Risk Factors Comparison 2023-09-08 to 2022-09-06 Form: 10-K

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You should carefully consider the risks described below, together with all of the other information included in this Annual Report, before you decide whether to make an investment in our securities. The risks set forth below are not the only risks we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the adverse events or conditions described below occurs, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV, and the trading price of our common stock could decline, or the value of our preferred stock, debt securities, and warrants, if any are outstanding, may decline, and you may lose all or part of your investment. The risk factors described below are the principal risk factors associated with an investment in our securities as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours. Our $ ~~60. 5 million of 4. 95 % convertible notes due 2022 are referred to as the " 2022 Notes ". Our $~~ 156. 2 million of 6. 375 % convertible notes due 2025 are referred to as the " 2025 Notes " **or** ~~, and collectively with the 2022 Notes, are~~ the " Convertible ~~Notes ". Our $ 284. 2 million of 5. 875 % unsecured notes due 2023 are referred to as the " 2023~~ Notes ". Our $ 81. 2 million of 6. 375 % unsecured notes due 2024 are referred to as the " 6. 375 % 2024 Notes ". Our $ 400. 0 million of 3. 706 % unsecured notes due 2026 are referred to as the " 2026 Notes ". Our $ 300. 0 million of 3. 364 % unsecured notes due 2026 are referred to as the " 3. 364 % 2026 Notes ". Our $ 300. 0 million of 3. 437 % unsecured notes due 2028 are referred to as the " 3. 437 % 2028 Notes ", and collectively with ~~the 2023 Notes,~~ the 6. 375 % 2024 Notes, the 2026 Notes, and the 3. 364 % 2026 Notes are the " Public Notes ". Any corporate notes issued pursuant to our medium term notes program with InspereX LLC are referred to as " Prospect Capital InterNotes ® ". The Convertible Notes, Public Notes, and Prospect Capital InterNotes ® are collectively referred to as the " Unsecured Notes ". The summary below provides an overview of many of the risks we face that are described in this section. Additional risks, beyond those summarized below or discussed in this section, may also materially and adversely impact our business, financial conditions and results of operation. Consistent with the foregoing, the risks we face include, but are not limited to, the following: Risks Relating to Our Business • ~~The prolonged Russian invasion of Ukraine and the resulting international response may have a material adverse impact on us and our portfolio companies. •~~ We are subject to risks related to corporate social responsibility. • Inflation can adversely impact our cost of capital and the value of our portfolio investments. • Capital markets may experience periods of disruption and instability, and we cannot predict when these conditions occur. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations. • Global economic, political and market conditions, including uncertainty about the financial or political stability of the United States, could have a significant adverse effect on our business, financial condition and results of operations **. • The prolonged Russian invasion of Ukraine and the resulting international response may have a material adverse impact on us and our portfolio companies** . • Events outside of our control, including public health crises, may have a negative impact on our portfolio companies and our business and operations. • Legislative or other actions relating to taxes could have a negative effect on us. • Rising interest rates may adversely affect the value of our portfolio investments which could have an adverse effect on our business, financial condition and results of operations. • **The discontinuation of** ~~Changes relating to the~~ LIBOR ~~calculation process~~ , and the ~~discontinuation of LIBOR~~ **transition to SOFR** , may adversely affect the value of the LIBOR- indexed, floating- rate debt securities in our portfolio or issued by us. • Volatility in the global financial markets ~~resulting from relapse of the Eurozone crisis, geopolitical developments in Eastern Europe, turbulence in the Chinese stock markets and global commodity markets, the United Kingdom' s vote to leave the European Union or otherwise~~ could have a material adverse effect on our business, financial condition and results of operations. • Our financial condition and results of operations will depend on our ability to manage our future growth effectively. • We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. • We need to raise additional capital to grow because we must distribute most of our income. • Our business model depends upon the development and maintenance of strong referral relationships with other asset managers and investment banking firms. Risks Relating to Our Operation as a Business Development Company • If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy. • If we fail to qualify as a RIC, we will have to pay corporate- level taxes on our income, and our income available for distribution would be reduced. • We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income. • Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital. These constraints may hinder our Investment Adviser' s ability to take advantage of attractive investment opportunities and to achieve our investment objective. • Securitization of our assets subjects us to various risks. • Our ability to invest in public companies may be limited in certain circumstances. Risks Relating to Our Investments • We may not realize gains or income from our investments. • Most of our portfolio investments are recorded at fair value as determined in good faith under the direction of our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments. • Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation. • Our investments in prospective portfolio companies may be risky and we could lose all or part of our investment. • The lack of liquidity in our investments may adversely affect our business. • Economic recessions or downturns could impair our portfolio companies and harm our operating results. •

Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk. • Our portfolio contains a limited number of portfolio companies, some of which comprise a substantial percentage of our portfolio, which subjects us to a greater risk of significant loss if any of these companies defaults on its obligations under any of its debt securities. • Our investments in CLOs may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies. **• Investments in covenant- lite loans may expose us to different and increased risks.** Risks Relating to Our Securities • Our credit ratings may not reflect all risks of an investment in our debt securities. • Senior securities, including debt and preferred equity, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and results of operations. • We have entered into dealer manager agreements and underwriting agreements pursuant to which we intend to sell shares of preferred stock, the terms of which could result in significant dilution to existing common stockholders. • Holders of any preferred stock we might issue would have the right to elect members of the board of directors and class voting rights on certain matters. • The trading market or market value of our publicly traded preferred stock may fluctuate. • In addition to regulatory restrictions that restrict our ability to raise capital, our credit facility contains various covenants which, if not complied with, could accelerate repayment under the facility, thereby materially and adversely affecting our liquidity, financial condition and results of operations. • Failure to refinance our existing Unsecured Notes could have a material adverse effect on our results of operations and financial position. • The trading market or market value of our publicly issued debt securities may fluctuate. • Our shares of common stock currently trade at a discount from net asset value and may continue to do so in the future, which could limit our ability to raise additional equity capital. • Investing in our securities may involve a high degree of risk and is highly speculative. **• 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.** General Risk Factors • We may experience fluctuations in our quarterly results ~~. 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. As a result of Russia' s military invasion of Ukraine in February 2022, the United States and other countries imposed broad- reaching political and economic sanctions on Russia, certain Russian allies believed to be providing them military or financial support, on private and public companies domiciled in Russia, including public issuers and banking and financial institutions, and on a variety of individuals. These sanctions, combined with equivalent measures taken by foreign businesses ceasing operations in Russia, continue to adversely impact global financial markets, disrupt global supply chains, and impair the value and liquidity of issuers that continue to maintain exposure to Russia and its allies, Russian investments and sectors that can be impacted by restrictions on Russian imports and exports, such as the oil and gas industry. It is not possible to predict the duration or extent of longer- term consequences of this conflict, which could include further sanctions, retaliatory measures taken by Russia, embargoes, regional instability, geopolitical shifts and adverse effects on or involving macroeconomic conditions, supply chains, inflation, security conditions, currency exchange rates and financial markets around the globe. However, the consequences of the conflict between Russia and Ukraine could result in a worsening economic downturn and / or recession, globally and / or locally in the U. S. or other economies, reduce business activity, spawn additional conflicts (whether in the form of traditional military action, reignited" cold" wars or in the form of virtual warfare such as cyberattacks) with similar and perhaps wider ranging impacts and consequences and have an adverse impact on our returns and net asset value. Such consequences also may increase our funding cost or limit our access to the capital markets~~ . Our business faces increasing public scrutiny related to environmental, social and governance (" ESG ") activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, corporate governance and transparency and considering ESG factors in our investment processes. Adverse incidents with respect to ESG activities could impact the value of our brand, the cost of our operations and relationships with investors, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business, our portfolio companies and the value of your investment in our business. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, inflation levels have been at their highest point in nearly 40 years and the Federal Reserve has **continued its** ~~begun an aggressive~~ campaign to raise certain benchmark interest rates in an effort to combat inflation. As inflation increases, the real value of our common stock and distributions therefore may decline. In addition, during any periods of rising inflation, the interest rates of debt securities we issue would likely increase, which would tend to further reduce returns to common stockholder; likewise, as interest rates increase, the value of our debt investments would decrease, though this effect can be less pronounced for floating rate instruments. This could also lead to decreased asset coverage for our outstanding debt and preferred stock. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and our investments may not keep pace with inflation, which may result in losses to our stockholders. This risk is greater for fixed- income instruments with longer maturities. From time to time, capital markets may experience periods of disruption and instability, ~~including as~~ **which may be evidenced by a lack of liquidity in debt capital markets, write- offs in the financial services sector, re- pricing of credit risk and failure of certain major financial institutions. While the extreme volatility and disruption that U. S. and global markets experienced for an extended period of time beginning in 2007 and 2008 had, until the** ~~recently~~ -- **recent** ~~as 2020 as a result of the~~ coronavirus (" COVID- 19 ") **outbreak** ~~pandemic. For example~~ , ~~between 2007 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write- offs in the financial services sector, the re- pricing of credit risk and the failure of major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general~~ **generally subsided, uncertainty** ~~economic conditions that materially~~ and **periods** ~~adversely impacted the broader financial and credit markets and reduced the availability~~ of ~~debt and equity capital for the market as a whole and financial services firms in particular. Global financial markets also experienced significant~~ volatility **still remain** ~~following the~~

