

Risk Factors Comparison 2024-11-26 to 2023-12-08 Form: 10-K

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

RISKS RELATING TO OUR BUSINESS AND STRUCTURE We are subject to various covenants under Funding I' s Credit Facility which, if not complied with, could result in reduced availability and / or mandatory prepayments under Funding I' s Credit Facility, our ~~2023 Notes, the 2026 Notes and,~~ our 2031 **Asset- Backed Debt, 2036- R Asset- Backed Debt, and our 2036** Asset- Backed Debt. In addition to the asset coverage ratio requirements, the Credit Facility contains various covenants applicable to Funding I, which restricts our ability to borrow funds, and ~~the deed of trust governing our 2023 Notes,~~ the indenture governing our 2026 Notes ~~and,~~ **the indentures governing our 2031 Asset- Backed Debt, 2036- R Asset- Backed Debt,** the indenture governing our ~~2031~~ **2036** Asset- Backed Debt contain various covenants which, if not complied with, could accelerate repayment of the ~~2023 Notes, the 2026 Notes and,~~ the 2031 **Asset- Backed Debt, the 2036- R Asset- Backed Debt, and the 2036** Asset- Backed Debt, respectively. For example, the Credit Facility' s income coverage covenant, or test, requires us to maintain a ratio whereby the aggregate amount of interest received on the portfolio loans must equal at least 125 % of the interest payable in respect to the Lenders and other parties. Failure to satisfy the various covenants under the Credit Facility could accelerate repayment under the Credit Facility or otherwise prevent us from receiving distributions under the payment waterfall. This could materially and adversely affect our liquidity, financial condition and results of operations. Funding I' s borrowings under the Credit Facility are collateralized by the assets in Funding I' s investment portfolio. The agreements governing the Credit Facility require Funding I to comply with certain financial and operational covenants. These covenants include: • A requirement to retain our status as a RIC; A requirement to maintain a minimum amount of stockholders' equity; and A requirement that our outstanding borrowings under the Credit Facility not exceed a certain percentage of the value of our portfolio. Our continued compliance with these covenants depends on many factors, some of which are beyond our control. A material decrease in our NAV in connection with additional borrowings could result in an inability to comply with our obligation to restrict the level of indebtedness that we are able to incur in relation to the value of our assets or to maintain a minimum level of stockholders' equity in Funding I or to result in the ability of the trustee and our note holders to accelerate amounts due under the ~~deed of trust governing our 2023 Notes, the~~ indenture governing our 2026 Notes or the indenture governing our 2031 **Asset- Backed Debt, 2036- R Asset- Backed Debt or 2036** Asset- Backed Debt. This could have a material adverse effect on our operations, as it would reduce availability under the Credit Facility and could trigger mandatory prepayment obligations under the terms of the Credit Facility. We operate in a highly competitive market for investment opportunities. A number of entities compete with us to make the types of investments that we make in middle- market companies. We compete with public and private funds, including other BDCs, commercial and investment banks, commercial financing companies, CLO funds and, to the extent they provide an alternative form of financing, private equity funds. Additionally, alternative investment vehicles, such as hedge funds, also invest in middle- market companies. As a result, competition for investment opportunities at middle-market companies can be intense. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some competitors have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. 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. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objectives. Participants in our industry compete on several factors, including price, flexibility in transaction structuring, customer service, reputation, market knowledge and speed in decision- making. We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that are lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. Our borrowers may default on their payments, which may have a materially negative effect on our financial performance. Our primary business exposes us to credit risk, and the quality of our portfolio has a significant impact on our earnings. Credit risk is a component of our fair valuation of our portfolio companies. Negative credit events will lead to a decrease in the fair value of our portfolio companies. In addition, market conditions have affected consumer confidence levels, which may harm the business of our portfolio companies and result in adverse changes in payment patterns. Increased delinquencies and default rates would negatively impact our results of operations. Deterioration in the credit quality of our portfolio could have a material adverse effect on our business, financial condition and results of operations. If interest rates rise, some of our portfolio companies may not be able to pay the escalating interest on our loans and may default. We make long- term loans and debt investments, which may involve a high degree of repayment risk. Our investments with a deferred interest feature, such as OID income and PIK interest, could represent a higher credit risk than investments that must pay interest in full in cash on a regular basis. We invest in companies that may have limited financial resources, typically are highly leveraged and may be unable to obtain financing from traditional sources. Accordingly, a general economic downturn or severe tightening in the credit markets could materially impact the ability of our borrowers to repay their loans, which could significantly damage our business. Numerous other factors may affect a borrower' s ability to repay its loan, including the failure to meet its business plan or a downturn in its industry. A portfolio company' s

failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans or foreclosure on the secured assets. This could trigger cross- defaults under other agreements and jeopardize our portfolio company' s ability to meet its obligations under the loans or debt securities that we hold. In addition, our portfolio companies may have, or may be permitted to incur, other debt that ranks senior to or equally with our securities. This means that payments on such senior- ranking securities may have to be made before we receive any payments on our subordinated loans or debt securities. Deterioration in a borrower' s financial condition and prospects may be accompanied by deterioration in any related collateral and may adversely affect our financial condition and results of operations. Any unrealized losses we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution. As a BDC, we are required to carry our investments at fair value, which is derived from a market value or, if no market value is ascertainable or if market value does not reflect the fair value of such investment in the bona fide determination of our board of directors, then we would carry our investments at fair value as determined in good faith by or under the direction of our board of directors. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation or loss. Unrealized losses of any given portfolio company could be an indication of such company' s inability in the future to meet its repayment obligations to us. If the fair value of our portfolio companies reflects unrealized losses that are subsequently realized, we could experience reductions of our income available for distribution in future periods that could materially harm our results of operations and cause a material decline in the value of our publicly traded common stock. We are dependent upon our Investment Adviser' s key personnel for our future success, and if our Investment Adviser is unable to hire and retain qualified personnel or if our Investment Adviser loses any member of its management team, our ability to achieve our investment objectives could be significantly harmed. We depend on the diligence, skill and network of business contacts of the senior investment professionals of our Investment Adviser for our future success. We also depend, to a significant extent, on PennantPark Investment Advisers' access to the investment information and deal flow generated by these senior investment professionals and any others that may be hired by PennantPark Investment Advisers. Subject to the overall supervision of our board of directors, the managers of our Investment Adviser evaluate, negotiate, structure, close and monitor our investments. Our future success depends on the continued service of management personnel of our Investment Adviser. The departure of managers of PennantPark Investment Advisers could have a material adverse effect on our ability to achieve our investment objectives. In addition, we can offer no assurance that PennantPark Investment Advisers will remain our Investment Adviser. The Investment Adviser has the right, under the Investment Management Agreement, to resign at any time upon 60 days' written notice, whether we have found a replacement or not. If our Investment Management Agreement is terminated, our costs under new agreements that we enter into may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Management Agreement. Any new investment management agreement would also be subject to approval by our stockholders. We are exposed to risks associated with changes in interest rates that may affect our cost of capital and net investment income. Since we borrow money to make investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds will increase and the interest rate on investments with an interest rate floor will not increase until interest rates exceed the applicable floor, which will reduce our net investment income. We may use interest rate risk management techniques, such as total return swaps and interest rate swaps, in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act and applicable commodities laws. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Also, we have limited experience in entering into hedging transactions and we will initially have to purchase or develop such expertise, which may diminish the actual benefits of any hedging strategy we employ. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk " for more information. A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments once the interest rate exceeds the applicable floor. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle and may result in a substantial increase of the amount of incentive fees payable to our Investment Adviser with respect to Pre- Incentive Fee Net Investment Income. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in interest rates may result in both lower interest rates on new investments and higher repayments on current investments with higher interest rates, which may have an adverse impact on our net investment income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates or are subject to interest rate floors and also could increase our interest expense on the Credit Facility, thereby decreasing our net investment income. Also, an increase in interest rates available to investors could make an investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock. If general interest rates ~~continue to~~ rise, there is a risk that the portfolio companies in which we hold floating rate securities will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, ~~continued~~ rising interest rates may increase pressure on us to provide fixed rate loans to our portfolio companies, which could adversely affect our net investment income, as any increases in our cost of borrowed funds would not be accompanied by increased interest income from such fixed- rate investments. ~~The discontinuation and replacement of LIBOR may adversely affect the value of floating- rate debt securities in our portfolio or issued by us. As of June 30, 2023, no settings of LIBOR~~

continue to be published on a representative basis and publication of many non-U. S. dollar LIBOR settings have been entirely discontinued. On July 29, 2021, the U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, recommended replacing U. S. dollar LIBOR with alternative reference rates based on the Secured Overnight Financing Rate (“SOFR”). SOFR significantly differs from LIBOR, both in the actual rate and how it is calculated. Further, on March 15, 2022, the Consolidation Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act (“LIBOR Act”), was signed into law in the United States. This legislation established a uniform benchmark replacement process for certain financial contracts that mature after June 30, 2023 that do not contain clearly defined or practicable LIBOR fallback provisions. The legislation also created a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Board of Governors of the U. S. Federal Reserve. In addition, the U. K. Financial Conduct Authority, which regulates the publisher of LIBOR (ICR Benchmark Administration) has announced that it will require the continued publication of one, three and six month tenors of U. S. dollar LIBOR on a non-representative synthetic basis until the end of September 2024, which may result in certain non-U. S. law-governed contracts and U. S. law-governed contracts not being covered by the federal legislation remaining on synthetic U. S. dollar LIBOR until the end of this period. The transition from LIBOR as a result of certain statutory regimes (e. g., N. Y. Gen. Oblig. Law § 18-401 or the Adjustable Interest Rate (LIBOR) Act) or the use of synthetic LIBOR in floating-rate debt securities in our portfolio or issued by us and could have a material and adverse impact on the value or liquidity of those instruments. Given the inherent differences between LIBOR and SOFR, or any other alternative benchmark rate established, there are many uncertainties regarding a transition from LIBOR, including, but not limited to, the need to amend contracts which continue to reference LIBOR and how the transition from LIBOR will impact the cost of variable rate debt and certain derivative financial instruments. In addition, SOFR or other replacement rates may fail to gain market acceptance. Any failure of SOFR or alternative reference rates to gain market acceptance could adversely affect the return on, value of and market for securities linked to such rates. The elimination of LIBOR, the replacement of LIBOR with any alternative reference rate, such as SOFR (or an alternative reference rate based on SOFR) or any other changes or reforms to floating rate benchmarks could have an adverse impact on the market value of and/or transferability of any floating-rate debt securities in our portfolio or issued by us. The IRS has issued regulations regarding the tax consequences of the transition from LIBOR or another interbank offered rate (“IBOR”) to a new reference rate in debt instruments and non-debt contracts. Under the regulations, alteration or modification of the terms of a debt instrument to replace an operative rate that uses a discontinued IBOR with a qualified rate (as defined in the regulations) including true up payments equalizing the fair market value of contracts before and after such IBOR transition, to add a qualified rate as a fallback rate to a contract whose operative rate uses a discontinued IBOR or to replace a fallback rate that uses a discontinued IBOR with a qualified rate would not be taxable. The IRS may provide additional guidance, with potential retroactive effect. Our financial condition and results of operation depend on our ability to manage future growth effectively. Our ability to achieve our investment objectives depends on our ability to grow, which depends, in turn, on our Investment Adviser’s ability to identify, invest in and monitor companies that meet our investment selection criteria. Accomplishing this result on a cost-effective basis is largely a function of our Investment Adviser’s structuring of the investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. The management team of PennantPark Investment Advisers has substantial responsibilities under our Investment Management Agreement. In order for us to grow, our Investment Adviser will need to hire, train, supervise and manage new employees. However, we can offer no assurance that any current or future employees will contribute effectively to the work of, or remain associated with, the Investment Adviser. We caution you that the principals of our Investment Adviser or Administrator may also be called upon to provide and currently do provide significant managerial assistance to portfolio companies and other investment vehicles, including other BDCs, which are managed by the Investment Adviser. Such demands on their time may distract them or slow our rate of investment. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations. We are highly dependent on information systems and systems failures could have a material adverse effect on our business, financial condition and results of operations. Our business depends on the communications and information systems, including financial and accounting systems, of the Investment Adviser, the Administrator and our external service providers. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our business, financial condition and results of operations. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted below), may reveal deficiencies in our internal controls over financial reporting that are deemed to be significant deficiencies, material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. **We have identified material weaknesses in our internal controls over financial reporting in the past and may identify other material weaknesses or significant deficiencies in the future.** Inferior internal controls could also cause investors and lenders to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. ~~We have identified material weaknesses in our internal controls over financial reporting. If we fail to remediate these material weaknesses, our ability to report our financial condition and results of operations accurately and on a timely basis could be adversely affected. We have identified material weaknesses in our internal controls over financial~~

