuance of debt securities or preferred equity would reduce the amount available for distribution to common shareholders on account of the interest payable to the holders of the debt securities and the dividends payable to the holders of the preferred equity. Similarly, upon liquidation, holders of our debt securities and lenders with respect to other borrowings as well as holders of preferred shares will receive a distribution of our available assets prior to the holders of our Common Shares. Finally, issuances of preferred shares or debt securities with equity features, such as convertible notes, may dilute the holdings of our existing shareholders or reduce the market price of our Common Shares or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our Common Shares bear the risk of our future offerings reducing the market price of our Common Shares and diluting their interest in us. An increase in interest rates may have an adverse effect on the market price of our Common Shares and our ability to make distributions to our shareholders. One of the factors that investors may consider in deciding whether to buy or sell our Common Shares is our dividend rate (or expected future dividend rates) as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may demand a higher dividend rate on our Common Shares or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market price of our Common Shares independent of the effects such conditions may have on our loan portfolio. Your investment in and resulting interest in us may be diluted or lose value if we issue additional shares. Sales of substantial amounts of our Common Shares in the public market may have an adverse effect on the market price of our Common Shares. Sales of substantial amounts of our Common Shares, including by any selling shareholders, adoption and ~~utilization~~ **utilization** of an at the market issuance program, or the availability of such Common Shares for sale, whether or not actually sold, could adversely affect the prevailing market prices for our Common Shares. If this occurs and continues it could impair our ability to raise additional capital through the sale of securities. Our current shareholders do not have preemptive rights to any Common Shares issued by us in the future. Therefore, our current common shareholders may experience dilution of their equity investment if we sell additional Common Shares in the future, sell securities that are convertible into Common Shares or issue Common Shares or options exercisable for Common Shares. In addition, we could sell securities at a price less than our then-current book value per share. Risks Related to our Series A Preferred StockThe Series A Preferred Stock effectively ranks junior to all our indebtedness and other liabilities and of our subsidiaries. In the event of our bankruptcy, liquidation, dissolution or winding up of our affairs, our assets will be available to pay obligations on the Series A Preferred Stock only after all of our indebtedness and other liabilities have been paid. At December 31, ~~2022~~ **2023**, our total outstanding indebtedness, including the aggregate outstanding principal amount of unsecured, unsubordinated notes (net of deferred financing costs), amounts due under the Churchill Facility, the Wells Fargo Loan ~~and~~, the NHB Mortgage ~~and the Needham Credit Facility~~, totaled \$ ~~326.371~~ **348.395** million, and total liabilities were \$ ~~348.395~~ **0.5** million. The rights of holders of the Series A Preferred Stock to participate in the distribution of our assets will rank junior to the prior claims of our current and future creditors and any future series or class of preferred stock we may issue that ranks senior to the Series A Preferred Stock. In addition, the Series A Preferred Stock effectively ranks junior to all existing and future indebtedness and other liabilities of (as well as any preferred equity interests held by others in) our existing subsidiaries and any future subsidiaries in that the Series A Preferred Stock is structurally subordinated to these types of indebtedness and other liabilities. Our existing subsidiaries are, and any future subsidiaries would be, separate legal entities and have no legal obligation to pay any amounts to us in respect of dividends due on the Series A Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of the Series A Preferred Stock then outstanding. We and our subsidiaries have ~~incurred~~ **incurred** and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series A Preferred Stock. Certain of our existing or future debt instruments may restrict the authorization, payment or setting apart of dividends on the Series A Preferred Stock. Future offerings of debt or senior equity securities may adversely affect the market price of the Series A Preferred Stock. If we decide to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series A Preferred Stock and may result in dilution to owners of the Series A Preferred Stock. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of the Series A Preferred Stock will bear the risk of our future offerings reducing the market price of the Series A Preferred Stock and diluting the value of their holdings in us. We may issue additional shares of Series A Preferred Stock and additional series of preferred shares that rank on parity with the Series A Preferred Stock as to dividend rights, rights upon liquidation or voting rights. We are allowed to issue additional shares of Series A Preferred Stock and additional series of preferred shares that would rank equally to the Series A Preferred Stock as to