~~downgrade by Standard & Poor' s on August 5~~ , ~~2011 of the long- term credit rating of U. S. Treasury debt from AAA to AA .~~ ~~These types of market conditions have historically had,~~ and **risks** ~~could again have, a material adverse effect on debt and equity capital markets in the United States and Europe, which could have a materially negative impact on our business, financial condition and results of operations. We and other companies in the financial services sector may have~~ to **a robust resumption of growth persist** ~~access, if available, alternative markets for debt and equity capital~~ . Equity capital may be difficult to raise during such periods of adverse or volatile market conditions because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have until June ~~10~~ **9** , ~~2023~~ **2024** , and approval of the specific issuance by our Board of Directors. In addition, our ability to incur indebtedness or issue preferred stock is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 150 % immediately after each time we incur indebtedness or issue preferred stock. The debt capital that may be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations. Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness, including the final maturity of our revolving credit facility in September ~~2024~~ **2027** , and any failure to do so could have a material adverse effect on our business. The re- appearance of market conditions similar to those experienced during portions of 2020 and from 2007 through 2009 for any substantial length of time or worsened market conditions, including as a result of U. S. government shutdowns or the perceived creditworthiness or stability of the United States, could make it difficult to extend the maturity of, or refinance, our existing indebtedness, or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience. Further, if we are unable to raise or refinance debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies. The illiquidity of our investments may make it difficult for us to sell such investments, if required. As a result, we may realize significantly less than the value at which we have recorded our investments if forced to liquidate quickly. Given the extreme volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, significant changes in the capital markets, including ~~the~~ extreme volatility and disruption, have 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. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations. The Investment Adviser does not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. The Investment Adviser monitors developments and seeks to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that it will be successful in doing so; and the Investment Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment. We ~~are required to~~ record certain of 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 investment valuations and our net asset value, even if we plan to hold investments to maturity **. The U. S. and global capital markets are subject to systemic risk that could adversely affect our business, financial condition Issuers, national and regional banks, financial institutions and other participants in the U. S. and global capital markets are closely interrelated as a result of credit, trading, clearing, technology and other relationships. A significant adverse development (such as a bank run, insolvency, bankruptcy or default) with one or more national or regional banks, financial institutions or other participants in the financial or capital markets may spread to others and lead to significant concentrated or market- wide problems (such as defaults, liquidity problems, impairment charges, additional bank runs and / or losses) for other participants in these markets. Future developments, including actions taken by the U. S. Department of Treasury, FDIC, Federal Reserve Board, and systemic risk in the U. S. and global banking sectors and broader economies in general, are difficult to assess and quantify, and the form and magnitude of such developments or other actions of the U. S. Department of Treasury, FDIC and Federal Reserve Board may remain unknown for significant periods of time and could have an adverse effect on the Company. For example, in response to the rapidly declining financial condition of regional banks Silicon Valley Bank (" SVB ") and Signature Bank (" Signature "), the California Department of Financial Protection and Innovation (the " CDFPI ") and the New York State Department of Financial Services (the " NYSDFS ") closed SVB and Signature on March 10, 2023 and March 12, 2023, respectively, and the Federal Deposit Insurance Corporation (" FDIC ") was appointed as receiver for SVB and Signature. Similarly, on May 1, 2023 the FDIC announced that the CDFPI had closed First Republic Bank, the FDIC had seized its assets and JP Morgan Chase had agreed to purchase First Republic' s assets at auction. Although the U. S. Department of the Treasury, the Federal Reserve and the FDIC have taken measures to stabilize the financial system, uncertainty and liquidity concerns in the broader financial services industry remain. Additionally, should there be additional systemic pressure on the financial system and capital markets, we cannot assure you of the response of any government or regulator, and any response may not be as favorable to industry participants as the measures currently being pursued. In addition, highly publicized issues related to the U. S. and global capital markets in the past have led to significant and widespread investor concerns over the integrity of the capital markets. The current situation related to SVB and Signature could in the future lead to further rules and regulations for**

public companies, banks, financial institutions and other participants in the U. S. and global capital markets, and complying with the requirements of any such rules or regulations may be burdensome. Even if not adopted, evaluating and responding to any such proposed rules or regulations could results in increased costs and require significant attention from our Investment Adviser . Downgrades by rating agencies to the U. S. government' s credit rating or concerns about its credit and deficit levels in general could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased U. S. government credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock. Deterioration in the economic conditions in the Eurozone and globally, including instability in financial markets, may pose a risk to our business. In recent years, financial markets have been affected at times by a number of global macroeconomic and political events, including the following: large sovereign debts and fiscal deficits of several countries in Europe and in emerging markets jurisdictions, levels of non - performing loans on the balance sheets of European banks, the potential effect of any European country leaving the Eurozone, the effect of the United Kingdom leaving the European Union (the " EU "), and market volatility and loss of investor confidence driven by political events. The **departure of** ~~decision made in~~ the United Kingdom **from** ~~to leave~~ the EU has led to volatility in global financial markets and may lead to weakening in consumer, corporate and financial confidence in the United Kingdom and Europe. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected. The Chinese capital markets have also experienced periods of instability over the past several years. The current political climate has also intensified concerns about a potential trade war between the U. S. and China in connection with each country' s recent or proposed tariffs on the other country' s products. These market and economic disruptions and the potential trade war with China have affected, and may in the future affect, the U. S. capital markets, which could adversely affect our business, financial condition or results of operations. The current global financial market situation, as well as various social and political circumstances in the U. S. and around the world (including wars and other forms of conflict, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics and pandemics), may contribute to increased market volatility and economic uncertainties or deterioration in the U. S. and worldwide, which could adversely affect our business, financial condition or results of operations. For example, the ~~ongoing~~ COVID- 19 pandemic in many countries ~~continues to~~ adversely ~~impact~~ **impacted** global commercial activity, and ~~has~~ contributed to significant volatility in financial markets. The occurrence of events similar to those in recent years, such as localized wars, instability, new and ongoing pandemics (such as COVID- 19), epidemics or outbreaks of infectious diseases in certain parts of the world, natural / environmental disasters, terrorist attacks in the U. S. and around the world, social and political discord, debt crises, sovereign debt downgrades, increasingly strained relations between the U. S. and a number of foreign countries, new and continued political unrest in various countries, the exit or potential exit of one or more countries from the EU or the EMU, continued changes in the balance of political power among and within the branches of the U. S. government, and government shutdowns, among others, may have a material adverse impact on the ability of our portfolio companies to fulfill their end customers' orders due to supply chain delays, limited access to key commodities or technologies or other events that impact their manufacturers or their suppliers. ~~See " — Events outside of our control, including public health crises, may have a negative impact on our portfolio companies and our business and operations. "~~ Such events have affected, and may in the future affect, the global and U. S. capital markets, and our business, financial condition or results of operations. Additionally, the U. S. government' s credit and deficit concerns, the European sovereign debt crisis, and the potential trade war with China could cause further volatility in interest rates, which may negatively impact our and our portfolio companies' ability to access the debt markets on favorable terms. As ~~of the filing date of this Annual Report, there is~~ a **result** ~~continued outbreak~~ of ~~COVID- 19~~ **Russia' s military invasion of Ukraine** , ~~which the World Health Organization has declared a global pandemic and~~ the United States **and** ~~has declared a national emergency. In response to the~~ **other** ~~COVID~~ **countries imposed broad** - ~~19 outbreak~~ **reaching political and economic sanctions on Russia** , ~~many states~~ **certain Russian allies believed to be providing them military or financial support, on private and public companies domiciled in Russia** , including **public** ~~those in which we and our portfolio companies operate, issued~~ **issuers** ~~orders~~ **and banking and financial institutions, and on a variety of individuals. These sanctions, combined with equivalent measures taken by foreign businesses ceasing operations in Russia, continue to adversely impact global financial markets, disrupt global supply chains, and impair the value and liquidity of issuers** that ~~required the closure of non- essential businesses and / or required or encouraged residents to stay at home as to contain~~ - **continue** ~~or mitigate~~ **to maintain exposure to Russia and** its ~~spread~~ **allies** , **Russian investments** ~~which resulted in business shutdowns, cancellations of~~ and **sectors that** ~~restrictions on events and travel, significant reductions in demand for certain goods and services, reductions in and restrictions on business activity and financial transactions, supply chain~~ -- **can** ~~interruptions and overall economic and financial market instability both globally and in the United States. Such effects will likely continue for the duration of the pandemic, which is uncertain, and for some period thereafter. While many countries, including the United States, have relaxed or eliminated the early public health restrictions, the outbreak of new, mutated or worsening strains of COVID- 19 may result in a resurgence in the number of reported cases and hospitalizations related to the COVID- 19 pandemic. Such increases in cases could lead to the re- introduction of restrictions and business shutdowns in certain states, counties and cities in the United States and globally. Despite the greater availability of vaccines within the United States, it remains unclear how~~

~~quickly the vaccines will be distributed globally or whether “ herd immunity ” will be achieved. Additionally, various areas of everyday life continue to~~ be impacted by ~~detailed COVID~~ **restrictions on Russian imports and exports, such as the oil and gas industry. It is not possible to predict the longer** - **term consequences** ~~related protocols, and the continuations~~ of ~~these protocols~~ **this conflict, which** could **include further sanctions** ~~extend the social and economic impacts of the pandemic described above. These factors~~ , **retaliatory** ~~among others, could lead people to continue to self- isolate and not participate in the economy at pre- pandemic levels for a prolonged period of time. Even after the COVID- 19 pandemic subsides, the U. S. economy and most other major global economies may continue to experience a recession, and our business and operations, as well as the business and operations of our portfolio companies, could be materially adversely affected by a prolonged economic recession in the United States and other major markets. Potential consequences of the current unprecedented~~ measures taken **by Russia** ~~in response to the spread of COVID- 19~~ , **embargoes, regional instability, geopolitical shifts** and **adverse effects on or involving macroeconomic conditions, supply chains, inflation, security conditions,** ~~current~~ **currency exchange rates and financial** ~~market~~ **markets** ~~disruptions~~ **around the globe. However, the consequences of the conflict between Russia and Ukraine could result in a worsening economic downturn and / or recession, globally and / or locally in the U. S. or other economies, reduce business activity, spawn additional conflicts (whether in the form of traditional military action, reignited" cold" wars or in the form of virtual warfare such as cyberattacks) with similar and perhaps wider ranging impacts and consequences and have** ~~and~~ - **an adverse** ~~volatility that may~~ impact **on** ~~our business include, but are not limited to: • sudden, unexpected and / or~~ **our returns and** ~~severe declines in the market price of our securities or~~ net asset value **. We have no way** ~~; • inability of the Company~~ to **predict** ~~accurately or reliably value its portfolio; • inability of~~ the **duration** ~~Company to comply with certain asset coverage ratios that would prevent the Company from paying dividends to our~~ - **or outcome** ~~stockholders and that could result in breaches~~ of ~~covenants or events of default under our credit agreement or debt indentures; • inability of~~ the **situation,** ~~Company to pay any dividends and distributions or service its debt; • inability of the Company to maintain its status~~ as ~~a regulated investment company under~~ the **conflict** ~~Code; • potentially severe, sudden and unexpected declines in the value of our investments; • increased risk of default or bankruptcy by the companies in which we invest; • increased risk of companies in which we invest being unable to endure an~~ **and** ~~extended cessation of normal economic activity and thereby impairing their ability to continue functioning as a going concern; • reduced economic demand resulting from changes in consumer behavior, mass employee layoffs or furloughs in response to governmental~~ -- **government** ~~action~~ **reactions** ~~taken to slow the spread of COVID~~ **are rapidly developing and beyond our control. Prolonged unrest, military activities, or broad** - ~~19, which could impact the continued viability of the companies in which we invest; • companies in which we invest being disproportionally impacted by governmental action aimed at slowing the spread of COVID- 19 or mitigating its economic effects; • limited availability of new investment opportunities; • inability for us to replace our existing leverage when it becomes due or replace it on terms as favorable as our existing leverage; • a reduction in interest