reporting, and management has determined that, as of September 30, 2023, we do not maintain effective internal control over financial reporting. These material weaknesses and our remediation efforts are described in Management's Report on Internal Control Over Financial Reporting, which appears on page 58 of this Form 10-K. We cannot assure you that we will adequately remediate the material weaknesses or that additional material weaknesses in our internal controls will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, or could result in material misstatements in our financial statements. These misstatements could result in restatements of our financial statements, cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information. We are in the process of remediating the identified material weaknesses in our internal controls, but we are unable at this time to estimate when the remediation effort will be completed. If we fail to remediate these material weaknesses, there will continue to be an increased risk that our future financial statements could contain errors that will be undetected. Further and continued determinations that there are material weaknesses in the effectiveness of our internal controls could impact the operations of our business including our ability to obtain financing, the cost of any financing we obtain or require additional expenditures of resources to comply with applicable requirements. We may not replicate the historical performance of other investment companies and funds with which our senior and other investment professionals have been or are affiliated. The 1940 Act imposes numerous constraints on the investment activities of BDCs. For example, BDCs are required to invest at least 70 % of their total assets primarily in securities of U. S. private companies or thinly traded public companies (i. e., public companies with a market capitalization of less than \$ 250 million), cash, cash equivalents, U. S. government securities and high- quality debt investments that mature in one year or less. These constraints may hinder the Investment Adviser's ability to take advantage of attractive investment opportunities and to achieve our investment objectives. In addition, the investment philosophy and techniques used by the Investment Adviser may differ from those used by other investment companies and funds advised by the Investment Adviser. Accordingly, we can offer no assurance that we will replicate the historical performance of other investment companies and funds with which our senior and other investment professionals have been affiliated, and we caution that our investment returns could be substantially lower than the returns achieved by such other companies. Any failure on our part to maintain our status as a BDC would reduce our operating flexibility. If we do not remain a BDC, we might be regulated as a closed- end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility, which could have a material adverse effect on our business, financial condition and results of operations. Loss of RIC tax status would substantially reduce our net assets and income available for debt service and distributions. We have operated and continue to operate so as to maintain our election to be treated as a RIC under Subchapter M of the Code. If we meet the 90 % Income Test, the Diversification Tests, and the Annual Distribution Requirement, we generally will not be subject to corporate- level income taxation on income we timely distribute, or are deemed to distribute, as dividends for U. S. federal income tax purposes to our stockholders. We would cease to qualify for such tax treatment if we were unable to comply with these requirements. In addition, we may have difficulty meeting our Annual Distribution Requirement to our stockholders because, in certain cases, we may recognize income before or without receiving cash representing such income. If we fail to qualify as a RIC, we will have to pay corporate- level taxes on all of our income whether or not we distribute it, which would substantially reduce the amount of income available for debt service as well as reduce and / or affect the character and amount of our distributions to our stockholders. Even if we qualify as a RIC, we generally will be subject to a 4 % nondeductible excise tax if we do not distribute to our stockholders in respect of each calendar year an amount at least equal to the Excise Tax Avoidance Requirement. We may have difficulty paying our Annual Distribution Requirement if we recognize income before or without receiving cash representing such income. For federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as OID and PIK interest, which represents interest added to the loan balance and due at the end of the loan term. OID, which could be significant relative to our overall investment assets, and increases in loan balances as a result of PIK interest will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash, such as amounts attributable to foreign currency transactions. Our investments with a deferred interest feature, such as PIK interest, may represent a higher credit risk than loans for which interest must be paid in full in cash on a regular basis. For example, even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is scheduled to occur upon maturity of the obligation. The part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide PIK or OID interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. If we are unable to satisfy the Annual Distribution Requirement, we may have to sell some of our investments at times or prices we would not consider advantageous, or raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements, which could have a material adverse effect on our business, financial condition and results of operations. If we are not able to obtain cash from other sources, we may lose our ability to be subject to tax as a RIC and thus be subject to corporate- level income tax. Legislation enacted in 2018 allows us to incur additional leverage. A BDC has historically been able to issue " senior securities, " including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as defined in Section 61 (a) (2) of the 1940 Act, equals at least 200 % after such incurrence or issuance. In March 2018, the Consolidated Appropriations Act of 2018 (which includes the SBCAA) was enacted which amended the 1940 Act to decrease this percentage from 200 % (i. e., \$ 1 of debt outstanding for each \$ 1 of equity) to 150 % (i. e., \$ 2 of debt outstanding for each \$ 1 of equity) for a BDC that has received either stockholder approval or approval of a " required majority " (as defined in Section 57 (o) of the 1940 Act) of its board of directors of the application of such lower asset coverage ratio to the BDC. On April 5, 2018, our board of directors approved such reduction. As such, we are able to incur additional indebtedness so long as we comply with the applicable disclosure requirement, which may

increase the risk of investing in us. Under the 200 % minimum asset coverage ratio, we were permitted to borrow up to one dollar for investment purposes for every one dollar of investor equity and, under the 150 % minimum asset coverage ratio, we are permitted to borrow up to two dollars for investment purposes for every one dollar of investor equity. In other words, Section 61 (a) (2) of the 1940 Act permits BDCs to potentially increase their debt- to- equity ratio from a maximum of 1- to- 1 to a maximum of 2- to- 1. In addition, since our base management fee is determined and payable based upon our average adjusted gross assets, which includes any borrowings for investment purposes, our base management fee expense may increase if we incur additional leverage. Because we intend to distribute substantially all of our income to our stockholders to maintain our ability to be subject to tax as a RIC, we may need to raise additional capital to finance our growth. If funds are not available to us, we may need to curtail new investments, and our common stock value could decline. In connection with satisfying the requirements to be subject to tax as a RIC for federal income tax purposes, we intend to distribute to our stockholders substantially all of our investment company taxable income and net capital gains each taxable year. However, we may retain all or a portion of our net capital gains and incur applicable income taxes with respect thereto and elect to treat such retained net capital gains as deemed dividend distributions to our stockholders. As noted above, on April 5, 2018, our board of directors, including a “ required majority ” (as such term is defined in Section 57 (o) of the 1940 Act), approved a reduction of our asset coverage ratio from 200 % to 150 %. The asset coverage requirement applicable to us for senior securities was reduced from 200 % (i. e., \$ 1 of debt outstanding for each \$ 1 of equity) to 150 % (i. e., \$ 2 of debt outstanding for each \$ 1 of equity). If we incur additional indebtedness under this provision, the risk of investing in us will increase. If the value of our assets declines, we may be unable to satisfy this asset coverage test. If that happens, we may be required to sell a portion of our investments or sell additional common stock and, depending on the nature of our leverage, to repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous. In addition, the issuance of additional securities could dilute the percentage ownership of our current stockholders in us. We are partially dependent on our subsidiary Funding I for cash distributions to enable us to meet the distribution requirements in order to permit us to be subject to tax as a RIC. In this regard, Funding I is limited by its covenants from making certain distributions to us that may be necessary to fulfill our requirements to be subject to tax as a RIC. In such case, we would need to request a waiver of these covenants’ restrictions for Funding I to make certain distributions to enable us to be subject to tax as a RIC. We cannot assure you that Funding I will be granted such a waiver, and if Funding I is unable to obtain a waiver, compliance with the covenants may cause us to incur a corporate- level income tax. Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital. Our business requires a substantial amount of capital. We may acquire additional capital from the issuance of additional senior securities or other indebtedness, the issuance of additional shares of our common stock, the issuance of warrants or subscription rights to purchase certain of our securities, or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities or preferred securities, which we refer to collectively as “ senior securities, ” and we may borrow money from banks, or other financial institutions, up to the maximum amount permitted by the 1940 Act. Under the 1940 Act, the asset coverage ratio requirements permit us to issue senior securities or incur indebtedness subject to certain limitations. Our ability to pay distributions or issue additional senior securities would be restricted if our asset coverage ratio was not met. If the value of our assets declines, we may be unable to satisfy the asset coverage ratio. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous, which could materially harm our business, financial condition and results of operations. ■ Senior Securities. As a result of issuing senior securities, including our 2023 Notes and our 2026 Notes, we are exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities, they would rank “ senior ” to common stock in our capital structure. Preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of holders of our common stock. Furthermore, the issuance of preferred securities could have the adverse effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest. Our senior securities may include conversion features that cause them to bear risks more closely associated with an investment in our common stock. ■ Additional Common Stock. Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below NAV per share without first obtaining certain approvals from our stockholders and our board of directors. Also, subject to the requirements of the 1940 Act, we may issue rights to acquire our common stock at a price below the current NAV per share of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our common stockholders. In any such case, the price at which our securities are to be issued and sold may be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities. However, when required to be undertaken, the procedures used by the board of directors to determine the NAV per share of our common stock within 48 hours of each offering of our common stock may differ materially from and will necessarily be more abbreviated than the procedures used by the board of directors to determine the NAV per share of our common stock at the end of each quarter because there is an extensive process each quarter to determine the NAV per share of our common stock which cannot be completed in 48 hours. The quarterly process includes preliminary valuation conclusions, engagement of independent valuation firms and review by those firms of preliminary valuation conclusions. By contrast, the procedures in connection with an offering may yield a NAV that is less precise than the NAV determined at the end of each quarter. We will not offer transferable subscription rights to our stockholders at a price equivalent to less than the then current NAV per share of common stock, excluding underwriting commissions, unless we first file a post- effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with such rights represents no more than one- third of our outstanding common stock at the time such rights are issued. In addition, for us to file a post- effective amendment to a registration statement on Form N- 2, we must then be qualified to register our securities under the requirements

of Form S-3. We may actually issue shares above or below a future NAV. If we raise additional funds by issuing more common stock or warrants or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our common stockholders at that time would decrease, and our common stockholders would experience voting dilution.