dividend payments and rights upon our liquidation, dissolution or winding up of our affairs pursuant to our certificate of incorporation, as amended, including the certificate of amendment creating the Series A Preferred Stock without any vote of the holders of the Series A Preferred Stock. The issuance of additional shares of Series A Preferred Stock and additional series of parity preferred stock could have the effect of reducing the amounts available to the holders of the Series A Preferred Stock issued in this offering upon our liquidation or dissolution or the winding up of our affairs. It also may reduce dividend payments on the Series A Preferred Stock issued in this offering if we do not have sufficient funds to pay dividends on all Series A Preferred Stock outstanding and other classes of stock with equal priority with respect to dividends. ~~40~~**In** addition, although holders of shares of Series A Preferred Stock are entitled to limited voting rights, the Series A Preferred Stock will vote separately as a class together with all other classes or series of our preferred shares that we may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of shares of Series A Preferred Stock may be significantly diluted, and the holders of such other series of preferred shares that we may issue may be able to control or significantly influence the outcome of any vote. Future issuances and sales of parity preferred shares, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series A Preferred Stock and our Common Shares to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. Market interest rates may materially and adversely affect the value of the Series A Preferred Stock. One of the factors that will influence the price of the Series A Preferred Stock will be the dividend yield on the Series A Preferred Stock (as a percentage of the market price of the Series A Preferred Stock) relative to market interest rates. An increase in market interest rates may lead prospective purchasers of the Series A Preferred Stock to expect a higher dividend yield (and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for dividend payments). Thus, higher market interest rates could cause the market price of the Series A Preferred Stock to materially decrease. Our ability to pay dividends is limited by the requirements of New York law. Our ability to pay dividends on the Series A Preferred Stock is limited by the laws of New York. Under applicable New York law, a New York corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or, except in limited circumstances, the corporation's total assets would be less than the sum of its total liabilities plus, unless our certificate of incorporation, as amended, provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on the Series A Preferred Stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or, except in limited circumstances, our total assets would be less than the sum of our ~~total~~**41total** liabilities plus, unless the charter provides otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred shares then outstanding, if any, with preferences senior to those of the Series A Preferred Stock. The change of control conversion rights may not adequately compensate the holders of Series A Preferred Stock in the event we undergo a change of control. The change of control conversion rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us. Upon the occurrence of a Change of Control, each holder of shares of Series A Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date (as defined in our certificate of incorporation, as amended), we have provided notice of our election to redeem some or all of the shares of Series A Preferred Stock held by such holder, in which case such holder will have the right only with respect to shares of Series A Preferred Stock that are not called for redemption) to convert some or all of such holder's shares of Series A Preferred Stock into our Common Shares (or under specified circumstances certain alternative consideration). Notwithstanding that we generally may not redeem the Series A Preferred Stock prior to June 29, 2026, we have a special optional redemption right to redeem the Series A Preferred Stock in the event of a Change of Control, and holders of the Series A Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the Change of Control Conversion Date. If we do not elect to redeem the Series A Preferred Stock prior to the Change of Control Conversion Date, then upon an exercise of their conversion rights, the holders of Series A Preferred Stock will be limited to a maximum number of our Common Shares (or, if applicable, the Alternative Conversion Consideration (as defined in our certificate of incorporation, as amended)) equal to the lesser of (a) the quotient obtained by dividing (i) the sum of the \$ 25.00 liquidation preference per share of Series A Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series A Preferred Stock, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price (as defined in our certificate of incorporation, as amended); and (b) 25.00, multiplied by the number of shares of Series A Preferred Stock converted. ~~41~~**In** addition, the Change of Control conversion feature of the Series A Preferred Stock may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain of our change of control transactions under circumstances that otherwise could provide the holders of our Common Shares and Series A Preferred Stock with the opportunity to realize a premium over the then-current market price of such stock or that shareholders may otherwise believe is in their best interests. The trading price of the Series A Preferred Stock could be substantially affected by various factors. During the year ended December 31, ~~2022~~**2023**, the price for our Series A Preferred Stock on the NYSE American has ranged from a high of \$ ~~25.23~~**82.00** to a low of \$ ~~18.38~~**73**. We cannot assure you that the market price of the Series A Preferred Stock will not fluctuate or decline significantly. The trading price of the Series A Preferred Stock will depend on many factors, which may change from time to time, including the following: ● prevailing interest rates, increases in which may have an adverse effect on the market price of the Series A Preferred Stock; ● market prices of common and preferred equity securities issued by REITs and other real estate companies; ● the annual yield from distributions on the Series A Preferred Stock as compared to yields on other financial instruments; ● general economic and financial market conditions; ● government action or regulation; ● the financial condition, performance