rates, including interest rates~~ based ~~on LIBOR and similar benchmarks, which may adversely impact our ability to lend money at attractive rates; and • general threats to the Company’ s ability to continue investment operations and to operate successfully as a business development company. The COVID- 19 pandemic (including the preventative measures taken in response thereto) has to date (i) created significant business disruption issues for certain of our portfolio companies, and (ii) materially and adversely impacted the value and performance of certain of our portfolio companies. The COVID- 19 pandemic continues to have a particularly adverse impact on industries in which certain of our portfolio companies operate, including aircraft leasing, energy, hospitality, travel, retail and restaurants. Certain of our portfolio companies in other industries have also been significantly impacted. The COVID- 19 pandemic is continuing as of the filing date of this Annual Report, and its extended duration may have further adverse impacts on our portfolio companies after June 30, 2022, including for the reasons described below. Although on March 27, 2020, the U. S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the “ CARES Act ”), which contains provisions intended to mitigate the adverse economic effects of the COVID- 19 pandemic, it is uncertain whether, or how much, our portfolio companies have benefited, or if they will be able to benefit, from the CARES Act or any other subsequent legislation intended to provide financial relief or assistance. As a result of this disruption and the pressures on their liquidity, certain of our portfolio companies have been, or may continue to be, incentivized to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans. The effects described above on our portfolio companies have, for certain of our portfolio companies to date, impacted their ability to make payments on their loans on a timely basis and in some cases have required us to amend certain terms, including payment terms. In addition, an extended duration of the COVID- 19 pandemic may impact the ability of our portfolio companies to continue making their loan payments on a timely basis or meeting their loan covenants. The inability of portfolio companies to make timely payments or meet loan covenants may in the future require us to undertake similar amendment actions~~ **sanctions** ~~with respect to other of our investments or to restructure our investments. The amendment or restructuring of our investments may include the need for us to make additional investments in our portfolio companies (including debt or equity investments) beyond any existing commitments, exchange debt for equity, or change the payment terms of our investments to permit a portfolio company to pay a portion of its interest through payment- in- kind, which would defer the cash collection of such interest and add it to the principal balance, which would generally be due upon repayment of the outstanding principal. The COVID- 19 pandemic has adversely impacted the fair value of some of our investments as of June 30, 2022, and the values assigned as of this date may differ materially from the values that we may ultimately realize with respect to our investments. The impact of the ongoing COVID- 19 pandemic may not yet be fully reflected in the valuation of our investments as our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that is often from a time period earlier, generally two to three months, than the period for which we are reporting. Additionally, we may not have yet received information or certifications from our portfolio companies that indicate~~

~~any or the full extent of declining performance or non- compliance with debt covenants, as applicable, as a result of the COVID- 19 pandemic. As a result, our valuations at June 30, 2022 may not show the complete or continuing impact of the COVID- 19 pandemic and the resulting measures taken in response thereto. In addition, write downs in the value of some of our investments have reduced, and any additional write downs may further reduce, our net asset value (and, as a result, our asset coverage calculation). Accordingly, we may incur net unrealized losses or may incur realized losses after June 30, 2022, which~~ could have a material adverse effect on our **portfolio companies** ~~business, financial condition and results of operations. The volatility and disruption to the global economy from the COVID- 19 pandemic has affected, and is expected to continue to affect, the pace of our investment activity, which may have a material adverse impact on our results of operations~~ . Such **consequences** ~~volatility and disruption have~~ also **may** ~~led to the increased~~ **increase** ~~credit spreads in~~ **our funding cost or limit our access to** the ~~private debt~~ capital markets ~~. In response to the COVID- 19 pandemic, Prospect Capital Management L. P. instituted a work from home policy. Although certain employees are currently allowed to return to the office in certain circumstances, subject to health and safety protocols, it is expected that most employees will continue to work remotely for the foreseeable future. Extended period of remote working by our Investment Adviser and / or its affiliate' s employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID- 19 pandemic. Despite actions of the U. S. federal government and foreign governments, the uncertainty surrounding the COVID- 19 pandemic and other factors has contributed to significant volatility and declines in the global public equity markets and global debt capital markets, including the market price of shares of our common stock and the trading prices of our issued debt securities. Shares of our common stock are trading below our net asset value as of the filing date of this Annual Report. Market conditions may make it difficult for us to raise equity capital because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have until June 10, 2023, and approval of the specific issuance by our Board of Directors. Moreover, these market conditions may make it difficult to access or obtain new indebtedness with similar terms to our existing indebtedness or otherwise have a negative effect on our cost of capital. See " Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations " above. It is virtually impossible to determine the ultimate impact of COVID- 19 at this time. Further, the extent and strength of any economic recovery after the COVID- 19 pandemic abates, including following any additional " waves " or other intensifying of the pandemic, is uncertain and subject to various factors and conditions. Accordingly, an investment in the Company is subject to an elevated degree of risk as compared to other market environments~~ . The rules dealing with U. S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Treasury Department. ~~The~~ **For example, the** Tax Cuts and Jobs Act made substantial changes to the Code. Among those changes were a significant permanent reduction in the generally applicable corporate tax rate, changes in the taxation of individuals and other non-corporate taxpayers that generally but not universally reduce their taxes on a temporary basis subject to " sunset " provisions, the elimination or modification of various previously allowed deductions (including substantial limitations on the deductibility of interest and, in the case of individuals, the deduction for personal state and local taxes), certain additional limitations on the deduction of net operating losses, certain preferential rates of taxation on certain dividends and certain business income derived by non- corporate taxpayers in comparison to other ordinary income recognized by such taxpayers, and significant changes to the international tax rules. ~~In addition,~~ **Changes to the U. S. federal tax laws and interpretations thereof could adversely affect an investment in our common stock. Rising interest rates or changes in interest rates may adversely affect the value of our portfolio investments which could have an adverse effect** on ~~August 16, 2022, the Biden administration signed into law the Inflation Reduction Act, which modifies key aspects of the Code, including by creating an alternative minimum tax on certain corporations and an excise tax on stock repurchases by certain corporations. The effect of these changes on the value of our assets or~~ **our business, financial** ~~our common shares or market conditions~~ **condition** ~~generally, is uncertain~~ **and results of operations** . Our debt investments ~~may be~~ **are generally** based on floating rates, such as London Interbank Offer Rate (" LIBOR "), **EURIBOR,** Secured Overnight Financing Rate (" SOFR "), ~~EURIBOR,~~ the Federal Funds Rate or the Prime Rate. 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~~ **An increase** in ~~the~~ interest rates ~~on new~~ **generally will increase the cost of borrowing for the companies in which we invest and may make them less profitable, which generally would decrease the value of our** investments ~~relative~~ **in them. In addition, although we generally expect** to **invest a limited percentage of our assets in instruments with a fixed** interest ~~rates~~ **rate** ~~on current investments could also have~~ **, including subordinated loans, senior and junior secured and unsecured debt securities and loans in high yield bonds,** an ~~adverse impact on our net interest income. An~~ increase in interest rates could decrease the value of ~~any~~ **those fixed rate** investments **. Rising** ~~we hold which earn fixed~~ interest rates **may also increase the cost of** ~~, including subordinated loans, senior and junior secured and unsecured~~ debt **for our underlying portfolio companies** ~~securities and loans and high- yield bonds~~ , **which** ~~and also~~ could ~~increase our interest expense, thereby decreasing our net investment income~~ **adversely impact their financial performance and ability to meet ongoing obligations to the Company** . Also, an increase in interest rates available to investors could make 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. Because we have borrowed money, and ~~intend~~ **continue** to issue preferred stock to finance investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds or pay ~~distributions~~ **dividends** on preferred stock and the rate that our investments yield. 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 would increase except to the extent we have issued fixed rate debt or preferred stock, which could reduce our net investment income. You should also be aware that a change in the general level of interest rates can be expected to lead to a change in the interest rate we receive on many of our debt investments. Accordingly, a change in the interest rate could make it easier for us to meet or exceed the performance threshold and may result in a substantial increase in the amount of ~~incentive~~ **Incentive** ~~fees~~ **Fees** payable to our Investment ~~Adviser~~ **Advisor** with respect to the portion of the ~~Incentive~~ **incentive** ~~Fee~~ **fee** based on income. Interest rates have risen ~~in recent months~~ **over the past year** , and the risk that they may continue to do so is pronounced **. The discontinuation of LIBOR, may adversely affect the value of floating- rate debt securities in our portfolio or issued by us** . In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. LIBOR can no longer be used to calculate new deals as of December 31, 2021. Since December 31, 2021, all sterling, euro, Swiss franc and Japanese yen LIBOR settings and the 1- week and 2- month U. S. dollar LIBOR settings have ceased to be published or are no longer representative ~~,~~ **. Overnight** and ~~after~~ **12- month US dollar LIBOR settings permanently ceased as of** June 30, 2023 **.** ~~, the overnight,~~ 1- ~~month~~ , 3- ~~month~~ , **and** 6 ~~- month and 12~~ - month U. S. dollar LIBOR settings will ~~cease~~ **continue** to be published ~~or will no longer be representative~~ **using a synthetic methodology until September 2024** . Various financial industry groups have begun planning for the transition away from LIBOR, but there are challenges to converting certain securities and transactions to a new reference rate. Neither the effect of the LIBOR transition process nor its ultimate success can yet be known. As an alternative to LIBOR, the FRS, 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 the SOFR, an index calculated by short- term repurchase agreements, backed by Treasury securities. Abandonment of, or modifications to, LIBOR could have adverse impacts on newly issued financial instruments and our existing financial instruments which reference LIBOR. While some instruments may contemplate a scenario where LIBOR is no longer available by providing an alternative rate setting methodology, not all instruments may have such provisions and there is significant uncertainty regarding the effectiveness of any such alternative methodologies. On March 15, 2022, President Biden signed into law the Consolidated Appropriations Act of 2022, which among other things, provides for the use of interest rates based on SOFR in certain contracts currently based on LIBOR and a safe harbor from liability for utilizing SOFR- based interest rates as a replacement for LIBOR. Given the inherent differences between LIBOR and SOFR, or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR, including but not limited to the need to amend all contracts with LIBOR as the referenced rate and how this 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 or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market value of and / or transferability of any LIBOR- linked securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. Neither the effect of the LIBOR transition process nor its ultimate success can yet be known. The transition process might lead to increased volatility and illiquidity in markets for, and reduce the effectiveness of, new hedges placed against, instruments whose terms currently include LIBOR. While some existing LIBOR- based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate- setting methodology, there may be significant uncertainty regarding the effectiveness of any such alternative methodologies to replicate LIBOR. Not all existing LIBOR- based instruments may have alternative rate- setting provisions and there remains uncertainty regarding the willingness and ability of issuers to add alternative rate- setting provisions in certain existing instruments. Moreover, these alternative rate- setting provisions may not be designed for regular use in an environment where LIBOR ceases to be published, and may be an ineffective fallback following the discontinuation of LIBOR. **The** ~~Recently, the~~ CLOs