Securitization. As a result of the completion of the Debt Securitization, we are exposed to typical risks associated with the securitization of loans to generate cash for funding new investments. As applicable accounting pronouncements and SEC staff guidance requires us to consolidate the Securitization Issuers' financial statements with our financial statements, any debt issued by the Securitization Issuers would be generally treated as if it were issued by us for purposes of the asset coverage ratio applicable to us. We retain all of the equity in the Securitization Issuers and our retained equity would be exposed to any losses on the portfolio of loans before any of the debt securities would be exposed to such losses. Accordingly, if the pool of loans experienced a low level of losses due to defaults, we would earn an incremental amount of income on our retained equity but we would be exposed, up to the amount of equity we retained, to that proportion of any losses we would have experienced if we had continued to hold the loans in our portfolio. We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage. Because we borrow funds to make investments, we are exposed to increased risk of loss due to our use of debt to make investments. A decrease in the value of our investments will have a greater negative impact on the NAV attributable to our common stock than it would if we did not use debt. Our ability to pay distributions may be restricted when our asset coverage ratio is not met and any cash that we use to service our indebtedness is not available for distribution to our common stockholders. Our current debt is governed by the terms of the Credit Facility, the deed of trust governing the 2023 Notes, the indenture governing our 2026 Notes and, the indenture governing the 2031 Asset- Backed Debt, the indenture governing the 2036- R Asset- Backed Debt, and the indenture governing the 2036 Asset- Backed Debt, and future debt may be governed by an indenture or other instrument containing covenants restricting our operating flexibility. We, and indirectly our stockholders, bear the cost of issuing and servicing debt. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may also carry leverage related risks. Leverage magnifies the potential risks for loss and the risks of investing in us, both as detailed below. If we incur additional debt, it could increase the risk of investing in our shares. We have indebtedness outstanding pursuant to the Credit Facility, 2023 Notes, 2026 Notes and, the 2031 Asset- Backed Debt, the 2036- R Asset- Backed Debt, and the 2036 Asset- Backed Debt and expect in the future to borrow additional amounts under the Credit Facility or otherwise, subject to market availability, and, may increase the size of the Credit Facility. We cannot assure you that our leverage will remain at current levels. The amount of leverage that we employ will depend upon our assessment of the market and other factors at the time of any proposed borrowing. Lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or preferred stockholders, if any, and we have granted a security interest in Funding I's assets in connection with the Credit Facility borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. Any future debt issuance will increase our leverage and may be subordinate to the Credit Facility. In addition, borrowings or debt issuances, also known as leverage, magnify the potential for loss or gain on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets decreases, then the use of leverage would cause the NAV attributable to our common stock to decline more than it otherwise would have had we not utilized leverage. Similarly, any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common or preferred stock. Our ability to service any debt that we incur depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. As noted above, on April 5, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57 (o) of the 1940 Act), and our stockholders, respectively, approved a reduction of our asset coverage ratio. As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200 % to 150 %, so long as we comply with the applicable disclosure requirements, which may increase the risk of investing in us. As of September 30, 2024 and 2023 and 2022, our asset coverage ratio, as computed in accordance with the 1940 Act, was 174 % and 230 % and 178 %, respectively. Since our leverage was 135 % and 76 % and 128 % of our net assets as of September 30, 2024 and 2023 and 2022, respectively, we would have to receive an annual return of at least 4.0 % and 2.4 % and 2.2 %, respectively, to cover annual interest payments. As of September 30, 2023-2024, we had outstanding borrowings of \$ 443.9 million under the Credit Facility, zero \$ 76.2 million outstanding under our 2023 Notes, \$ 185.0 million under our 2026 Notes, and \$ 228.266.0 million outstanding under the 2031 2036 - R Asset- Backed Debt, and \$ 287.0 million outstanding under the 2036 Asset- Backed Debt. Our consolidated debt outstanding was \$ 498.1, 181.69 million and had a weighted average annual interest rate at the time of 5.7. 6-0 %, exclusive of the fees on the undrawn commitment on the Credit Facility. This example is for illustrative purposes only, and actual interest rates on the Credit Facility or any future borrowings are likely to fluctuate. The costs associated with our borrowings, including any increase in the management fee or incentive fee payable to our Investment Adviser, are and will be borne by our stockholders. The following table is designed to illustrate the effect on the return to a holder of our common stock of the leverage created by our use of borrowing as of September 30, 2023-2024 of 76.55.8 % of total assets (including such borrowed funds), at the current interest rate at the time of 5.7. 6-0 %, and assumes hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. The table also assumes that we will maintain a constant level of leverage and weighted average interest rate. The amount of leverage and cost of borrowing that we use will vary from time to time. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table. Assumed return on portfolio (net of expenses) (1) (10.0) % (5.0) Corresponding return to common stockholders (2) (22.33. 3-5 (13.21. 3-5 (4.9. 3-4 5.2. 7-13 5.14. 7-6) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance. In order to compute the " corresponding return to common stockholders," the " assumed return on portfolio

” is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense expected to be accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of the beginning of the period to determine the “ corresponding return to common stockholders. ” We may in the future determine to fund a portion of our investments with preferred stock, which is another form of leverage and would magnify the potential for loss and the risks of investing in us. Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the distributions on any preferred stock we issue must be cumulative. If we issue preferred securities they would rank “ senior ” to common stock in our capital structure. Payment of distributions on, and repayment of the liquidation preference of, such preferred stock would typically take preference over any distributions or other payments to our common stockholders. Also, preferred stockholders are not typically subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference. Furthermore, preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of our common stockholders. Also, the issuance of preferred securities could have the adverse effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in the best interest of stockholders. We may in the future determine to fund a portion of our investments with debt securities, which would magnify the potential for loss and the risks of investing in us. As a result of any issuance of debt securities and borrowings under the Credit Facility, the ~~2023 Notes, the 2026 Notes and, the 2031~~ **2036 - R Asset- Backed Debt and the 2036** Asset- Backed Debt, we would be exposed to typical risks associated with leverage, including an increased risk of loss and an increase in expenses, which are ultimately borne by our common stockholders. Payment of interest on such debt securities must take preference over any other distributions or other payments to our common stockholders. If we issue additional debt securities in the future, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. In addition, such securities may be rated by rating agencies, and in obtaining a rating for such securities, we may be required to abide by operating and investment guidelines that could further restrict our operating flexibility. Furthermore, any cash that we use to service our indebtedness would not be available for the payment of distributions to our common stockholders. Our credit ratings may not reflect all risks of an investment in our debt securities. Our credit ratings, if any, are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of any publicly issued debt securities. Our credit ratings may not reflect the potential impact of risks related to market conditions or other factors discussed above on the market value of, or trading market for, any publicly issued debt securities. Rating agencies have reviewed, and may continue to review, our credit ratings and those of other business development companies in light of the SBCAA as well as any corresponding changes to asset coverage ratios and, in certain cases, downgrade such ratings. Such a downgrade in our credit ratings may adversely affect our securities. Market conditions may make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. Our Credit Facility expires in August ~~2026~~ **2029**. We utilize proceeds from the Credit Facility to make investments in our portfolio companies. The duration of many of our investments exceeds the duration of our indebtedness under the Credit Facility. This means that we will have to extend the maturity of the Credit Facility or refinance our indebtedness under the Credit Facility in order to avoid selling investments at maturity of the Credit Facility, at which time such sales may be at prices that are disadvantageous to us, which could materially damage our business. In addition, future market conditions may affect our ability to renew or refinance the Credit Facility on terms as favorable as those in our existing Credit Facility. If we fail to extend or refinance the indebtedness outstanding under the Credit Facility by the time it becomes due and payable, the administrative agent of the Credit Facility may elect to exercise various remedies, including the sale of all or a portion of the collateral securing the Credit Facility, subject to certain restrictions, any of which could have a material adverse effect on our business, financial condition and results of operations. The illiquidity of our investments may make it difficult for us to sell such investments. If we are required to sell our investments on short- term notice, we may not receive the value that we have recorded for such investments, and this could materially affect our results of operations. We may not receive cash on our equity interests from Funding I. Except for management fees that PennantPark Investment Advisers has irrevocably directed to be paid to us, we receive cash from Funding I only to the extent that we receive distributions on our equity interests in Funding I. Funding I may make equity distributions on such interests only to the extent permitted by the payment priority provisions of the Credit Facility. The Credit Facility generally provides that payments on such interests may not be made on any payment date unless all amounts owing to the Lenders and other secured parties are paid in full. In the event that we fail to receive cash from Funding I, we could be unable to make distributions to our stockholders in amounts sufficient to maintain our ability to be subject to tax as a RIC. We also could be forced to sell investments in portfolio companies at less than their fair value in order to continue making such distributions. There are significant potential conflicts of interest which could impact our investment returns. The professionals of the Investment Adviser and Administrator may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by affiliates of us that currently exist or may be formed in the future. The Investment Adviser and Administrator may be engaged by such funds at any time and without the prior approval of our stockholders or our board of directors. Our board of directors monitors any potential conflict that may arise upon such a development. Accordingly, if this occurs, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. Currently, the executive officers and directors, as well as the current senior investment professionals of the Investment Adviser, may serve as officers and directors of our affiliated funds. In addition, we note that any affiliated investment vehicles currently formed or formed in the future and managed by the Investment Adviser or its affiliates may have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. As a result, the Investment Adviser may face conflicts in allocating investment opportunities between us and such other entities. Although the Investment Adviser will endeavor to allocate investment opportunities in a fair and

equitable manner, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by the Investment Adviser or an investment manager affiliated with the Investment Adviser. In any such case, when the Investment Adviser identifies an investment, it is forced to choose which investment fund should make the investment. We may co-invest on a concurrent basis with any other affiliates that the Investment Adviser currently has or forms in the future, subject to compliance with applicable regulations and regulatory guidance, our exemptive relief and our allocation procedures. In the ordinary course of our investing activities, we pay investment advisory and incentive fees to the Investment Adviser, and reimburse the Investment Adviser for certain expenses it incurs. As a result, investors in our common stock invest on a “gross” basis and receive distributions on a “net” basis after expenses, resulting in a lower rate of return than an investor might achieve through direct investments. Accordingly, there may be times when the management team of the Investment Adviser has interests that differ from those of our stockholders, giving rise to a conflict. For example, the Investment Adviser may seek to invest in more speculative investments in order to increase its incentive fee, which practice could result in higher investment losses, particularly during economic downturns. We have entered into the License Agreement with PennantPark Investment Advisers, pursuant to which the Investment Adviser has agreed to grant us a royalty-free non-exclusive license to use the name “PennantPark.” The License Agreement will expire (i) upon expiration or termination of the Investment Management Agreement, (ii) if the Investment Adviser ceases to serve as our investment adviser, (iii) by either party upon 60 days’ written notice or (iv) by the Investment Adviser at any time in the event we assign or attempt to assign or sublicense the License Agreement or any of our rights or duties thereunder without the prior written consent of the Investment Adviser. Other than with respect to this limited license, we have no legal right to the “PennantPark” name. In addition, we pay PennantPark Investment Administration, an affiliate of the Investment Adviser, our allocable portion of overhead and other expenses incurred by PennantPark Investment Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. These arrangements may create conflicts of interest that our board of directors must monitor. We are subject to risks associated with cybersecurity and cyber incidents. Our business relies on secure information technology systems. These systems are subject to potential attacks, including through adverse events that threaten the confidentiality, integrity or availability of our information resources (i. e., cyber incidents). These attacks could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption and result in disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, any of which could have a material adverse effect on our business, financial condition and results of operations. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by the Investment Adviser and third-party service providers. We, along with our Investment Adviser, have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of the risk of a cyber incident, may be ineffective and do not guarantee that a cyber incident will not occur or that our financial results, operations or confidential information will not be negatively impacted by such an incident. In addition, the costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Furthermore, cybersecurity continues to be a key priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage. We may experience fluctuations in our quarterly results. We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in, and the timing of the recognition of, realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. However, as a result of our irrevocable election to apply the fair value option to the Credit Facility, future decreases of fair value of our debt is expected to have a corresponding increase to our NAV. Similarly, future increases in the fair value of our debt may have a corresponding decrease to our NAV. Any future indebtedness that we elect the fair value option for may have similar effects on our NAV as the Credit Facility. This is expected to mitigate volatility in our earnings and NAV. As a result, results for any period should not be relied upon as being indicative of future performance. We may in the future issue securities for which there is no public market and for which we expect no public market to develop. In order to raise additional capital, we may issue debt or other securities for which no public market exists, and for which no public market is expected to develop. If we issue shares of our common stock as a component of a unit security, we would expect the common stock to separate from the other securities in such unit after a period of time or upon occurrence of an event and to trade publicly on ~~The the~~ New York Stock Exchange and the ~~TASE~~, which may cause volatility in our publicly traded common stock. To the extent we issue securities for which no public market exists and for which no public market develops, a purchaser of such securities may not be able to liquidate the investment without considerable delay, if at all. If a market should develop for our debt and other securities, the price may be highly volatile, and our debt and other securities may lose value. If we issue preferred stock, debt securities or convertible debt securities the NAV and market value of our common stock may become more volatile. We cannot assure you that the issuance of preferred stock and / or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities and / or convertible debt would likely cause the NAV and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced or entirely eliminated. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline

in the NAV of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in NAV to the holders of our common stock than if we were not leveraged through the issuance of preferred stock, debt securities or convertible debt. This decline in NAV would also tend to cause a greater decline in the market price for our common stock. There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios or other covenants which may be required by the preferred stock, debt securities and / or convertible debt or risk a downgrade in the ratings of the preferred stock, debt securities and / or convertible debt or our current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities, convertible debt or any combination of these securities may have different interests than holders of common stock and may at times have disproportionate influence over our business. The ability to sell investments held by Funding I is limited. The Credit Facility places restrictions on the collateral manager's ability to sell investments. As a result, there may be times or circumstances during which the collateral manager is unable to sell investments or take other actions that might be in our best interests. The trading market or market value of any publicly issued debt or convertible debt securities may be volatile. If we publicly issue debt or convertible debt securities, they initially will not have an established trading market. We cannot assure investors that a trading market for our publicly issued debt or convertible debt securities would develop or be maintained if developed. In addition to our creditworthiness, many factors may have a material adverse effect on the trading market for, and market value of, our publicly issued debt or convertible debt securities. These factors include the following: • the time remaining to the maturity of these debt securities; • the outstanding principal amount of debt securities with terms identical or similar to these debt securities; • the supply of debt securities trading in the secondary market, if any; • the redemption, repayment or convertible features, if any, of these debt securities; • the level, direction and volatility of market interest rates; and • market rates of interest higher or lower than rates borne by the debt securities. There also may be a limited number of buyers for our debt securities. This too may have a material adverse effect on the market value of the debt securities or the trading market for the debt securities. Our debt securities may include convertible features that cause them to more closely bear risks associated with an investment in our common stock. Terms relating to debt redemption may have a material adverse effect on the return on any debt securities. If we issue debt securities that are redeemable at our option, we may choose to redeem the debt securities at times when prevailing interest rates are lower than the interest rate paid on the debt securities. In addition, if the debt securities are subject to mandatory redemption, we may be required to redeem the debt securities at times when prevailing interest rates are lower than the interest rate paid on the debt securities. In this circumstance, a holder of our debt securities may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the debt securities being redeemed. If we issue subscription rights or warrants for our common stock, your interest in us may be diluted as a result of such rights or warrants offering. Stockholders who do not fully exercise rights or warrants issued to them in an offering of subscription rights or warrants to purchase our common stock should expect that they will, at the completion of an offering, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights or warrants. We cannot state precisely the amount of any such dilution in share ownership because we do not know what proportion of the common stock would be purchased as a result of any such offering. In addition, if the subscription price or warrant exercise price is less than our NAV per share of common stock at the time of an offering, then our stockholders would experience an immediate dilution of the aggregate NAV of their shares as a result of the offering. The amount of any such decrease in NAV is not predictable because it is not known at this time what the subscription price, warrant exercise price or NAV per share will be on the expiration date of such rights offering or what proportion of our common stock will be purchased as a result of any such offering. Changes in laws or regulations governing our operations or those of our portfolio companies may adversely affect our business. We and our portfolio companies are subject to laws and regulations at the U. S. federal, state and local levels and, in some cases, foreign levels. These laws and regulations, as well as their interpretation, may change from time to time, and new laws, regulations and interpretations may come into effect. Accordingly, any change in law and regulations, changes in administration or control of U. S. Congress, changes in interpretations, or newly enacted laws or regulations could have a material adverse effect on our business or the business of our portfolio companies. See "Business — Regulation" for more information. Over the past several years, there also has been increasing regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector may be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank lending could be materially adverse to our business, financial conditions and results of operation. We may experience fluctuations in our quarterly results. The United States may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States. Such actions could have a material adverse effect on our business, financial condition and results of operations. Our board of directors may change our investment objectives, operating policies and strategies without prior notice or stockholder approval. Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, under the 1940 Act, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our common stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions. Our business and operations could be negatively affected if we become subject to

stockholder activism, which could cause us to incur significant expense, hinder the execution of our investment strategy or impact our stock price. Stockholder activism, which could take many forms, including making public demands that we consider certain strategic alternatives, engaging in public campaigns to attempt to influence our corporate governance and / or our management, and commencing proxy contests to attempt to elect the activists' representatives or others to our board of directors, or arise in a variety of situations, has impacted the BDC space. While we are currently not subject to any stockholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of stockholder activism. Stockholder activism could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such stockholder activism could give rise to perceived uncertainties as to our future and adversely affect our relationships with service providers and our portfolio companies. Also, we may be required to incur significant legal and other expenses related to any activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any stockholder activism.

RISKS RELATING TO THE ILLIQUID NATURE OF OUR PORTFOLIO ASSETS ~~ASSETS~~ **ASSETS** We invest in illiquid assets, and our valuation procedures with respect to such assets may result in recording values that are materially different than the values we ultimately receive upon disposition of such assets. All of our investments are recorded using broker or dealer quotes, if available, or at fair value as determined in good faith by our board of directors. We expect that most, if not all, of our investments (other than cash and cash equivalents) and the fair value of the Credit Facility will be classified as Level 3 under the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 820, Fair Value Measurements and Disclosures, or ASC 820. This means that the portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability. We expect that inputs into the determination of fair values of our portfolio investments and Credit Facility borrowings will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and / or quotes accompanied by such a disclaimer materially reduces the reliability of such information. As a result, there will be uncertainty as to the value of our portfolio investments. Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. In determining fair value in good faith, we generally obtain financial and other information from portfolio companies, which may represent unaudited, projected or pro forma financial information. Unlike banks, we are not permitted to provide a general reserve for anticipated loan losses; we are instead required by the 1940 Act to specifically fair value each individual investment on a quarterly basis. We record unrealized appreciation if we believe that our investment has appreciated in value. Likewise, we record unrealized depreciation if we believe that our investment has depreciated in value. We adjust quarterly the valuation of our portfolio to reflect our board of directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded on our Consolidated Statements of Operations as net change in unrealized appreciation or depreciation. All of our investments are recorded at fair value as determined in good faith by our board of directors. Our board of directors uses the services of nationally recognized independent valuation firms to aid it in determining the fair value of our investments. The factors that may be considered in fair value pricing of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and cash flows, the markets in which the portfolio company does business, comparison to publicly traded companies and other relevant factors. Because valuations may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the value received in an actual transaction. Additionally, valuations of private securities and private companies are inherently uncertain. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially lower than the values that we ultimately realize upon the disposal of such investments. The lack of liquidity in our investments may adversely affect our business. We may acquire our investments directly from the issuer in privately negotiated transactions. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. We typically exit our investments when the portfolio company has a liquidity event such as a sale, refinancing, or initial public offering of the company, but we are generally not required to do so. The illiquidity of our investments may make it difficult or impossible for us to sell such investments if the need arises, particularly at times when the market for illiquid securities is substantially diminished. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company. Investments purchased by us that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the investments, market events, economic conditions or investor perceptions. Domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other market, economic or regional sectors in a manner that may not be foreseen and which may materially harm our business. A general disruption in the credit markets could materially damage our business. We are susceptible to the risk of significant loss if we are forced to discount the value of our investments in order to provide liquidity to meet our debt maturities. Funding I's borrowings under its Credit Facility are collateralized by the assets in our investment portfolio. A general disruption in the credit markets could result in diminished demand for our securities. In addition, with respect to over-the-counter traded securities, the continued viability of any over-the-counter secondary market depends on the continued willingness of dealers and other participants to purchase the securities. If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratio stipulated by the 1940 Act, which could, in turn, cause us to lose our status as a BDC and materially impair our business operations. Our liquidity could be

impaired further by an inability to access the capital markets or to draw down Funding I's Credit Facility. These situations may arise due to circumstances that we may be unable to control, such as a general disruption in the credit markets, a severe decline in the value of the U. S. dollar, an economic downturn or recession or an operational problem that affects our counterparties or us, and could materially damage our business. We may invest in over-the-counter securities, which have and may continue to face liquidity constraints, to provide us with liquidity. The market for over-the-counter traded securities has and may continue to experience limited liquidity and other weakness as the viability of any over-the-counter secondary market depends on the continued willingness of dealers and other participants to purchase the securities. RISKS RELATING TO OUR

INVESTMENTS **INVESTMENTS** Our Our investments in prospective portfolio companies may be risky, and an investor could lose all or part of an investment. We intend to invest primarily in floating rate loans, which may consist of first lien secured debt, second lien secured debt, subordinated debt and selected equity investments issued by U. S. middle-market companies. **1.** Floating Rate Loans: The floating rate loans we invest in are usually rated below investment grade or may also be unrated. Investments in floating rate loans rated below investment grade are considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to us, and such defaults could reduce our NAV and income distributions. An economic downturn would generally lead to a higher default rate by portfolio companies. A floating floating rate loan may lose significant market value before a default occurs and we may experience losses due to the inherent illiquidity of the investments. Moreover, any specific collateral used to secure a floating rate loan may decline in value or become illiquid, which would adversely affect the floating rate loan's fair value. Floating rate loans are subject to a number of risks, including liquidity risk and the risk of investing in below investment grade, variable-rate securities. Floating rate loans are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to us, a reduction in the fair value of the investment and a potential decrease in our NAV. There can be no assurance that the liquidation of any collateral securing a floating rate loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that the collateral could be readily liquidated. In the event of bankruptcy or insolvency of a borrower, we could experience delays or limitations with respect to our ability to realize the benefits of the collateral securing a floating rate loan. The collateral securing a floating rate loan may lose all or substantially all of its value in the event of the bankruptcy or insolvency of a borrower. Some loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the rights in collateral of such loans to presently existing or future indebtedness of the borrower or take other actions detrimental to the holders of loans including, in certain circumstances, invalidating such loans or causing interest previously paid to be refunded to the borrower. Either such action could materially negatively affect our performance. We may acquire floating rate loans through assignments or participations of interests in such loans. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to such debt obligation. However, the purchaser's rights can be more restricted than those of the assigning institution, and we may not be able to unilaterally enforce all rights and remedies under an assigned debt obligation and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest and not directly with the borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. In purchasing participations, we generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and we may not directly benefit from the collateral supporting the debt obligation in which we have purchased the participation. As a result, we will be exposed to the credit risk of both the borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, we will not be able to conduct the same level of due diligence on a borrower or the quality of the floating rate loan with respect to which we are buying a participation as we would conduct if we were investing directly in the floating rate loan. This difference may result in us being exposed to greater credit or fraud risk with respect to such floating rate loans than we expected when initially purchasing the participation. Floating rate loans can be first lien secured debt, second lien secured debt or subordinated debt. **2.** First Lien Secured Debt: When we extend first lien secured debt, we will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries, although this may not always be the case. We expect this security interest, if any, to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a first lien secured debt investment is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies. **3.** Second Lien Secured Debt: Our second lien secured debt usually ranks junior in priority of payment to first lien secured debt. Second lien secured debt holds a second priority with regard to right of payment in the event of insolvency. Second lien secured debt ranks senior to subordinated debt and common and preferred equity in borrowers' capital structures. This may result in an above average amount of risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income. Since we may not receive cash interest or principal prior to the maturity of some of our second lien secured debt investments, such investments may be of greater risk than cash paying loans. **4.** Subordinated Debt: Our subordinated debt usually ranks junior in priority of payment to first lien secured debt and second lien secured debt, and are often unsecured. As such, other creditors may rank senior to us in the event of insolvency. Subordinated debt ranks senior to common and preferred equity in borrowers' capital

structures. This may result in an above average amount of risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income. Since we may not receive cash interest or principal prior to the maturity of some of our subordinated debt investments, such investments may be of greater risk than cash paying loans.

5. Equity Investments: We have made and expect to continue to make select equity investments, all of which are subordinated to debt investments. In addition, when we invest in first lien secured debt, second lien secured debt or subordinated debt, we may acquire warrants to purchase equity investments from time to time. Our goal is ultimately to dispose of these equity investments and realize gains upon our disposition of such interests. However, the equity investments we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity investments, and any gains that we do realize on the disposition of any equity investments may not be sufficient to offset any other losses we experience. In addition, many of the equity securities in which we invest may not pay dividends on a regular basis, if at all. Furthermore, we may hold equity investments in partnerships through a taxable subsidiary for federal income tax purposes. Upon sale or exit of such investment, we may pay taxes at regular corporate tax rates, which will reduce the amount of gains or dividends available for distributions to our stockholders. In addition, investing in middle-market companies involves a number of significant risks, including:

- companies may be highly leveraged, have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- they typically have shorter operating histories, more limited publicly available information, narrower product lines, more concentration of revenues from customers and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our Investment Adviser may be named as defendants in litigation arising from our investments in the portfolio companies; and
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to refinance their outstanding indebtedness upon maturity.