and prospects of us and our competitors; 42 • changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry; • our issuance of additional common equity or debt securities; • our issuance of additional series or classes of preferred securities; and • actual or anticipated variations in quarterly operating results of us and our competitors. Our certificate of incorporation, as amended, including the certificate of amendment establishing the terms of the Series A Preferred Stock, contains restrictions upon ownership and transfer of the Series A Preferred Stock, which may impair the ability of holders to convert Series A Preferred Stock into our Common Shares. Our certificate of incorporation, as amended, including the certificate of amendment creating the Series A Preferred Stock, contains restrictions on ownership and transfer of the Series A Preferred Stock intended, among other things, to assist us in maintaining our qualification as a REIT for federal income tax purposes. For example, our charter provides that no person may own, or be deemed to own by virtue of applicable attribution provisions of the Code, more than 4.99% (by value or by number of shares, whichever is more restrictive) of our outstanding Common Shares or 4.99% by value of our outstanding shares of capital stock, subject to certain exceptions. Notwithstanding any other provision of the Series A Preferred Stock, no holder of shares of Series A Preferred Stock will be entitled to convert such stock into our Common Shares to the extent that receipt of our Common Shares would cause the holder to exceed the ownership limitations contained in our certificate of incorporation, as amended, including the certificate of amendment creating the Series A Preferred Stock. In addition, these restrictions could have takeover defense effects and could reduce the possibility that a third party will attempt to acquire control of us, which could adversely affect the market price of the Series A Preferred Stock. 42 **The Series A Preferred Stock shareholders will have extremely limited voting rights. Our Common Shares are the only class of our securities that carry full voting rights. Voting rights for holders of shares of Series A Preferred Stock exist primarily with respect to the ability to elect, voting together as a single class with the holders of any other class or series of our preferred shares having similar voting rights, two additional directors to the Board, in the event that six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to our charter, including the certificate of amendment creating the Series A Preferred Stock, that materially and adversely affect the rights of the holders of shares of Series A Preferred Stock or authorize, increase or create additional classes or series of our stock that are senior to the Series A Preferred Stock. Other than the limited circumstances described in our certificate of incorporation, as amended, holders of shares of Series A Preferred Stock will not have any voting rights. If the Series A Preferred Stock or our Common Shares are delisted, your ability to transfer or sell your shares of the Series A Preferred Stock may be limited and the market value of the Series A Preferred Stock will likely be materially adversely affected. Other than in connection with a Change of Control (as defined in our certificate of incorporation, as amended) the Series A Preferred Stock does not contain rights that are intended to protect you if our Common Shares are delisted from the NYSE American. Because the Series A Preferred Stock has no stated maturity date, Series A Preferred Stock shareholders may be forced to hold their shares of the Series A Preferred Stock and receive stated dividends on the Series A Preferred Stock when, as and if authorized by the Board and paid by us with no assurance as to ever receiving the liquidation value thereof. In addition, if our Common Shares are delisted from the NYSE American, it is likely that the Series A Preferred Stock will be delisted from the NYSE American as well. Accordingly, if our Common Shares are delisted from the NYSE American, your ability to transfer or sell your shares of the Series A Preferred Stock may be limited and the market value of the Series A Preferred Stock will likely be materially adversely affected. Future sales of substantial amounts of the Series A Preferred Stock, or the possibility that such sales could occur, could adversely affect the market price of the Series A Preferred Stock. We cannot predict the effect, if any, that future issuances or sales of our securities or the availability of our securities for future issuance or sale, will have on the market price of the Series A Preferred Stock. Issuances or sales of substantial amounts of our securities, including sales of the Series A Preferred Stock or the perception that such issuances or sales might occur, could negatively impact the market price of the Series A Preferred Stock and the terms upon which we may obtain additional equity financing in the future. 43**