we are invested in have included, or have been amended to include, language permitting the CLO investment manager to implement a market replacement rate (like SOFR) upon the occurrence of certain material disruption events ~~. However, we cannot ensure that all CLOs in which we are invested will have such provisions, nor can we ensure the CLO investment managers will undertake the suggested amendments when able~~ . We believe that because CLO managers and other CLO market participants have been preparing for an eventual transition away from LIBOR, we do not anticipate such a transition to have a material impact on the liquidity or value of any of our LIBOR- referenced CLO investments. However, because the ~~future of LIBOR at this time is uncertain and the~~ specific effects of ~~a~~ **the** transition away from LIBOR cannot be determined with certainty as of the date of this filing, ~~a~~ **the** transition away from LIBOR could: • adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR- linked CLO investments; • require extensive changes to documentation that governs or references LIBOR or LIBOR- based products, including, for example, pursuant to time- consuming renegotiations of existing documentation to modify the terms of outstanding investments; • result in inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with one or more alternative reference rates; • result in disputes, litigation or other actions with CLO investment managers, regarding the interpretation and enforceability of provisions in our LIBOR- based CLO investments, such as fallback language or other related provisions, including, in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between LIBOR and the various alternative reference rates; • require the transition and / or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR- based products to those based on one or more alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and • cause us to incur additional costs in relation to any of the above factors. In addition, the effect of a phase out of LIBOR on U. S. senior secured loans, the underlying assets of the CLOs in which we invest, is currently unclear, even if certain statutory regimes may apply, e. g., N. Y. Gen. Oblig. Law § 18- 401 or the Adjustable Interest Rate (LIBOR) Act. To the extent that any replacement rate utilized for senior secured loans differs from that utilized for a CLO that holds those loans, the CLO would experience an interest rate mismatch between its assets and liabilities which could have an adverse impact on our net investment income and portfolio returns. Many underlying corporate borrowers can elect to pay interest based on 1- month ~~LIBOR~~ **SOFR** , 3- month ~~LIBOR~~ **SOFR** and / or other rates in respect of the loans held by CLOs in which we are invested, in each case plus an applicable spread, whereas CLOs generally pay interest to holders of the CLO' s debt tranches based on 3- month ~~LIBOR~~ **SOFR** plus a spread. The 3- month ~~LIBOR~~ **SOFR** currently exceeds the 1- month ~~LIBOR~~ **SOFR** , which may result in many underlying corporate borrowers electing to pay interest based on 1- month ~~LIBOR~~ **SOFR** . This mismatch in the rate at which CLOs earn interest and the rate at which they pay interest on their debt tranches negatively impacts the cash flows on a CLO' s equity tranche, which may in turn adversely affect our cash flows and results of operations. Unless spreads are adjusted to account for such increases, these negative impacts may worsen as the amount by which the 3- month ~~LIBOR~~ **SOFR** exceeds the 1- month ~~LIBOR~~ **SOFR** increases. The senior secured loans underlying the CLOs in which we invest typically have floating interest rates. A rising interest rate environment may increase loan defaults, resulting in losses for the CLOs in which we invest. In addition, increasing interest rates may lead to higher prepayment rates, as corporate borrowers look to avoid escalating interest payments or refinance floating rate loans. Further, a general rise in interest rates will increase the financing costs of the CLOs. However, since many of the senior secured loans within CLOs have ~~LIBOR~~ **SOFR** floors, if ~~LIBOR~~ **SOFR** is below the average ~~LIBOR~~ **SOFR** floor, there may not be corresponding increases in investment income resulting in smaller distributions to equity investors in these CLOs. The actual effects of the establishment of alternative reference rates or any other reforms to LIBOR or other reference rates ~~(including whether LIBOR will continue to be an acceptable market benchmark)~~ cannot be predicted at this time, and the transition away from LIBOR and other current reference rates to alternative reference rates is complex and could have a material adverse effect on our business, financial condition and results of operations. Factors such as the pace of the transition to replacement or reformed rates, the specific terms and parameters for and market acceptance of any alternative reference rate, prices of and the liquidity of trading markets for products based on alternative reference rates, and our ability to transition and develop appropriate systems and analytics for one or more alternative reference rates could also have a material adverse effect on our business, financial condition and results of operations. Volatility in the global financial markets could have an adverse effect on the economic recovery in the United States and could result from a number of causes, including a relapse in the Eurozone crisis, geopolitical developments in Eastern Europe, turbulence in the Chinese stock markets and global commodity markets or otherwise. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of many of such countries has improved significantly, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non- sovereign debt in these countries and the financial condition of European financial institutions. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence of and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available or, if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected. In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell- off of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China' s currency. Since then, the Chinese capital markets have continued to experience periods of instability. The current political climate has also intensified concerns about a potential trade war between the United States and China. These market and economic disruptions and the potential trade war with China have affected, and may in the future affect, the U. S. capital markets, which could adversely affect our business, financial condition or results of operations. Pursuant to an agreement setting out the terms on which the United Kingdom may leave the European Union (the " EU ") (" Brexit "), the United Kingdom formally withdrew from the EU, effective January 31, 2020, and the United Kingdom remained in the EU' s customs union and single market until December 31, 2020. The United Kingdom and the EU have entered into a Trade and Cooperation Agreement (the " TCA "), which came into full force on May 1, 2021 and set out the foundation of the economic and legal framework for trade between the United Kingdom and the EU. As the TCA is a new legal framework, its implementation may result in uncertainty in its application and periods of volatility in both the United Kingdom and wider European markets. Moreover, while the TCA regulates a number of important areas, significant parts of the United Kingdom economy are not addressed in detail by the TCA, including in particular the services sector, which represents the largest component of the United Kingdom' s economy. Due to political uncertainty, it is not possible to anticipate the form or nature of the future trading relationship between the United Kingdom and the EU. While certain measures have been proposed and / or implemented within the United Kingdom and at the EU level or at the member state level, which are designed to minimize disruption in the financial markets, it is not currently possible to determine whether such measures would achieve their intended effects. Notwithstanding the foregoing, the extent of the impact of the withdrawal and the resulting economic arrangements in the United Kingdom and in global markets as well as any associated adverse consequences remain unclear and may lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. For example, during this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased market and currency volatility (including volatility of the value of the British pound sterling relative to the United States dollar and other currencies and volatility in global currency markets generally), and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Additional risks associated with Brexit include macroeconomic risk to the United Kingdom and European economies, impetus for further disintegration of the EU and related political stresses (including those related to sentiment against cross border capital movements and activities of investors like us), prejudice to financial services businesses that are conducting business in the EU and which are based in the United Kingdom, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations, and the unavailability of timely information as to expected legal, tax and other regimes. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties. The occurrence of global events similar to those in recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria, Russia, Ukraine, North Korea and the Middle East, instability, new and ongoing pandemics (such as COVID- 19), epidemics or outbreaks of infectious diseases in certain parts of the world, natural / environmental disasters in certain parts of the world, terrorist attacks in the U. S. and around the world, trade or tariff arrangements, social and political discord, debt crises (such as the Greek crisis), sovereign debt downgrades, increasingly strained relations between the United States and a number of foreign countries including traditional allies, such as certain European countries, and historical adversaries, such as North Korea, Iran, China and Russia, and the international community generally, new and continued political unrest in various countries, such as Venezuela and Spain, the exit or potential exit of one or more countries from the EU or the Economic and Monetary Union, continued changes in the balance of political power among and within the branches of the U. S. government, and government shutdowns, among others, may result in market volatility, may have long- term effects on the United States and worldwide financial markets, and may cause further economic uncertainties in the United States and worldwide. Periods of volatility still remain, and risks to a robust resumption of growth persist. Federal Reserve policy, including with respect to certain interest rates, may adversely affect the value, volatility and liquidity of dividend and interest paying securities. Market volatility, dramatic changes to interest rates and / or a return to unfavorable economic conditions may lower the Company' s performance or impair the Company' s ability to achieve its investment objective The occurrence of any of these above events could have a significant adverse impact on the value and risk profile of our portfolio. We do not know how long the securities markets may be affected by similar events and cannot predict the effects of similar events in the future on the U. S. economy and securities markets. Non- investment grade and equity securities tend to be more volatile than investment- grade fixed income securities; therefore, these events and other market disruptions may have a greater impact on the prices and volatility of non- investment grade and equity securities than on investment- grade fixed income securities. There can be no assurances that similar events and other market disruptions will not have other material and adverse implications. 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 U. S. 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 we are subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations. Prospect Capital Management has been registered as an investment adviser since March 31, 2004, and we have been organized as a closed- end investment company since April 13, 2004. Our ability to achieve our investment objective depends on our ability to grow, which depends, in turn, on the Investment Adviser' s ability to continue to identify, analyze, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost- effective basis is largely a function of the Investment Adviser' s structuring of investments, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. As we continue to grow, Prospect Capital Management will need to continue to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a materially adverse effect on our business, financial condition and results of operations. We are dependent upon Prospect Capital Management' s key management personnel for our future success. We depend on the diligence, skill and network of business contacts of the senior management of the Investment Adviser. We also depend, to a significant extent, on the Investment Adviser' s access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. The senior management team of the Investment Adviser evaluates, negotiates, structures, closes, monitors and services our investments. Our success depends to a significant extent on the continued service of the senior management team, particularly John F. Barry III and M. Grier Eliasek. The departure of any of the senior management team could have a materially adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Prospect Capital Management will remain the Investment Adviser or that we will continue to have access to its investment professionals or its information and deal flow. 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 other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of 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 and that the Code imposes on us as a RIC. 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 pursue attractive investment opportunities from time to time. 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 comparable to or lower than the rates we offer. Rather, we compete with our competitors based on our existing investment platform, seasoned investment professionals, experience and focus on middle- market companies, disciplined investment philosophy, extensive industry focus and flexible transaction structuring. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on less favorable terms than what we may have originally anticipated, which may impact our return on these investments. Borrowings and other types of financing, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique. We need additional capital to fund growth in our investments. A reduction in the availability of new capital could limit our ability to grow. We must distribute at least 90 % of our ordinary income and realized net short- term capital gains in excess of realized net long- term capital losses, if any, to our stockholders to maintain our status as a RIC for U. S. federal income tax purposes. As a result, such earnings are not available to fund investment originations. We have sought additional capital by borrowing from financial institutions and may issue debt securities or additional equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, we could be limited in our ability to grow, which may have an adverse effect on the value of our common stock. In addition, as a BDC, we generally may not borrow money or issue debt securities or issue preferred stock unless immediately thereafter our ratio of total assets to total borrowings and other senior securities is at least 150 %. This may restrict our ability to obtain additional leverage in certain circumstances. Our most recent NAV was calculated on June 30, ~~2022~~ **2023** and our NAV when calculated effective September 30, ~~2022~~ **2023** and thereafter may be higher or lower. Our NAV per common share is $ ~~10~~ **9** . ~~48~~ **24** as of June 30, ~~2022~~ **2023** . NAV per common share as of September 30, ~~2022~~ **2023** may be higher or lower than $ ~~10~~ **9** . ~~48~~ **24** based on potential changes in valuations, issuances of securities, repurchases of securities, dividends paid and earnings for the quarter then ended. Our Board of Directors has not yet determined the fair value of portfolio investments at any date subsequent to June 30, ~~2022~~ **2023** . Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis in connection with the preparation of quarterly financial statements and based on input from independent valuation firms, the Investment Adviser, the Administrator and the Audit Committee of our Board of Directors. We are substantially dependent on our informal relationships, which we use to help identify and gain access to investment opportunities. If we fail to maintain our relationships with key firms, or if we fail to establish strong referral relationships with other firms or other sources of investment opportunities, we will not be able to grow our portfolio of equity investments and achieve our investment objective. In addition, persons with whom we have informal relationships are not obligated to inform us of investment opportunities, and therefore such relationships may not lead to the origination of equity or other investments. Any loss or diminishment of such relationships could effectively reduce our ability to identify attractive portfolio companies that meet our investment criteria, either for direct equity investments or for investments through private secondary market transactions or other secondary transactions. The Investment Adviser' s liability is limited under the Investment Advisory Agreement, and we are required to indemnify the Investment Adviser against certain liabilities, which may lead the Investment Adviser to act in a riskier manner on our behalf than it would when acting for its own account. The Investment Adviser has not assumed any responsibility to us other than to render the services described in the Investment Advisory Agreement, and it will not be responsible for any action of our Board of Directors in declining to follow the Investment Adviser' s advice or recommendations. Pursuant to the Investment Advisory Agreement, the Investment Adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it will not be liable to us for their acts under the Investment Advisory Agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect the Investment Adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it with respect to all damages, liabilities, costs and expenses resulting from acts of the Investment Adviser not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the Investment Advisory Agreement. These protections may lead the Investment Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account. Potential conflicts of interest could impact our investment returns. Our executive officers and directors, and the executive officers of the Investment Adviser, may serve as officers, directors or principals of entities that operate in the same or related lines of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our best interests or those of our stockholders. Nevertheless, it is possible that new investment opportunities that meet our investment objective may come to the attention of one of these entities in connection with another investment advisory client or program, and, if so, such opportunity might not be offered, or otherwise made available, to us. However, as an investment adviser, Prospect Capital Management has a fiduciary obligation to act in the best interests of its clients, including us. To that end, if Prospect Capital Management or its affiliates manage any additional investment vehicles or client accounts in the future, Prospect Capital Management will endeavor to allocate investment opportunities in a fair and equitable manner over time so as not to discriminate unfairly against any client. If Prospect Capital Management chooses to establish another investment fund in the future, when the investment professionals of Prospect Capital Management identify an investment, they will have to choose which investment fund should make the investment. In the course of our investing activities, under the Investment Advisory Agreement we pay base management and incentive fees to Prospect Capital Management and reimburse Prospect Capital Management for certain expenses it incurs. As a result of the Investment Advisory Agreement, there may be times when the senior management team of Prospect Capital Management has interests that differ from those of our stockholders, giving rise to a conflict. The Investment Adviser receives a quarterly income incentive fee based, in part, on our pre- incentive fee net investment income, if any, for the immediately preceding calendar quarter. This income incentive fee is subject to a fixed quarterly hurdle rate before providing an income incentive fee return to Prospect Capital Management. This fixed hurdle rate was determined when then current interest rates were relatively low on a historical basis. Thus, ~~if~~ **as** interest rates rise, it ~~would~~ **could** become easier for our investment income to exceed the hurdle rate and, as a result, more likely that Prospect Capital Management will receive an income incentive fee than if interest rates on our investments remained constant or decreased. Subject to the receipt of any requisite stockholder approval under the 1940 Act, our Board of Directors may adjust the hurdle rate by amending the Investment Advisory Agreement. The income incentive fee payable by us 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 has a deferred interest feature, it is possible that interest accrued under such loan that has previously been included in the calculation of the income incentive fee will become uncollectible. If this happens, we will reverse the interest that was recorded but Prospect Capital Management is not required to reimburse us for any such income incentive fee payments that were received in the past but would reduce the current period incentive fee for the effects of the reversal, if any. If we do not have sufficient liquid assets to pay this incentive fee or distributions to stockholders on such accrued income, we may be required to liquidate assets in order to do so. This fee structure could give rise to a conflict of interest for Prospect Capital Management to the extent that it may encourage Prospect Capital Management to favor debt financings that provide for deferred interest, rather than current cash payments of interest. We have entered into a royalty- free license agreement with Prospect Capital Management. Under this agreement, Prospect Capital Management agrees to grant us a non- exclusive license to use the name “ Prospect Capital. ” Under the license agreement, we have the right to use the “ Prospect Capital ” name for so long as Prospect Capital Management or one of its affiliates remains our investment adviser. In addition, we rent office space from Prospect Administration, an affiliate of Prospect Capital Management, and pay Prospect Administration our allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations as Administrator under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. This may create conflicts of interest that our Board of Directors monitors. Our incentive fee could induce Prospect Capital Management to make speculative investments. The incentive fee payable by us to Prospect Capital Management may create an incentive for the Investment Adviser to make investments on our behalf that are more speculative or involve more risk than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable is determined (calculated as a percentage of the return on invested capital) may encourage the Investment Adviser to use leverage to increase the return on our investments. Increased use of leverage and this increased risk of replacement of that leverage at maturity would increase the likelihood of default, which would disfavor holders of our common stock. Similarly, because the Investment Adviser will receive an incentive fee based, in part, upon net capital gains realized on our investments, the Investment Adviser may invest more than would otherwise be appropriate in companies whose securities are likely to yield 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 incentive fee payable by us to Prospect Capital Management could create an incentive for the Investment Adviser to invest on our behalf in instruments, such as zero coupon bonds, that have a deferred interest feature. Under these investments, we would accrue interest income over the life of the investment but would not receive payments in cash on the investment until the end of the term. Our net investment income used to calculate the income incentive fee, however, includes accrued interest. For example, accrued interest, if any, on our investments in zero coupon bonds will be included in the calculation of our incentive fee, even though we will not receive any cash interest payments in respect of payment on the bond until its maturity date. Thus, a portion of this incentive fee would be based on income that we may not have yet received in cash in the event of default may never receive. We may be obligated to pay our Investment Adviser incentive compensation even if we incur a loss. The Investment Adviser is entitled to incentive compensation for each fiscal quarter based, in part, on our pre- incentive fee net investment income if any, for the immediately preceding calendar quarter above a performance threshold for that quarter. Accordingly, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. Our pre- incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement 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 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 our Investment Adviser even though our performance relative to the market has not increased. The Investment Adviser and the Administrator have the right to resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our business, financial condition and results of operations. The Investment Adviser and the Administrator have the right, under the Investment Advisory Agreement and the Administration Agreement, respectively, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If the Investment Adviser or the Administrator resigns, we may not be able to find a replacement or hire internal management or administration with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our business, financial condition and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities or our internal administration activities, as applicable, is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Investment Adviser and its affiliates or the Administrator and its affiliates. Even if we are able to retain comparable management or administration, whether internal or external, the integration of such management or administration and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations. Changes in the laws or regulations governing our business or the businesses of our portfolio companies and any failure by us or our portfolio companies to comply with these laws or regulations could negatively affect the profitability of our operations or the profitability of our portfolio companies. We are subject to changing rules and regulations of federal and state governments, as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC, the NASDAQ Global Select Market and the New York Stock Exchange LLC (" NYSE "), have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations. In particular, changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non- depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, cybersecurity preparedness, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply, or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, financial condition and results of operations. Foreign and domestic political risk may adversely affect our business. We are exposed to political risk to the extent that Prospect Capital Management, on its behalf and subject to its investment guidelines, transacts in securities in the U. S. and foreign markets. The governments in any of these jurisdictions could impose restrictions, regulations or other measures, which may have a material adverse impact on our strategy. 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 material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. 