Under the 1940 Act, we may invest up to 30 % of our assets in investments that are not qualifying assets for BDCs. If we do not invest a sufficient portion of our assets in qualifying assets, we could be precluded from investing in assets that we deem to be attractive. As a BDC, we may not acquire any asset other than qualifying assets, as defined under the 1940 Act, unless at the time the acquisition is made such qualifying assets represent at least 70 % of the value of our total assets. Qualifying assets include investments in U. S. operating companies whose securities are not listed on a national securities exchange and companies listed on a national securities exchange subject to a maximum market capitalization of \$ 250 million. Qualifying assets also include cash, cash equivalents, government securities and high quality debt securities maturing in one year or less from the time of investment. We believe that most of our debt and equity investments do and will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we have not invested a sufficient portion of our assets in qualifying assets at the time of a proposed investment, we will be prohibited from making any additional investment that is not a qualifying asset and could be forced to forgo attractive investment opportunities. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss. We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we generally are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer. We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer, excluding limitations on investments in other investment companies and compliance with the RIC tax regulations. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the Diversification Requirements, we do not have fixed guidelines for portfolio diversification, and our investments could be concentrated in relatively few portfolio companies or industries. Although we are classified as a non-diversified investment company within the meaning of the 1940 Act, we maintain the flexibility to operate as a diversified investment company and have done so for an extended period of time. To the extent that we operate as a non-diversified investment company in the future, we may be subject to greater risk. Economic recessions or downturns could impair our portfolio companies and harm our operating results. Many of our portfolio companies are susceptible to economic or industry centric slowdowns or recessions and may be unable to repay debt from us during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a material decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us.

These events could prevent us from increasing investments and materially harm our operating results. A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and potential termination of its debt and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company, and any restructuring could further cause adverse effects on our business. Depending on the facts and circumstances of our investments and the extent of our involvement in the management of a portfolio company, upon the bankruptcy of a portfolio company, a bankruptcy court may recharacterize our debt investments as equity investments and subordinate all or a portion of our claim to that of other creditors. This could occur regardless of how we may have structured our investment. In addition, we cannot assure you that a bankruptcy court would not take actions contrary to our interests. If we fail to make follow-on investments in our portfolio companies, this could materially impair the value of our portfolio. Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: • increase or maintain in whole or in part our equity ownership percentage; • exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or • attempt to preserve or enhance the value of our investment. We have the discretion to make any follow-on investments, subject to the availability of capital resources and regulatory considerations. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. Any failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful transaction or business. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are inhibited by compliance with BDC requirements or the desire to maintain our RIC tax status. Because we generally do not hold controlling equity interests in our portfolio companies, we are not in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments. Because we generally do not hold controlling equity positions in our portfolio companies, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the market value of our investments. An investment strategy focused primarily on privately held companies, including controlling equity interests, presents certain challenges, including the lack of available or comparable information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns. We have invested and intend to continue to invest primarily in privately held companies. Generally, little public information exists about these companies, and we rely on the ability of our Investment Adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If they are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose value on our investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could have a material adverse impact on our investment returns as compared to companies investing primarily in the securities of public companies. Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies and our portfolio companies may be highly leveraged. We invest primarily in floating rate loans issued by our portfolio companies. The portfolio companies usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, our investments, and they may be highly leveraged. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to our debt investments. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. Our incentive fee may induce the Investment Adviser to make speculative investments. The incentive fee payable by us to PennantPark Investment Advisers may create an incentive for PennantPark Investment Advisers to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to our Investment Adviser is calculated based on a percentage of our NAV. This may encourage our Investment Adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock. In addition, our Investment Adviser will receive the incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle applicable to the portion of the incentive fee based on net capital gains. As a result, the Investment Adviser may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. The part of our incentive fee payable by us to PennantPark Investment Advisers that relates to net investment income is computed and paid on income that has been accrued but that has not been received in cash. PennantPark Investment Advisers is not obligated to reimburse us for any such incentive fees even if we subsequently incur losses or never receive in cash the deferred income that was previously accrued. As a result, there is a risk that we will pay

incentive fees with respect to income that we never receive in cash. Any investments in distressed debt may not produce income and may require us to bear large expenses in order to protect and recover our investment. Distressed debt investments may not produce income and may require us to bear certain additional expenses in order to protect and recover our investment. Therefore, to the extent we invest in distressed debt, our ability to achieve current income for our stockholders may be diminished. We also will be subject to significant uncertainty as to when, in what manner and for what value the distressed debt in which we invest will eventually be satisfied (e. g., through liquidation of the obligor' s assets, an exchange offer or plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt we hold, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by us upon completion of an exchange offer or plan of reorganization may be restricted as to resale. If we participate in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, we may be restricted from disposing of such securities. Our investments in foreign securities may involve significant risks in addition to the risks inherent in U. S. investments. Our investment strategy contemplates potential investments in securities of companies located outside of the United States. Investments in securities of companies located outside the United States would not be qualifying assets under Section 55 (a) of the 1940 Act. Investing in companies located outside of the United States may expose us to additional risks not typically associated with investing in U. S. companies. These risks include changes in exchange control regulations, political, economic and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Although most of our investments will be U. S. dollar- denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of interest rates, differences in relative values of similar assets in different currencies, long- term opportunities for investment and capital appreciation, and economic and political developments. We may employ hedging techniques such as using the Credit Facility' s multicurrency capability to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or, that if we do, such strategies will be effective. We may make investments that cause our stockholders to bear investment advisory fees and other expenses on such investments in addition to our management fees and expenses. We may invest, to the extent permitted by law, in the securities and instruments of other investment companies and companies that would be investment companies but are excluded from the definition of an investment company provided in Section 3 (c) of the 1940 Act. To the extent we so invest, we will bear our ratable share of any such investment company' s expenses, including management and performance fees. We will also remain obligated to pay investment advisory fees, consisting of a base management fee and an incentive fee, to PennantPark Investment Advisers with respect to investments in the securities and instruments of other investment companies under our Investment Management Agreement. With respect to any such investments, each of our stockholders will bear his or her share of the investment advisory fees of PennantPark Investment Advisers as well as indirectly bearing the investment advisory fees and other expenses of any investment companies in which we invest. We may be obligated to pay our Investment Adviser incentive compensation even if we incur a loss. Our Investment Adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. Our Pre- Incentive Fee Net Investment Income for incentive compensation purposes excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our Consolidated Statements of Operations for that quarter. Thus, we may be required to pay the Investment Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio, NAV or we incur a net loss for that quarter. In addition, increases in interest rates may increase the amount of incentive fees we pay to the Investment Adviser even though our performance relative to the market has not increased. We may invest in derivatives or other assets that expose us to certain risks, including market risk, liquidity risk, counterparty risk, operational and legal risk and other risks similar to those associated with the use of leverage. The Company may invest in derivatives and other assets that are subject to many of the same types of risks related to the use of leverage. Derivative transactions, if any, will generally create leverage for the Company and involve significant risks. The primary risks related to derivative transactions include counterparty, correlation, liquidity, leverage, volatility, over- the- counter trading, operational and legal risks. In addition, a small investment in derivatives could have a large potential impact on our performance, effecting a form of investment leverage on our portfolio. In certain types of derivative transactions, the Company could lose the entire amount of its investment; in other types of derivative transactions the potential loss is theoretically unlimited. Under SEC Rule 18f- 4 under the 1940 Act (" Rule 18f- 4 "), related to the use of derivatives, short sales, reverse repurchase agreements and certain other transactions by registered investment companies, the Company is permitted to enter into derivatives and other transactions that create future payment or delivery obligations, including short sales, notwithstanding the senior security provisions of the 1940 Act if it complies with certain value- at- risk leverage limits and derivatives risk management program and board oversight and reporting requirements or comply with a " limited derivatives users " exception. Rule 18f- 4 also permits the Company to enter into reverse repurchase agreements or similar financing transactions notwithstanding the senior security provisions of the 1940 Act if the Company aggregates the amount of indebtedness associated with our reverse repurchase agreements or similar financing transactions with the aggregate amount of any other senior securities representing indebtedness when calculating the asset coverage ratios as discussed herein. In addition, the Company is permitted to invest in a security on a when- issued or forward- settling basis, or with a non- standard settlement cycle, and the transaction will be deemed not to involve a senior

security under the 1940 Act, provided that (i) the Company intends to physically settle the transaction and (ii) the transaction will settle within 35 days of its trade date (the “Delayed- Settlement Securities Provision”). The Company may otherwise engage in such transactions that do not meet the conditions of the Delayed- Settlement Securities Provision so long as the Company treats any such transaction as a “ derivatives transaction ” for purposes of compliance with the rule. Furthermore, the Company is permitted to enter into an unfunded commitment agreement, and such unfunded commitment agreement will not be subject to the asset coverage requirements under the 1940 Act, if the Company reasonably believes, at the time it enters into such agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all such agreements as they come due. The Company cannot predict the effects of these requirements. The Company has adopted updated policies and procedures in compliance with Rule 18f- 4. The Company expects to qualify as a “ limited derivatives user. ” Future legislation or rules may modify how the Company treats derivatives and other financial arrangements for purposes of the Company’ s compliance with the leverage limitations of the 1940 Act. Future legislation or rules, may modify how leverage is calculated under the 1940 Act and, therefore, may increase or decrease the amount of leverage currently available to the Company under the 1940 Act, which may be materially adverse to the Company and the Company’ s Investors.

RISKS RELATING TO AN INVESTMENT IN OUR COMMON STOCK ~~STOCK~~ ~~STOCK~~ We may obtain the approval of our stockholders to issue shares of our common stock at prices below the then current NAV per share of our common stock. If we receive such approval from stockholders in the future, we may issue shares of our common stock at a price below the then current NAV per share of common stock. Any such issuance could materially dilute your interest in our common stock and reduce our NAV per share. We may seek to obtain from our stockholders and they may approve a proposal that authorizes us to issue shares of our common stock at prices below the then current NAV per share of our common stock in one or more offerings for a 12- month period. Such approval would allow us to access the capital markets in a way that we were previously unable to do as a result of restrictions that, absent stockholder approval, apply to BDCs under the 1940 Act. Any sale or other issuance of shares of our common stock at a price below NAV per share will result in an immediate dilution to your interest in our common stock and a reduction of our NAV per share. This dilution would occur as a result of a proportionately greater decrease in a stockholder’ s interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our NAV per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We also cannot determine the resulting reduction in our NAV per share of any such issuance at this time. We caution you that such effects may be material, and we undertake to describe all the material risks and dilutive effects of any offerings we make at a price below our then current NAV in the future in a prospectus supplement issued in connection with any such offering. The determination of NAV in connection with an offering of shares of common stock will involve the determination by our board of directors or a committee thereof that we are not selling shares of our common stock at a price below the then current NAV of our common stock at the time at which the sale is made or otherwise in violation of the 1940 Act, unless we have previously received the consent of the majority of our common stockholders to do so and the board of directors decides such an offering is in the best interests of our common stockholders. Whenever we do not have current stockholder approval to issue shares of our common stock at a price per share below our then current NAV per share, the offering price per share (after any distributing commission or discount) will equal or exceed our then current NAV per share, based on the value of our portfolio securities and other assets determined in good faith by our board of directors as of a time within 48 hours (excluding Sundays and holidays) of the sale. There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time. We intend to make distributions on a monthly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year- to- year increases in cash distributions. In addition, due to the asset coverage ratio requirements applicable to us as a BDC, we may be limited in our ability to make distributions. Further, we may be forced to liquidate some of our investments and raise cash in order to make distribution payments, which could materially harm our business. Finally, to the extent we make distributions to stockholders which include a return of capital, that portion of the distribution essentially constitutes a return of the stockholders’ investment. Although such return of capital may not be taxable, such distributions may increase an investor’ s tax liability for capital gains upon the future sale of our common stock. Investing in our shares may involve an above average degree of risk. The investments we make in accordance with our investment objectives may result in a higher amount of risk and volatility than alternative investment options or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in our shares may not be suitable for someone with lower risk tolerance. Sales of substantial amounts of our securities may have an adverse effect on the market price of our securities. Sales of substantial amounts of our securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for our securities. If this occurs and continues it could impair our ability to raise additional capital through the sale of securities should we desire to do so. We may allocate the net proceeds from any offering of our securities in ways with which you may not agree. We have significant flexibility in investing the net proceeds of any offering of our securities and may use the net proceeds from an offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering. Our shares may trade at discounts from NAV or at premiums that are unsustainable over the long term. Shares of BDCs may trade at a market price that is less than the NAV that is attributable to those shares. Our shares have traded above and below our NAV. Our shares closed on The New York Stock Exchange at \$ **11.57** and \$ **10.66** and \$ **9.60** on September 30, **2024** and ~~2023~~ and ~~2022~~, respectively. Our NAV per share was \$ **11.13** and \$ **11.62** as of the same dates, respectively. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV will decrease. It is not possible to predict whether our shares will trade at, above or below NAV in the future. The market price of our common stock may fluctuate significantly. The market price and liquidity of the market for shares of our common stock may be significantly affected by

numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include: • significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies; • changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs; • any loss of our BDC or RIC status; • changes in earnings or variations in operating results; • changes in prevailing interest rates; • changes in the value of our portfolio of investments; • any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts; • the inability of our Investment Adviser to employ additional experienced investment professionals or the departure of any of the Investment Adviser's key personnel; • operating performance of companies comparable to us; • general national and international economic trends and other external factors; • general price and volume fluctuations in the stock markets, including as a result of short sales; • conversion features of subscription rights, warrants or convertible debt; and • loss of a major funding source. Since our initial listing on The Nasdaq Global Select Market to our voluntarily withdrawal of the principal listing of common shares from the Nasdaq Stock Market LLC effective at market close on April 13, 2022 and subsequent listing and trading of the Company's common stock on the New York Stock Exchange, which commenced April 14, 2022, our shares of common stock have traded at a wide range of prices. We can offer no assurance that our shares of common stock will not display similar volatility in future periods. We may be unable to invest the net proceeds raised from offerings on acceptable terms, which would harm our financial condition and operating results. Until we identify new investment opportunities, we intend to either invest the net proceeds of future offerings in cash equivalents, U. S. government securities and other high- quality debt investments that mature in one year or less or use the net proceeds from such offerings to reduce then- outstanding obligations under the Credit Facility or any future credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment selection criteria or that any investment we complete using the proceeds from an offering will produce a sufficient return. There is a risk that our common stockholders may receive our stock as distributions in which case they may be required to pay taxes in excess of the cash they receive. We may distribute our common stock as a dividend of our taxable income and a stockholder could receive a portion of the dividends declared and distributed by us in shares of our common stock with the remaining amount in cash. Revenue Procedures issued by the IRS allow a publicly offered regulated investment company (including a BDC) to distribute its own stock as a dividend for the purpose of fulfilling its distribution requirements, if certain conditions are satisfied. As long as a portion of such dividend is paid in cash (which portion may be as low as 20 % of such dividend) and certain requirements are met, the entire distribution will be treated as a dividend for U. S. federal income tax purposes. As a result, a stockholder will be considered to have recognized dividend income generally equal to the fair market value of the stock paid by us plus cash received with respect to such dividend. The total dividend declared would be taxable income to a stockholder even though he or she may only receive a relatively small portion of the dividend in cash to pay any taxes due on the dividend. We have not elected to distribute stock as a dividend but reserve the right to do so. Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock. The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. We are subject to the Maryland Business Combination Act, or the Business Combination Act, the application of which is subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. In addition, our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our common stock by any person. If we amend our bylaws to repeal the exemption from such act, it may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer. Our bylaws require us to consult with the SEC staff before we repeal such exemption. Also, our charter provides for classifying our board of directors in three classes serving staggered three- year terms, and provisions of our charter authorize our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These anti- takeover provisions may inhibit a change of control in circumstances that could give our stockholders the opportunity to realize a premium over the market price for our common stock.

RISKS RELATING TO AN INVESTMENT IN OUR DEBT SECURITIES Risks Relating to Our ~~2023-2026~~ Notes

~~Notes~~ The ~~2023-2026~~ Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future. The ~~2023-2026~~ Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the ~~2023-2026~~ Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) 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 and the secured indebtedness of our subsidiaries 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 ~~2023-2026~~ Notes. As of September 30, ~~2023-2024~~, we had \$ ~~443.9~~ -4 million outstanding under the Credit Facility. The Credit Facility is secured by substantially all of the assets of Funding I, and the indebtedness under the Credit Facility is therefore effectively senior in right of payment to the ~~2023-2026~~ Notes to the extent of the value of such assets. The ~~2023-2026~~ Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. The ~~2023-2026~~ Notes are obligations exclusively of PennantPark Floating Rate Capital Ltd. and not of any of our subsidiaries. None of our subsidiaries is or acts as a guarantor of the ~~2023-2026~~ Notes, and the ~~2023-2026~~ Notes are not required to be guaranteed by any subsidiaries we may acquire or create

in the future. **Our secured indebtedness with respect to the Credit Facility is held through Funding I, and our secured indebtedness with respect to the 2036 Asset- Backed Debt and 2036- R Asset- Backed Debt, (collectively, the " Asset- Backed Debt") is held through the 2036 Securitization Issuer and the 2036- R Securitization Issuers, respectively. The assets of any such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the 2026 Notes.** Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the 2023-2026 Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the 2023-2026 Notes are will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. The **indenture** 2023 Notes are linked to the U. S. Dollar and therefore holders of the 2023 Notes are subject to currency risk. Payments of principal and interest under the 2023 Notes will be adjusted for increases or decreases in the representative exchange rate of the U. S. Dollar to the New Israeli Shekel, or NIS, from the time of the public offering of the 2023 Notes. Accordingly, if such exchange rate declines, the rate of interest holders of the 2023 Notes receive in NIS terms effectively will be lower than the stated interest rate of the 2023 Notes and they will be entitled to receive fewer NIS upon repayment of the 2023 Notes than the par value thereof. If an active trading market does not develop for the 2023 Notes holders of the 2023 Notes may not be able to sell them. The 2023 Notes may trade at a discount to their initial offering price depending on prevailing interest rates, foreign currency exchange rates, the market for similar securities, our credit ratings, our financial condition or other relevant factors. We cannot assure holders of the 2023 Notes that a liquid trading market will develop for the 2023 Notes, that they will be able to sell their 2023 Notes at a particular time or that the price they receive when they sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the 2023 Notes may be harmed. Accordingly, investors may be required to bear the financial risk of an investment in the 2023 Notes for an indefinite period of time. The market price of the 2023 Notes may fluctuate. If an active trading market for the 2023 Notes does develop on the TASE, the 2023 Notes may trade at prices lower than the offering price. The trading price of the 2023 Notes depends on many factors, including: the prevailing exchange rate of the U. S. Dollar to the NIS; the market for similar securities; general political, economic and financial market conditions in Israel and globally; our issuance of debt or preferred equity securities; and our financial condition, results of operations and prospects. In addition, a downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the 2023 Notes, if any, or change in the debt markets could cause the liquidity or market value of the 2023 Notes to decline significantly. Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the 2023 Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the 2023 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. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of 2023 Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that they will not be lowered or withdrawn entirely if in the judgment of the rating agency future circumstances relating to the basis of our credit ratings, such as adverse changes in our company, so warrant. In addition, the interest rate payable under the 2023 Notes will increase in the event of certain ratings declines or if a rating agency ceases to rate the 2023 Notes for more than 21 days until such declines are reversed and / or the 2023 Notes are again rated by a rating agency. The deed of trust under which the 2023-2026 Notes were issued contains limited protection for **their respective** holders of the 2023 Notes. The **indenture** deed of trust under which the 2023-2026 Notes were issued offers limited protection **to for their respective** holders of the 2023 Notes. The terms of the **indenture** deed of trust and the 2023-2026 Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on each holder' s investment in the 2023 Notes. In particular, subject to the satisfaction of certain financial covenants, the terms of the deed of trust and the 2023 Notes will not place any restrictions on our or our subsidiaries' ability to: issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 2023 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 2023 Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 2023 Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 2023 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18 (a) (1) (A) as modified by Section 61 (a) (1) (2) of the 1940 Act or any successor provisions; 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 2023 Notes; sell assets; enter into transactions with affiliates; enter into sale and leaseback transactions; make investments; or create restrictions on the payment of dividends or other amounts to us from our subsidiaries. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 2023 Notes may have important consequences for holders of the 2023 Notes, including making it more difficult for us to satisfy our obligations with respect to the 2023 Notes or negatively affecting the trading value of the 2023 Notes. Other debt we issue or incur in the future could contain more protections for its holders than the deed of trust and the 2023 Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 2023 Notes. The optional redemption provision may materially adversely affect the return on the

2023 Notes. The 2023 Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option. We may choose to redeem the 2023 Notes at times when prevailing interest rates are lower than the interest rate paid on the 2023 Notes. In this circumstance, holders of the 2023 Notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the 2023 Notes being redeemed. If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the 2023 Notes. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, or under other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the 2023 Notes and substantially decrease the market value of the 2023 Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on 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. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the agreements relating to the Credit Facility, or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Credit Facility or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default and our lenders or debt holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Credit Facility, could proceed against the collateral securing the debt. Because the Credit Facility has, and any future debt will likely have, customary cross-default provisions, if the indebtedness thereunder or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. FATCA withholding may apply to payments to certain foreign entities. Payments made under the 2023 Notes to a foreign financial institution or non-financial foreign entity (including such an institution or entity acting as an intermediary) may be subject to a U. S. withholding tax of 30 % under the Foreign Account Tax Compliance Act (commonly known as “FATCA”) provisions of the Code. This U. S. withholding tax may apply to certain payments of interest on the 2023 Notes, unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Depending upon the status of a holder and the status of an intermediary through which any notes are held, the holder could be subject to this 30 % U. S. withholding tax in respect of any interest paid on the notes as well as any proceeds from the sale or other disposition of the notes. Proposed Treasury Regulations, if finalized in their present form, would eliminate the application of this 30 % U. S. withholding tax in respect of payments of certain gross proceeds. Pursuant to these proposed Treasury Regulations, we and any other applicable withholding agent may (but are not required to) rely on this proposed change to FATCA withholding until final regulations are issued or until such proposed Treasury Regulations are rescinded. Holders of the 2023 Notes should consult their own tax advisors regarding FATCA and how it may affect their investment in the 2023 Notes. It may be difficult to obtain and enforce civil judgments against us and our directors, officers and experts. We are a Maryland corporation and our principal executive offices are located in Miami, Florida. All of our assets are located outside of Israel. As a result, even though the deed of trust for the 2023 Notes is governed by Israeli law and any disputes thereunder are stipulated to be adjudicated in Israeli courts, holders of the 2023 Notes may have difficulty enforcing in Israel judgments they may obtain in an Israeli court against us. U. S. courts may refuse to hear a securities law claim of a non-U. S. investor who purchased our securities on the TASE. In addition, since our directors, officers and experts are located outside of Israel, it may be difficult serving legal process upon any of these persons. It also may be difficult enforcing judgments holders of the 2023 Notes may obtain in Israeli courts against us or those persons in any action, including actions based upon the civil liability provisions of U. S. securities laws. It may also be difficult to assert U. S. securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U. S. securities laws reasoning that Israel is not the most appropriate forum to bring such a claim. In particular, the Israeli Securities Law expressly authorizes Israeli courts to stay a securities lawsuit against a dual-listed company while a lawsuit on similar grounds is being adjudicated in a non-Israeli court. Subject to specified time limitations and legal procedures, under the rules of private international law currently prevailing in Israel, Israeli courts may enforce a U. S. judgment in a civil matter, including a judgment based upon the civil liability provisions of the U. S. securities laws, as well as a monetary or compensatory judgment in a non-civil matter, provided that the following key conditions are met: subject to limited exceptions, the judgment is final and non-appealable; the judgment was given by a court competent under the laws of the state of the court and is otherwise enforceable in such state; the judgment was rendered by a court competent under the rules of private international law applicable in Israel; the laws of the state in which the judgment was given provide for the enforcement of judgments of Israeli courts; adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence; the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel; the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and an action between the same parties in the same matter was not pending in any Israeli court at the time the lawsuit was instituted in the U. S. court.

