

Part II Organizational Action (continued)

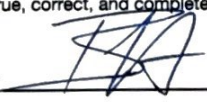
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHED

18 Can any resulting loss be recognized? ▶ SEE ATTACHED

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶  Date ▶ 1/15/2025

Print your name ▶ BRANDON HETZEL Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

ADVANCED FLOWER CAPITAL INC.
EIN: 85-1807125
ATTACHMENT TO FORM 8937
REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

Disclaimer: The information in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account the specific circumstances that may apply to particular categories of Advanced Flower Capital, Inc., Inc. shareholders. Each shareholder is urged to consult his, her or its own tax advisor regarding the consequences of the transactions described herein, including the impact on tax basis resulting therefrom.

Form 8937 Part II

Item 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action:

On July 9, 2024 (the "Distribution Date"), Advanced Flower Capital Inc. ("Advanced Flower Capital") distributed shares of common stock of Sunrise Realty Trust, Inc. ("SUNS") pro rata to Advanced Flower Capital shareholders of record as of the close of business on July 8, 2024 (the "Record Date," and such distribution, the "Spin-Off").

No fractional shares of SUNS common stock were distributed. All fractional shares of SUNS common stock that Advanced Flower Capital shareholders otherwise would have been entitled to receive as a result of the Spin-Off were aggregated into whole shares and sold on the open market, and the resulting cash proceeds of the sale were paid to such shareholders.

In addition to the distribution of shares valued at \$114.0M, during each quarter of 2024, Advanced Flower Capital distributed cash to shareholders in the total of \$37.5M. This was divided into the following: March 2024 - \$9.9M; June 2024 - \$13.0M; September 2024 - \$7.2M; December 2024 - \$7.4M.

Advanced Flower Capital anticipates that a portion of the distribution will be dividend distribution. The Company is in the process of determining its earnings and profits.

Item 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis:

In general, a distribution that is not a redemption under §302(b) is a dividend to the extent it comes from earnings and profits of the current taxable year or accumulated earnings and profits. A distribution in excess of current and accumulated earnings and profits is subject to IRC §§ 301(c)(2) and 301(c)(3). Under IRC § 301(c)(2), the distribution is applied against, and reduces, the adjusted basis of the shareholder's stock. If the distribution is greater than the adjusted basis of the stock, the excess is treated by IRC § 301(c)(3) as gain from the sale or exchange of property (thus, as capital gain if the stock is a capital asset).

Item 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates:

The amount of distribution shall be equal to the fair market value of SUNS common stock distributed. The distribution is being valued at \$11 per share, determined by next day market trading. Distributions made during the tax year may exceed current and accumulated earnings and profits. If the distribution is not one described in IRC §302(b), then under IRC §302(d) and IRC §302(c), the distribution will be nondividend distribution, characterized as a return of capital and reduce adjusted basis of the stock dollar for dollar, to the extent that the distribution exceeds earnings and profits under IRC §301(c)(2), until the shareholder's adjusted basis of the stock is zero. The amount of nondividend distribution, if any, that exceeds a zero basis shall be treated as a gain from the sale or exchange of property.

In addition to the distribution of shares of common stock in SUNS, Advanced Flower Capital distributed cash dividends to shareholders in the total of \$37.5M.

As of December 31, 2024, the Company has is anticipating positive Earnings and Profits for the year.

Item 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based:

The applicable sections of the Internal Revenue Code of 1986, as amended (the "Code") upon which the tax treatment is based are sections 301, 311, 316.

Item 18. Can any resulting loss be recognized?:

Not applicable.

Item 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year:

The Property Distribution and cash distribution occurred on July 9, 2024 and each quarter, respectively. As a result, the basis adjustments and any corresponding federal income tax impact to shareholders should be reported in the taxable year that includes this date. In the case of shareholders who are calendar year taxpayers, the reportable tax year is 2024.

As of December 31, 2024, Advanced Flower Capital expects to have positive Earnings and Profits before distributions. Any balance distributed up to current and cumulative E&P will be treated as a dividend distribution and any balance in excess of current and cumulative E&P will be treated as nondividend distribution.