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 may experience cyber- security incidents and are subject to cyber- security risks. The failure in cyber- security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning, could impair our ability to conduct business effectively. Our business operations rely upon secure information technology systems for data processing, storage and reporting. We are dependent on the effectiveness of the information and cybersecurity policies, procedures and capabilities maintained by our Investment Adviser and other service providers to protect their computer and telecommunications systems and the data that reside on or are transmitted through them. Our portfolio companies similarly are dependent on the effectiveness of the information and cybersecurity policies that they and their service providers maintain. Despite careful security and controls design, implementation and updating, our information technology systems could become subject to cyber- attacks and unauthorized access, such as physical and electronic break- ins or unauthorized tampering. Cyber- attacks include, but are not limited to, gaining unauthorized access to digital systems (e. g., through " hacking " or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber- attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial- of- service attacks on websites (i. e., efforts to make network services unavailable to intended users). Network, system, application and data breaches could result in operational disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. Moreover, the increased use of mobile and cloud technologies could heighten these and other operational risks as certain aspects of the security of such technologies may be complex and unpredictable. Reliance on mobile or cloud technology or any failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber- attacks could disrupt our operations, the operations of a portfolio company or the operations of our or their service providers and result in misappropriation, corruption or loss of personal, confidential or proprietary information or the inability to conduct ordinary business operations. In addition, there is a risk that encryption and other protective measures may be circumvented, particularly to the extent that new computing technologies increase the speed and computing power available. There have been a number of recent highly publicized cases of companies reporting the unauthorized disclosure of client or customer information, as well as cyber- attacks involving the dissemination, theft and destruction of corporate information or other assets, as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties, including actions by terrorist organizations and hostile foreign governments. If one or more of these cyber- attacks occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and / or customer dissatisfaction or loss. The occurrence of a disaster, such as a cyber- attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer- based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised. Cyber- security failures or breaches ~~by~~ **of** the Investment Adviser, any future sub- adviser (s), the Administrator and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which we invest, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with our ability to calculate our net asset value, impediments to trading, the inability of our stockholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. We and our Investment Adviser' s employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. While we have established a business continuity plan in the event of, and risk management systems to prevent, such cyber- attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, we cannot control the cyber- security plans and systems put in place by our service providers and issuers in which we invest. We and our stockholders could be negatively impacted as a result. Cyber- security has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. In addition, state and federal laws and regulations related to BDC and RIC cyber- security compliance continue to evolve and change. These changes may require substantial investments in new technology, software and personnel, which could affect our profitability. These changes may also result in enhanced and unforeseen consequences for cyber- related breaches and incidents, which may further adversely affect our profitability. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our business, liability to investors, regulatory intervention or reputational damage. We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends. Our business is dependent on our and third parties' communications and information systems. Further, in the ordinary course of our business we or our Investment Adviser may engage certain third party service providers to provide us with services necessary for our business. Any failure or interruption of those systems or services, including as a result of the termination or suspension of an agreement with any third- party service providers, could cause delays or other problems in our business activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be: • sudden electrical or telecommunications outages; • natural disasters such as earthquakes, tornadoes and hurricanes; • disease epidemics or pandemics; • events arising from local or larger scale political or social matters, including terrorist acts; and • cyber- attacks. These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders. As a BDC, we may not acquire any assets other than " qualifying assets " unless, at the time of and after giving effect to such acquisition, at least 70 % of our total assets are qualifying assets. We 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 do not invest a sufficient portion of our assets in qualifying assets, we could be found to be in violation of the 1940 Act provisions applicable to BDCs, which would have a material adverse effect on our business, financial condition and results of operations. 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 come into compliance with the 1940 Act. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. To maintain our qualification for U. S. federal income tax purposes as a RIC under Subchapter M of the Code and obtain RIC tax treatment, we must meet certain source of income, annual distribution and asset diversification requirements. The source of income requirement is satisfied if we derive at least 90 % of our annual gross income from interest, dividends, payments with respect to certain securities loans, gains from the sale or other disposition of securities or options thereon or foreign currencies, or other income derived with respect to our business of investing in such securities or currencies, and net income from interests in " qualified publicly traded partnerships, " as defined in the Code. The annual distribution requirement for a RIC will generally be satisfied if we distribute at least 90 % of our ordinary income and net short- term capital gains in excess of net long- term capital losses, if any, to our stockholders on an annual basis. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants that could, under certain circumstances, restrict us from making distributions necessary to qualify for RIC tax treatment. If we are unable to obtain cash from other sources, we may fail to qualify for RIC tax treatment and, thus, may be subject to corporate- level income tax on all of our taxable income. To maintain our qualification as a RIC, we must also meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason or become subject to corporate income tax, the resulting corporate taxes would substantially reduce our net assets, the amount of income available for distribution, and the actual amount of our distributions. Such a failure could have a materially adverse effect on us and our stockholders. For additional information regarding asset coverage ratio and RIC requirements, see " Business — Material U. S. Federal Income Tax Considerations " and " Business — Regulation as a Business Development Company. " For U. S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount or payment- in- kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such amounts could be significant relative to our overall investment activities. We also may be required to include in taxable income certain other amounts that we do not receive in cash. While we focus primarily on investments that will generate a current cash return, our investment portfolio currently includes, and we may continue to invest in, securities that do not pay some or all of their return in periodic current cash distributions. Since in some cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty distributing at least 90 % of our ordinary income and realized net short- term capital gains in excess of realized net long- term capital losses, if any, as required to maintain RIC tax treatment. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for RIC treatment and thus become subject to corporate- level income tax. See " Business — Material U. S. Federal Income Tax Considerations " and " Business — Regulation as a Business Development Company. " We have incurred indebtedness under our revolving credit facility and through the issuance of the Unsecured Notes **, have issued and are continuing to issue preferred stock** and, in the future, may issue **additional** preferred stock or debt securities and / or borrow additional money from banks or other financial institutions, which we refer to collectively as " senior securities, " up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150 % after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test, which would prohibit us from paying dividends in cash or other property and could prohibit us from qualifying as a RIC. If we cannot satisfy this test, we may be required to sell a portion of our investments or sell additional shares of common stock at a time when such sales may be disadvantageous in order to repay a portion of our indebtedness or otherwise increase our net assets. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. If we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you may experience dilution. As a BDC regulated under provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below the current net asset value per share without stockholder approval. If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of our common stock in certain circumstances, one of which is if (i) (1) the holders of a majority of our shares (or, if less, at least 67 % of a quorum consisting of a majority of our shares) and a similar majority of the holders of our shares who are not affiliated persons of us approve the sale of our common stock at a price that is less than the current net asset value (which has currently occurred and is effective through June ~~10~~ **9** , ~~2023~~ **2024**), and (2) a majority of our Directors who have no financial interest in the transaction and a majority of our independent Directors (a) determine that such sale is in our and our stockholders' best interests and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount or (ii) a majority of the number of the beneficial holders of our common stock entitled to vote at our annual meeting, without regard to whether a majority of such shares are voted in favor of the proposal, approve the sale of our common stock at a price that is less than the current net asset value per share. To generate cash for funding new investments, we pledged a substantial portion of our portfolio investments under our revolving credit facility. These assets are not available to secure other sources of funding or for securitization. Our ability to obtain additional secured or unsecured financing on attractive terms in the future is uncertain. Alternatively, we may securitize our future loans to generate cash for funding new investments. See " Securitization of our assets subjects us to various risks. " We may securitize assets to generate cash for funding new investments. We refer to the term securitize to describe a form of leverage under which a company such as us (sometimes referred to as an " originator " or " sponsor ") transfers income producing assets to a single- purpose, bankruptcy- remote subsidiary (also referred to as a “ special purpose entity ” or “ SPE ”), which is established solely for the purpose of holding such assets and entering into a structured finance transaction. The SPE then issues notes secured by such assets. The special purpose entity may issue the notes in the capital markets either publicly or privately to a variety of investors, including banks, non- bank financial institutions and other investors. There may be a single class of notes or multiple classes of notes, the most senior of which carries less credit risk and the most junior of which may carry substantially the same credit risk as the equity of the SPE. An important aspect of most debt securitization transactions is that the sale and / or contribution of assets into the SPE be considered a true sale and / or contribution for accounting purposes and that a reviewing court would not consolidate the SPE with the operations of the originator in the event of the originator’ s bankruptcy based on equitable principles. Viewed as a whole, a debt securitization seeks to lower risk to the note purchasers by isolating the assets collateralizing the securitization in an SPE that is not subject to the credit and bankruptcy risks of the originator. As a result of this perceived reduction of risk, debt securitization transactions frequently achieve lower overall leverage costs for originators as compared to traditional secured lending transactions. In accordance with the above description, to securitize loans, we may create a wholly- owned subsidiary and contribute a pool of our assets to such subsidiary. The SPE may be funded with, among other things, whole loans or interests from other pools and such loans may or may not be rated. The SPE would then sell its notes to purchasers who we would expect to be willing to accept a lower interest rate and the absence of any recourse against us to invest in a pool of income producing assets to which none of our creditors would have access. We would retain all or a portion of the equity in the SPE. An inability to successfully securitize portions of our portfolio or otherwise leverage our portfolio through secured and unsecured borrowings could limit our ability to grow our business and fully execute our business strategy, and could decrease our earnings. However, the successful securitization of portions of our portfolio exposes us to a risk of loss for the equity we retain in the SPE and might expose us to greater risk on our remaining portfolio because the assets we retain may tend to be those that are riskier and more likely to generate losses. A successful securitization may also impose financial and operating covenants that restrict our business activities and may include limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code. The 1940 Act may also impose restrictions on the structure of any securitizations. Interests we hold in the SPE, if any, will be subordinated to the other interests issued by the SPE. As such, we will only receive cash distributions on such interests if the SPE has made all cash interest and other required payments on all other interests it has issued. In addition, our subordinated interests will likely be unsecured and rank behind all of the secured creditors, known or unknown, of the SPE, including the holders of the senior interests it has issued. Consequently, to the extent that the value of the SPE’ s portfolio of assets has been reduced as a result of conditions in the credit markets, or as a result of defaults, the value of the subordinated interests we retain