Risks Relating to Our 2026 Notes The 2026 Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future. The 2026 Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the 2026 Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) 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 and the secured indebtedness of our subsidiaries 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 2026 Notes. As of September 30, 2023, we had \$9.4 million outstanding under the Credit Facility. The Credit Facility is secured by substantially all of the assets of Funding I, and the indebtedness under the Credit Facility is therefore effectively senior in right of payment to the 2026 Notes to the extent of the value of such assets. The 2026 Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. The 2026 Notes are obligations exclusively of PennantPark Floating Rate Capital Ltd. and not of any of our subsidiaries. None of our subsidiaries is or acts as a guarantor of the 2026 Notes, and the 2026 Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Our secured indebtedness with respect to the Credit Facility is held through Funding I, and our secured indebtedness with respect to the 2031 Asset-Backed Debt is held through the Securitization Issuer. The assets of any such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the 2026 Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the 2026 Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the 2026 Notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. The indenture under which the 2026 Notes were issued contains limited protection for their respective holders. The indenture under which the 2026 Notes were issued offers limited protection for their respective holders. The terms of the indenture and the 2026 Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on each holder's investment in the 2026 Notes. In particular, the terms of the indenture and the 2026 Notes do not place any restrictions on our or our subsidiaries' ability to: • issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 2026 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 2026 Notes to the extent of the values of the assets securing such debt, (3) indebtedness or other obligations of ours that are guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 2026 Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 2026 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18 (a) (1) (A) of the 1940 Act as modified by Section 61 (a) (1) and (2) of the 1940 Act or any successor provisions, as such obligations may be amended or superseded, giving effect to any exemptive relief granted to us by the SEC; • 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 2026 Notes; • sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets); • **enter into transactions with affiliates;** • create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions; • **make investments; or • create restrictions on the payment of dividends or other amounts to us from our subsidiaries.** In addition, the indenture will not require us to offer to purchase the 2026 Notes in connection with a change of control or any other event. Furthermore, the terms of the indenture and the 2026 Notes do not protect their respective holders in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 2026 Notes may have important consequences for their holders, including making it more difficult for us to satisfy our obligations with respect to the 2026 Notes or negatively affecting their trading value. Certain of our current debt instruments include more protections for their respective holders than the indenture and the 2026 Notes. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture governing the 2026 Notes and the 2026 Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 2026 Notes. The optional redemption provision may materially adversely affect your return on the 2026 Notes. The 2026 Notes will be redeemable in whole or in part upon certain conditions at any time, or from time to time, at our option, on or after January 1, 2026. We may choose to redeem the 2026 Notes at times when prevailing interest rates are lower than the interest rate paid on the 2026 Notes. In this circumstance, investors may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the 2026 Notes being redeemed. We may not be able to repurchase the 2026 Notes upon a Change of Control Repurchase Event. Upon the occurrence of a Change of Control Repurchase Event, as defined in the indenture governing the 2026 Notes, subject to certain conditions, we will be required to offer to repurchase all outstanding 2026 Notes at 100 % of their principal amount, plus accrued and unpaid interest. The source of funds for that purchase of 2026 Notes will be our available cash or cash generated from our operations or other potential sources, including borrowings, investment repayments, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of the 2026 Notes tendered. Before making any such repurchase of the 2026 Notes, we may have to comply with certain requirements under our then existing financing arrangements, such as the Credit Facility **and the 2023 Notes**. Our future debt instruments may also contain similar restrictions and provisions. If the holders of the 2026 Notes exercise their right to require

us to repurchase the 2026 Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our existing or future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the 2026 Notes or our other debt. While a trading market has developed after issuing the 2026 Notes, we cannot assure you that an active trading market for the 2026 Notes will be maintained. While a trading market developed after issuing the 2026 Notes, we cannot assure you that an active and liquid market for the 2026 Notes will be maintained. We do not intend to list the 2026 Notes on any securities exchange or for quotation of the 2026 Notes on any automated dealer quotation system. If the 2026 Notes are traded after their initial issuance, they may trade at a discount to their public offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters of the 2026 Notes may discontinue any market-making in the 2026 Notes at any time at their sole discretion. In addition, any market-making activity will be subject to limits imposed by law. Accordingly, we cannot assure you that a liquid trading market will be maintained for the 2026 Notes, that you will be able to sell the 2026 Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market is not maintained, the liquidity and trading price for the 2026 Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the 2026 Notes for an indefinite period of time. If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the 2026 Notes. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, the ~~2023 Notes, the 2031 Asset- Backed Debt~~ or under other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the 2026 Notes and substantially decrease the market value of the 2026 Notes. **If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on 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. In the event of such default, the holders of such indebtedness could** elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders or holders under the Credit Facility, the ~~2023 Notes, the 2031 Asset- Backed Debt~~ or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders or holders under the agreements relating to the Credit Facility, the ~~2023 Notes, the 2031 Asset- Backed Debt~~ or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Credit Facility, the ~~2023 Notes, the 2031 Asset- Backed Debt~~ or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default and our lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders or holders having secured obligations, including the lenders or holders under the Credit Facility and the ~~2031 Asset- Backed Debt~~, could proceed against the collateral securing such debt. Because the Credit Facility, ~~the 2023 Notes~~ and the ~~2031 Asset- Backed Debt~~ have, and any future debt will likely have, customary cross-default provisions, if the indebtedness thereunder or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. A downgrade, suspension or withdrawal of a credit rating assigned by a rating agency to us or our unsecured debt, if any, or change in the debt markets could cause the liquidity or market value of the 2026 Notes to decline significantly. Our credit ratings are an assessment by a rating agency of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the 2026 Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the 2026 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. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by a rating agency if in its judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. An increase in the competitive environment, inability to cover distributions, or increase in leverage could lead to a downgrade in our credit ratings and limit our access to the debt and equity markets capability impairing our ability to grow the business. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the 2026 Notes. **RISKS RELATING TO OUR DEBT SECURITIZATION** ~~SECURITIZATION~~ We are subject to certain risks as a result of our interests in connection with the ~~Debt 2036- R Securitization and the 2036 Securitization and~~ **Securitization and** our equity interest interests in the **2036- R Securitization Issuers and the 2036 Securitization Issuer**. On ~~September 19 July 25, 2019-2024~~, in connection **PennantPark CLO I, Ltd (the “ 2036- R Securitization Issuer ”), a wholly- owned and consolidated subsidiary of the Company, and PennantPark CLO I LLC, a wholly- owned subsidiary of the Issuer (the “ 2036- R Co- Securitization Issuer ” and, together with the Debt 2036- R Securitization and Issuer, the “ offering of the 2031 2036 - R Securitization Issuers ”), closed the refinancing and upsize of a four- year reinvestment period, twelve- year final maturity \$ 351. 0 million debt securitization in the form of a collateralized loan obligation (the “ 2036- R Securitization ”). The 2036- R Securitization was executed through the issuance and incurrence, as applicable, of the 2036- R Asset- Backed Debt by. As part of the 2036- R Securitization Issuers, we sold and / or contributed to the 2036- R Depositor certain senior loans made to certain of our portfolio companies, or the Securitization Loans, which the Depositor in turn sold and / or contributed to the Securitization Issuer in exchange for 100 % approximately \$ 277 million par amount of middle market loans** the Preferred Shares of the Securitization Issuer, 100 % **which loans constituted part of the initial**

Class D Secured Deferrable Floating Rate Notes issued by the Securitization Issuer, and a portion of **portfolio of assets securing the net cash proceeds received from the sale of the 2031-2036 - R Asset- Backed Debt** (Following these transfers, the other than the \$ 64 million of subordinated notes issued by the 2036- R Securitization Issuer pursuant to , and not the 2036- R Indenture) Depositor or us, held all of the ownership interest in the Securitization Loans. As a result of the Debt 2036- R Securitization, we hold, indirectly through the **CLO I Depositor , LLC, our wholly- owned subsidiary (the “ R- Depositor ”)** , 100 % of the equity interests in the 2036- R Securitization Issuers. As a result, we consolidate the financial statements of the Depositor and the 2036- R Securitization Issuers, as well as our other subsidiaries, in our consolidated financial statements. Because each of the Depositor 2036- R Securitization Issuers is disregarded as ~~and~~ **an entity separate from its owners for U. S. federal income tax purposes, the sale or contribution by us to the 2036- R Securitization Issuers, as applicable, did not constitute a taxable event for U. S. federal income tax purposes. If the IRS were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows. On February 22, 2024, we completed the 2036 Securitization, which was executed through the issuance and incurrence, as applicable, of the 2036 Asset- Backed Debt. by, our consolidated subsidiary, PennantPark CLO VIII, LLC, a Delaware limited liability company (the “ 2036 Securitization Issuer ”). As part of the 2036 Securitization, we sold and / or 2036 contributed via the Financing Subsidiary to the 2036 Securitization Issuer approximately \$ 265. 03 million par amount of middle market loans, which loans constituted part of the initial portfolio of assets securing the 2036 Asset- Backed Debt (other than the \$ 63. 55 million of subordinated notes issued pursuant to the 2036 Indenture). As a result of the 2036 Securitization, we hold, indirectly through the 2036 Financing Subsidiary, 100 % of the equity interests in the 2036 Securitization Issuer. As a result, we consolidate the financial statements of the 2036 Financing Subsidiary and the 2036 Securitization Issuer, as well as our other subsidiaries, in our consolidated financial statements. Because each of the 2036 Financing Subsidiary and the 2036 Securitization Issuer is disregarded as an entity separate from its owners for U. S. federal income tax purposes, the sale or contribution by us to the Depositor 2036 Financing Subsidiary , and by the Depositor 2036 Financing Subsidiary to the 2036- R Securitization Issuer, as applicable, did not constitute a taxable event for U. S. federal income tax purposes. If the IRS were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows. Further, a failure of the Securitization Issuer to be treated as a disregarded entity for U. S. federal income tax purposes would constitute an event of default pursuant to the applicable indenture under the Debt Securitization, upon which the trustee under the Debt Securitization, or the Securitization Trustee, may and will at the direction of a majority of the holders of the 2031 Asset- Backed Debt, or the Securitization Debtholders, declare the 2031 Asset- Backed Debt to be immediately due and payable and exercise remedies under the indenture, including (i) to institute proceedings for the collection of all amounts then payable on the 2031 Asset- Backed Debt, or under the indenture, enforce any judgment obtained, and collect from the Securitization Issuers and any other obligor upon the 2031 Asset- Backed Debt monies adjudged due; (ii) institute proceedings from time to time for the complete or partial foreclosure of the indenture with respect to the property of the Securitization Issuers; (iii) exercise any remedies as a secured party under the relevant Uniform Commercial Code and take other appropriate action under applicable law to protect and enforce the rights and remedies of the Securitization Trustee and the Securitization Debtholders; or (iv) sell the property of the Securitization Issuers or any portion thereof or rights or interest therein at one or more public or private sales called and conducted in any manner permitted by law. Any such exercise of remedies could have a material adverse effect on our business, financial condition, results of operations or cash flows. An event of default in connection with the Debt 2036- R Securitization or the 2036 Securitization could give rise to a cross- default under our other material indebtedness. The documents governing our other material indebtedness contain customary cross- default provisions that could be triggered if an event of default occurs in connection with the Debt 2036- R Securitization or the 2036 Securitization. An event of default with respect to our other indebtedness could lead to the acceleration of such indebtedness and the exercise of other remedies as provided in the documents governing such other indebtedness. This could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC. We may not receive cash distributions in respect of our indirect ownership interests in the 2036 Securitization Issuer or the 2036- R Securitization Issuers. Apart from fees payable to us in connection with our role as servicer of the Securitization Loans and the reimbursement of related amounts under the documents governing the Debt 2036 Securitization and the 2036- R Securitization, we receive cash in connection with the Debt 2036- R Securitization and the 2036 Securitization only to the extent that the Depositor receives payments in respect of its equity interests in the Securitization Issuers. The respective holders of the equity interests in the 2036 Securitization Issuer and the 2036- R Securitization Issuers are the residual claimants on distributions, if any, made by the 2036 Securitization Issuer or the 2036- R Securitization Issuers , as applicable, after the holders of the 2036 Asset- Backed Debt (the “ 2036 Securitization Debtholders ”), and the holders of the 2036- R Asset- Backed Debt (the “ 2036- R Securitization Debtholders ”), as applicable, and other claimants have been paid in full on each payment date or upon maturity of the 2031-2036 Asset- Backed Debt or 2036- R Asset- Backed Debt, as applicable , subject to the priority of payments under the documents governing the Debt 2036 Securitization and the 2036- R Securitization, as applicable . To the extent that the value of the 2036 Securitization Issuer’ s and the 2036- R Securitization Issuer’ s portfolio of loans is reduced as a result of conditions in the credit markets (relevant in the event of a liquidation event), other macroeconomic factors, distressed or defaulted loans or the failure of individual portfolio companies to otherwise meet their obligations in respect of the loans, or for any other reason, the ability of the 2036 Securitization Issuer or the 2036- R Securitization Issuers to make cash distributions in respect of the 2036 Financing Subsidiary’ s or the R- Depositor’ s equity interests , as applicable, would be negatively affected and consequently, the value of the equity interests in the 2036 Securitization Issuer or the 2036- R Securitization Issuers , as applicable, would also be reduced. In the event that we fail to receive cash indirectly from the 2036 Securitization Issuer or the 2036- R Securitization Issuers, we could be unable to make**

distributions, if at all, in amounts sufficient to maintain our ability to be subject to tax as a RIC. The interests of the **2036 Securitization Debtholders and the 2036- R Securitization Debtholders** may not be aligned with our interests. The **2031-2036 Asset- Backed Debt and the 2036- R Asset- Backed Debt** constitutes ~~constitute~~ debt obligations ranking senior in right of payment to the rights of the holders of the equity interests in the **2036 Securitization Issuer and the 2036- R Securitization Issuers**, as residual claimants in respect of distributions, if any, made by the **2036 Securitization Issuer and the 2036- R Securitization Issuers**. As such, there are circumstances in which the interests of the **2036 Securitization Debtholders and the 2036- R Securitization Debtholders** may not be aligned with the interests of holders of the equity interests in the **2036 Securitization Issuer or the 2036- R Securitization Issuers**, as applicable. For example, under the terms of the documents governing the ~~Debt 2036 Securitization~~ ~~and the 2036- R Securitization~~, the **2036 Securitization Debtholders and the 2036- R Securitization Debtholders**, as applicable, have the right to receive payments of principal and interest prior to holders of the equity interests. For as long as the ~~2031-2036 Asset- Backed Debt~~ ~~or the 2036- R Asset- Backed Debt~~ ~~remains~~ ~~remain~~ outstanding, the respective **2036 Securitization Debtholders and 2036- R Securitization Debtholders**, as applicable, have the right to act in certain circumstances with respect to the ~~applicable Securitization securitization Loans loans~~ in ways that may benefit their interests but not the interests of the respective holders of the equity interests in the **2036 Securitization Issuer or the 2036- R Securitization Issuers**, as applicable, including by exercising remedies under the documents governing the ~~Debt 2036 Securitization or the 2036- R Securitization~~. If an event of default occurs, the **2036 Securitization Debtholders or the 2036- R Securitization Debtholders**, as applicable, will be entitled to determine the remedies to be exercised, subject to the terms of the documents governing the ~~Debt 2036 Securitization and the 2036- R Securitization~~, as applicable. For example, upon the occurrence of an event of default with respect to the ~~2031-2036 Asset- Backed Debt~~ ~~or the Securitization Trustee~~ ~~may and will at the direction of the holders of a majority of the applicable 2031-2036 - R Asset- Backed Debt~~, as applicable, the applicable trustee may and will at the direction of the holders of a majority of the applicable **2036 Asset- Backed Debt or the 2036- R Asset- Backed Debt**, as applicable, declare the principal, together with any accrued interest, of the debt to be immediately due and payable. This would have the effect of accelerating the principal on such debt, triggering a repayment obligation on the part of the **2036 Securitization Issuer or the 2036- R Securitization Issuers**, as applicable. The ~~2031-2036 Asset- Backed Debt or the 2036- R Asset- Backed Debt~~ then outstanding will be paid in full before any further payment or distribution on the equity interest is made. There can be no assurance that there will be sufficient funds through collections on the ~~applicable Securitization securitization Loans loans~~ or through the proceeds of the sale of the ~~applicable Securitization securitization Loans loans~~ in the event of a bankruptcy or insolvency to repay in full the obligations under the ~~2031-2036 Asset- Backed Debt or the 2036- R Asset- Backed Debt~~, or to make any distribution to holders of the equity interests in the **2036 Securitization Issuer or the 2036- R Securitization Issuers**. Remedies pursued by the **2036 Securitization Debtholders or the 2036- R Securitization Debtholders** could be adverse to our interests as the indirect holder of the equity interests in the **2036 Securitization Issuer and the 2036- R Securitization Issuers**, as applicable. The **2036 Securitization Debtholders and the 2036- R Securitization Debtholders** have no obligation to consider any possible adverse effect on such other interests. Thus, there can be no assurance that any remedies pursued by the **2036 Securitization Debtholders or the 2036- R Securitization Debtholders** will be consistent with ~~the our~~ best interests, ~~of the Depositor~~ or that we will receive, indirectly through the **2036 Financing Subsidiary or the R- Depositor**, any payments or distributions upon an acceleration of the ~~2031-2036 Asset- Backed Debt~~ ~~or~~. Any failure of the ~~Securitization Issuers~~ to make distributions in respect of the equity interests that we indirectly hold, whether as a result of an event of default and the acceleration of payments on the ~~2031-2036 - R Asset- Backed Debt~~, as applicable. Any failure of the **2036 Securitization Issuer** to make distributions in respect of the equity interests that we indirectly hold, whether as a result of an event of default and the acceleration of payments on the **2036 Asset- Backed Debt or the 2036- R Asset- Backed Debt**, as applicable, or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in our inability to make distributions sufficient to maintain our ability to be subject to tax as a RIC. We have certain repurchase obligations with respect to the ~~Securitization securitization Loans loans~~ transferred in connection with the ~~Debt 2036 Securitization and the 2036- R Securitization~~. As part of each ~~Debt of the 2036 Securitization and the 2036- R Securitization~~, we entered into a ~~master loan agreement agreements~~ under which we would be required to repurchase any ~~of the Securitization securitization Loan loans~~ (or participation interest therein) which ~~was were~~ sold to the **2036 Securitization Issuer or the 2036- R Securitization Issuers**, as applicable, in breach of certain customary representations and warranties made by us, ~~or by the 2036 Financing Subsidiary or the R- Depositor~~ with respect to such ~~Securitization securitization Loan loans~~ or the legal structure of the **2036 Securitization or the 2036- R Securitization**, as applicable ~~Debt Securitization~~. To the extent that there is a breach of such representations and warranties and we fail to satisfy any such repurchase obligation, the ~~applicable Securitization securitization Trustee trustee~~ may, on behalf of the **2036 Securitization Issuer or the 2036- R Securitization Issuers**, as applicable, bring an action against us to enforce these repurchase obligations.

GENERAL RISK FACTORS The ongoing invasion of Ukraine by Russia and related sanctions have increased global political and economic uncertainty, which may have a material impact on the Company's portfolio and the value of any investment in the Company. The ongoing invasion of Ukraine by Russia and related sanctions have increased global political and economic uncertainty. In February 2022, Russia invaded Ukraine and, in response, the United States and many other countries placed economic sanctions on certain Russian entities and individuals. Because Russia is a major exporter of oil and natural gas, the invasion and related sanctions have reduced the supply, and increased the price, of energy, which is accelerating inflation and may exacerbate ongoing supply chain issues. There is also the risk of retaliatory actions by Russia against countries which have enacted sanctions, including cyberattacks against financial and governmental institutions, which could result in business disruptions and further economic turbulence. Although the Company has no direct exposure to Russia or Ukraine, the broader consequences of the invasion may have a material adverse impact on the Company's portfolio and the value of any investment in the Company. Because this is an uncertain and evolving situation, its full impact is

~~unknown at this time.~~ We and our portfolio companies may maintain cash balances at financial institutions that exceed federally insured limits and may otherwise be materially affected by adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties. Our cash is held in accounts at U. S. banking institutions that we believe are of high quality. Cash held by us and by our portfolio companies in non-interest-bearing and interest-bearing operating accounts may exceed the Federal Deposit Insurance Corporation insurance limits. If such banking institutions were to fail, we or our portfolio companies could lose all or a portion of those amounts held in excess of such insurance limitations. In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems, which could adversely affect our and our portfolio companies' business, financial condition, results of operations, or prospects. Although we assess our and our portfolio companies' banking relationships as we believe necessary or appropriate, our and our portfolio companies' access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our respective current and projected future business operations could be significantly impaired by factors that affect us or our portfolio companies, the financial institutions with which we or our portfolio companies have arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we or our portfolio companies have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally. In addition, investor concerns regarding the U. S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us or our portfolio companies to acquire financing on acceptable terms or at all. Inflation may adversely affect the business, results of operations and financial condition of our portfolio companies. Certain of our portfolio companies are in industries that may be impacted by inflation. If such portfolio companies are unable to pass any increases in their costs of operations along to their customers, it could adversely affect their operating results and impact their ability to pay interest and principal on our loans, particularly if interest rates rise in response to inflation. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future realized or unrealized losses and therefore reduce our net assets resulting from operations. Global capital markets could enter a period of severe disruption and instability due to future recessions, disease pandemics and other serious health events, political instability, geopolitical turmoil and foreign hostilities. These market conditions have historically had and could again have a materially adverse effect on debt and equity capital markets in the United States, which could have a materially negative impact on our business, financial condition and results of operations. The U. S. and global capital markets have, from time to time, experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of ~~major~~ **certain** financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, uncertainty between the United States and other countries with respect to trade policies, treaties and tariffs, among other factors, have caused disruptions in the global markets, including markets in which we participate, and we cannot assure you that these market conditions will not continue or worsen in the future. We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U. S. government spending and deficit levels or other global economic and political conditions, including future recessions, political instability, geopolitical turmoil and foreign hostilities, and disease, pandemics and other serious health events, could have a material adverse effect on our business, financial condition and results of operations. Volatility or a prolonged disruption in the credit markets could materially damage our business. We are required to record our assets at fair value, as determined in good faith by our board of directors, in accordance with our valuation policy. As a result, volatility in the capital markets may have a material adverse effect on our valuations and our NAV, even if we hold investments to maturity. Volatility or dislocation in the capital markets may depress our stock price below our NAV per share and create a challenging environment in which to raise equity and debt capital. As a BDC, we are generally not able to issue additional shares of our common stock at a price less than our NAV without first obtaining approval for such issuance from our stockholders and our independent directors. Additionally, our ability to incur indebtedness is limited by the asset coverage ratio requirements for a BDC, as defined under the 1940 Act. Declining portfolio values negatively impact our ability to borrow additional funds under the Credit Facility because our NAV is reduced for purposes of the asset coverage ratio. If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratio stipulated by the 1940 Act, which could, in turn, cause us to lose our status as a BDC and materially impair our business operations. A lengthy disruption in the credit markets could also materially decrease demand for our investments and could materially damage our business, financial condition and results of operations. The significant disruptions in the capital markets experienced in the past has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. The debt capital that may be available to us in the future may be at a higher cost and have less favorable terms and conditions than those currently in effect. If our financing

costs increase and we have no increase in interest income, then our net investment income will decrease. A prolonged inability to raise capital may require us to reduce the volume of investments we originate and could have a material adverse impact on our business, financial condition and results of operations. This may also increase the probability that other structural risks negatively impact us. These situations may arise due to circumstances that we may be unable to control, such as a lengthy disruption in the credit markets, a severe decline in the value of the U. S. dollar, a sharp economic downturn or recession or an operational problem that affects third parties or us, and could materially damage our business, financial condition and results of operations. Any public health emergency, including any outbreak of existing or new diseases, and the resulting financial and economic market uncertainty could have a significant adverse impact on us. The extent of the impact of any public health emergency, on our and our portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the actions taken by governmental authorities to contain its financial and economic impact, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, investor liquidity and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In addition, our and our portfolio companies' operations may be significantly impacted, or halted, as a result of government quarantine measures, restrictions on travel and other factors related to a public health emergency, including its potential adverse impact on the health of any of our or our portfolio companies' personnel. This could create widespread business continuity issues for us and our portfolio companies. These factors may also cause the valuation of our investments to differ materially from the values that we may ultimately realize. Any public health emergency, including any outbreak of existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our investments and our portfolio companies. Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies. Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U. S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U. S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non- U. S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties. The Foreign Corrupt Practices Act, or FCPA, and other anti- corruption laws and regulations, as well as anti- boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U. S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and / or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti- corruption laws and regulations, as well as anti- boycott regulations, to which it is subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations. We may be the target of litigation. We may be the target of securities litigation in the future, particularly if the trading price of our common stock or our 2026 Notes fluctuates significantly. We could also generally be subject to litigation, including derivative actions by our stockholders. Any litigation could result in substantial costs and divert management's attention and resources from our business and cause a material adverse effect on our business, financial condition and results of operations. The effect of global climate change may impact the operations of our portfolio companies. There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition through, for example, decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Legislative or regulatory tax changes could adversely affect investors. At any time, the federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. The Biden Administration has enacted significant changes to the existing U. S. tax rules that include, among others, a minimum tax on book income and profits of certain multinational corporations, and there are a number of proposals in the U. S. Congress that would similarly modify the existing U. S. tax rules. The likelihood of any new legislation being enacted is uncertain. Any new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or our shareholders. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments. **38**