would be reduced. Securitization imposes on us the same risks as borrowing except that our risk in a securitization is limited to the amount of subordinated interests we retain, whereas in a borrowing or debt issuance by us directly we would be at risk for the entire amount of the borrowing or debt issuance. If the SPE is not consolidated with us, our only interest will be the value of our retained subordinated interest and the income allocated to us, which may be more or less than the cash we receive from the SPE, and none of the SPE’ s liabilities will be reflected as our liabilities. If the assets of the SPE are not consolidated with our assets and liabilities, then our interest in the SPE may be deemed not to be a qualifying asset for purposes of determining whether 70 % of our assets are qualifying assets and the leverage incurred by such SPE may or may not be treated as borrowings by us for purposes of the requirement that we not issue senior securities in an amount in excess of our net assets. We may also engage in transactions utilizing SPEs and securitization techniques where the assets sold or contributed to the SPE remain on our balance sheet for accounting purposes. If, for example, we sell the assets to the SPE with recourse or provide a guarantee or other credit support to the SPE, its assets will remain on our balance sheet. Consolidation would also generally result if we, in consultation with the SEC, determine that consolidation would result in a more accurate reflection of our assets, liabilities and results of operations. In these structures, the risks will be essentially the same as in other securitization transactions but the assets will remain our assets for purposes of the limitations described above on investing in assets that are not qualifying assets and the leverage incurred by the SPE will be treated as borrowings incurred by us for purposes of our limitation on the issuance of senior securities. The Investment Adviser may have conflicts of interest with respect to potential securitizations in as much as securitizations that are not consolidated may reduce our assets for purposes of determining its investment advisory fee although in some circumstances the Investment Adviser may be paid certain fees for managing the assets of the SPE so as to reduce or eliminate any potential bias against securitizations. As a BDC, we must not acquire any assets other than “ qualifying assets ” specified in the 1940 Act unless, at the time the acquisition is made, at least 70 % of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow- on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a market capitalization that is less than $ 250 million at the time of such investment. We seek to generate both current income and capital appreciation. However, the securities we invest in may not appreciate and, in fact, may decline in value, and the issuers of debt securities we invest in may default on interest and / or principal payments. Accordingly, we may not be able to realize gains from our investments, and any gains that we do realize may not be sufficient to offset any losses we experience. See “ Business — Our Investment Objective and Policies. ” A large percentage of our portfolio investments consist of securities of privately held companies. Hence, market quotations are generally not readily available for determining the fair values of such investments. The determination of fair value, and thus the amount of unrealized losses we may incur in any year, is to a degree subjective, and the Investment Adviser has a conflict of interest in making the determination. We value these securities quarterly at fair value as determined in good faith by our Board of Directors based on input from the Investment Adviser, our Administrator, a third party independent valuation firm and our Audit Committee. Our Board of Directors utilizes the services of an independent valuation firm to aid it in determining the fair value of any securities. The types of factors that may be considered in determining the fair values of our investments include the nature and realizable value of any collateral, the portfolio company' s ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow, current market interest rates and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, the valuations may fluctuate significantly over short periods of time due to changes in current market conditions. The determinations of fair value by our Board of Directors may differ materially from the values that would have been used if an active market and market quotations existed for these investments. Our net asset value could be adversely affected if the determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities. In addition, decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets experienced during a financial crisis will result in significant net unrealized depreciation in our portfolio. The effect of all of these factors increases the net unrealized depreciation in our portfolio and reduces our NAV. Depending on market conditions, we could incur substantial realized losses which could have a material adverse impact on our business, financial condition and results of operations. We have no policy regarding holding a minimum level of liquid assets. As such, a high percentage of our portfolio generally is not liquid at any given point in time. See " — The lack of liquidity in our investments may adversely affect our business. " As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors. As part of the valuation process, the types of factors that we may take into account in determining the fair value of our investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company' s ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, merger and acquisition comparables, our principal market (as the reporting entity) and enterprise values of our portfolio companies. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations. Some of our portfolio companies have relatively short or no operating histories. These companies are and will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that these companies may not reach their ~~investment objective~~ **objectives** , and the value of our investment in them may decline substantially or fall to zero. In addition, investment in the middle- market companies that we are targeting involves a number of other significant risks, including: • These companies may have limited financial resources and may be unable to meet their obligations under their securities that we hold, which may be accompanied by a deterioration in the value of their securities or of any collateral with respect to any securities, and a reduction in the likelihood of our realizing on any guarantees we may have obtained in connection with our investment. • They may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions as well as general economic downturns. • Because many of these companies are privately held companies, public information is generally not available about these companies. As a result, we will depend on the ability of the Investment Adviser to obtain adequate information to evaluate these companies in making investment decisions. If the Investment Adviser is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and we may lose money on our investments. • 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 materially adverse impact on our portfolio company and, in turn, on us. • They may have less predictable operating results, may from time to time be parties to litigation, may be engaged in changing businesses with products subject to a risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. • They may have difficulty accessing the capital markets to meet future capital needs. • Changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects. • Increased taxes, regulatory expense or the costs of changes to the way they conduct business due to the effects of climate change may adversely affect their business, financial structure or prospects. We acquire majority interests in operating companies engaged in a variety of industries. When we acquire **interests in** these companies we generally seek to apply financial leverage to them in the form of debt. In most cases all or a portion of this debt is held by us, with the obligor being either the operating company itself, a holding company through which we own our majority interest or both. The level of debt leverage utilized by these companies makes them susceptible to the risks identified above. In addition, our executive officers, directors and the Investment Adviser could, in the ordinary course of business, be named as defendants in litigation arising from proposed investments or from our investments in the portfolio companies and may, as a result, incur significant costs and expenses in connection with such litigation. We make investments in private companies. A portion of these investments may be subject to legal and other restrictions on resale, transfer, pledge or other disposition or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. 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. In addition, we face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or the Investment Adviser has or could be deemed to have material non-public information regarding such business entity. Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans ~~or meet other obligations~~ during these periods. Therefore, our non-performing assets **may** ~~are likely to~~ increase, and the value of our portfolio **may** ~~is likely to~~ decrease ~~,~~ during these periods **as we are required to record the values of our investments at fair value** . Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a 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 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, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross- defaults under other agreements and jeopardize ~~a~~ **our** portfolio company' s ability to meet its obligations under the debt ~~or equity~~ securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms ~~, which may include the waiver of certain financial covenants,~~ with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we **or one of our affiliates** may have structured our interest **in such portfolio company** as senior debt ~~or preferred equity~~ , depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might **re-** ~~recharacterize~~ -- **characterize** our debt ~~or~~ **holding as** equity ~~holding~~ and subordinate all or a portion of our claim to ~~those~~ **claims** of other creditors. **Recently, central banks such** ~~U. S. GDP growth has~~ - **as the Federal Reserve Bank have** been ~~reported as negative for the last~~ **increasing interest rates in an effort** ~~two~~ - **to** ~~completed calendar quarters in 2022, which has traditionally been interpreted~~ **slow the rate of inflation. There is a risk that increased interest rates may cause the economy** to ~~signal~~ **enter** a recession ~~for the U. S. economy. Therefore, the recessionary risks discussed above and elsewhere in these risk factors are more pronounced in the current economic environment~~ . We may purchase common and other equity securities. Although common stock has historically generated higher average total returns than fixed income securities over the long- term, common stock has significantly more volatility in those returns and may significantly underperform relative to fixed income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company' s success. Investments in equity securities involve a number of significant risks, including: • Any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness (including trade creditors) or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process. • To the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment. • In some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of the portfolio company. Even if the portfolio company is successful, our ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or we can otherwise sell our investment. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell them. There are special risks associated with investing in preferred securities, including: • Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes before we receive such distributions. • Preferred securities are subordinated to debt in terms of priority to income and liquidation payments, and therefore will be subject to greater credit risk than debt. • Preferred securities may be substantially less liquid than many other securities, such as common stock or U. S. government securities. • Generally, preferred security holders have no voting rights with respect to the issuing company, subject to limited exceptions. Additionally, when we invest in first lien senior secured loans (including unitranche loans), second lien senior secured loans or unsecured debt, we may acquire warrants or other equity securities as well. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests 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 interests and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We may invest, to the extent permitted by law, in the equity securities of investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds and, to the extent we so invest, will bear our ratable share of any such company' s expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to Prospect Capital Management with respect to the assets invested in the securities and instruments of such companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the management and incentive fee of Prospect Capital Management as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers. There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims. If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize our debt holding as an equity investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower' s business or exercise control over the borrower. For example, we could become subject to a lender' s liability claim, if, among other things, we actually render significant managerial assistance. Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies. Our portfolio companies may have, or may be permitted to incur, other debt or issue other equity securities that rank equally with or senior to our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company typically are entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements (including agreements governing " first out " and " last out " structures) that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, we may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as junior lenders are adversely affected. This risk is characteristic of many of the majority- owned operating companies in our portfolio in that any debt to us from a holding company and the holding company' s substantial equity investments in the related operating company are subordinated to any creditors of the operating company. When we are a debt or minority equity investor in a portfolio company, we are often not in a position to exert influence on the entity, and other debt holders, other equity holders and / or portfolio company management may make decisions that could decrease the value of our portfolio holdings. When we make debt or minority equity investments, we are subject to the risk that a portfolio company may make business decisions with which we disagree and the other equity holders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our investment. In addition, when we hold a subordinate debt position, other more senior debt holders may make decisions that could decrease the value of our investment. Our portfolio companies may be highly leveraged. Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company' s income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. A consequence of the limited number of investments in our portfolio is that the aggregate returns we realize may be significantly adversely affected if one or more of our significant portfolio company investments perform poorly or if we need to write down the value of any one significant investment. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our portfolio could contain relatively few portfolio companies. Our failure to make follow- on investments in our existing portfolio companies could 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: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (3) attempt to preserve or enhance the value of our investment. We may elect not to make follow- on investments, may be constrained in our ability to employ available funds, or otherwise may lack sufficient funds to make those investments. We have the discretion to make any follow- on investments, subject to the availability of capital resources. The 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 operation. 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, because we prefer other opportunities, or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status. We may be unable to invest the net proceeds raised from offerings and repayments from investments 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 and repayments from investments in interest- bearing deposits or other short- term instruments or use the net proceeds from such offerings to reduce then- outstanding obligations under our revolving credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering or repayments will produce a sufficient return. We may have limited access to information about privately- held companies in which we invest. We invest primarily in privately- held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of the Investment Adviser' s investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes- Oxley Act of 2002 and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investment. We may not be able to fully realize the value of the collateral securing our debt investments. Although a substantial amount of our debt investments are protected by holding security interests in the assets or equity interests of the portfolio companies, we may not be able to fully realize the value of the collateral securing our investments due to one or more of the following factors: • Our debt investments may be in the form of unsecured loans, therefore our liens on the collateral, if any, are subordinated to those of the senior secured debt of the portfolio companies, if any. As a result, we may not be able to control remedies with respect to the collateral. • The collateral may not be valuable enough to satisfy all of the obligations under our secured loan, particularly after giving effect to the repayment of secured debt of the portfolio company that ranks senior to our loan. • Bankruptcy laws may limit our ability to realize value from the collateral and may delay the realization process. • Our rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral. • The need to obtain regulatory and contractual consents could impair or impede how effectively the collateral would be liquidated and could affect the value received. • Some or all of the collateral may be illiquid and may have no readily ascertainable market value. The liquidity and value of the collateral could be impaired as a result of changing economic conditions, competition, and other factors, including the availability of suitable buyers. 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 foreign companies, including those located in emerging market countries. Investing in foreign companies may expose us to additional risks not typically associated with investing in U. S. companies. These risks include changes in exchange control regulations, political 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. Such risks are more pronounced in emerging market countries. Although currently substantially all of our investments are, and we expect that most of our investments will be, U. S. dollar- denominated, investments that are 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 short- term interest rates, differences in relative values of similar assets in different currencies, long- term opportunities for investment and capital appreciation, and political developments. We may expose ourselves to risks if we engage in hedging transactions. We may employ hedging techniques to minimize certain investment risks, such as fluctuations in interest and currency exchange rates, but we can offer no assurance that such strategies will be effective. If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Furthermore, our ability to engage in hedging transactions may also be adversely affected by rules adopted by the U. S. Commodity Futures Trading Commission, or the " CFTC ". The Dodd- Frank Act has made broad changes to the OTC derivatives market, granted significant new authority to the CFTC and the SEC to regulate OTC derivatives (swaps and security- based swaps) and participants in these markets. The Dodd- Frank Act is intended to regulate the OTC derivatives market by requiring many derivative transactions to be cleared and traded on an exchange, expanding entity registration requirements, imposing business conduct requirements on dealers and requiring banks to move some derivatives trading units to a non- guaranteed affiliate separate from the deposit- taking bank or divest them altogether. The CFTC has implemented mandatory clearing and exchange- trading of certain OTC derivatives contracts including many standardized interest rate swaps and credit default index swaps. The CFTC continues to approve contracts for central clearing. Exchange- trading and central clearing are expected to reduce counterparty credit risk by substituting the clearinghouse as the counterparty to a swap and increase liquidity, but exchange- trading and central clearing do not make swap transactions risk- free. Uncleared swaps, such as non- deliverable foreign currency forwards, are subject to certain margin requirements that mandate the posting and collection of minimum margin amounts. This requirement may result in the portfolio and its counterparties posting higher margin amounts for uncleared swaps than would otherwise be the case. Certain rules require centralized reporting of detailed information about many types of cleared and uncleared swaps. Reporting of swap data may result in greater market transparency, but may subject a portfolio to additional administrative burdens, and the safeguards established to protect trader anonymity may not function as expected. In addition, on October 28, 2020, the SEC adopted new regulations governing the use of derivatives by BDCs (" Rule 18f- 4 "). As a result, we are required to implement and comply with the Rule 18f- 4 limits on the amount of derivatives we can enter into, eliminate the asset segregation framework we previously used to comply with Section 18 of the 1940 Act, treat derivatives as senior securities so that a failure to comply with the limits would result in a statutory violation and require us, if our use of derivatives is more than a limited specified exposure amount (10 % of net assets), to establish and maintain a comprehensive derivatives risk management program and appoint a derivatives risk manager. Future CFTC or SEC rulemakings could potentially limit or completely restrict our ability to use these instruments as a part of our investment strategy, increase the costs of using these instruments or make them less effective. Limits or restrictions applicable to the counterparties with which we engage in derivative transactions could also prevent us from using these instruments or affect the pricing or other factors relating to these instruments, or may change availability of certain investments. The success of our hedging transactions depends on our ability to correctly predict movements, currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non- U. S. currencies. We have no current intention of engaging in any of the hedging transaction described above, although we reserve the right to do so in the future. Our Board of Directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to us and could impair the value of our stockholders' investment. Our Board of Directors has the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, financial condition, and value of our common stock. However, the effects might be adverse, which could negatively impact our ability to pay dividends and cause stockholders to lose all or part of their investment. Investments in the energy sector are subject to many risks. We have made certain investments in and relating to the energy sector. The operations of energy companies are subject to many risks inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including, without limitation: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism, inadvertent damage from construction and farm equipment, leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, and may result in the curtailment or suspension of their related operations, any and all of which could adversely affect our portfolio companies in the energy sector. In addition, the energy sector commodity prices have experienced significant volatility at times, which may occur in the future, and which could negatively affect the returns on any investment made by us in this sector. In addition, valuation of certain investments includes the probability weighting of future events which are outside of management' s control. The final outcome of such events could increase or decrease the fair value of the investment in a future period. We invest in CLOs. Generally, there may be less information available to us regarding the underlying debt investments held by CLOs than if we had invested directly in the debt of the underlying companies. As a result, our stockholders will not know the details of the underlying securities of the CLOs in which we will invest. Our CLO investments are subject to the risk of leverage associated with the debt issued by such CLOs and the repayment priority of senior debt holders in such CLOs. Additionally, CLOs in which we invest are often governed by a complex series of legal documents and contracts. As a result, the risk of dispute over interpretation or enforceability of the documentation may be higher relative to other types of investments. For example, some documents governing the loans underlying our CLO investments may allow for " priming transactions, " in connection with which majority lenders or debtors can amend loan documents to the detriment of other lenders, amend loan documents in order to move collateral, or amend documents in order to facilitate capital outflow to other parties / subsidiaries in a capital structure, any of which may adversely affect the rights and security priority of the CLOs in which we are invested. The accounting and tax implications of such investments are complicated. In particular, reported earnings from the equity tranche investments of these CLO vehicles are recorded under GAAP based upon an effective yield calculation. Current taxable earnings on these investments, however, will generally not be determinable until after the end of the fiscal year of each individual CLO vehicle that ends within the Company' s fiscal year, even though the investments are generating cash flow. In general, the tax treatment of these investments may result in higher distributable earnings in the early years and a capital loss at maturity, while for reporting purposes the totality of cash flows are reflected in a constant yield to maturity. Some instruments issued by CLO vehicles may not be readily marketable and may be subject to restrictions on resale. Securities issued by CLO vehicles are generally not listed on any U. S. national securities exchange and no active trading market may exist for the securities of CLO vehicles in which we may invest. Although a secondary market may exist for our investments in CLO vehicles, the market for our investments in CLO vehicles may be subject to irregular trading activity, wide bid / ask spreads and extended trade settlement periods. As a result, these types of investments may be more difficult to value. Our investments in portfolio companies may be risky, and we could lose all or part of our investment. Failure by a CLO vehicle in which we are invested to satisfy certain tests will harm our operating results. The failure by a CLO investment in which we invest to satisfy financial covenants, including with respect to adequate collateralization and / or interest coverage tests, could lead to a reduction in its payments to us. In the event that a CLO fails certain tests, holders of debt senior to us would be entitled to additional payments that would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting CLO or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows. CLOs typically will have no significant assets other than their underlying senior secured loans; payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans. CLOs typically will have no significant assets other than their underlying senior secured loans. Accordingly, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans, net of all management fees and other expenses. Payments to us as a holder of CLO junior securities are and will be made only after payments due on the senior secured notes, and, where appropriate, the junior secured notes, have been made in full. This means that relatively small numbers of defaults of senior secured loans may adversely impact our returns. Our CLO investments are exposed to leveraged credit risk. Generally, we are in a subordinated position with respect to realized losses on the senior secured loans underlying our investments in CLOs. The leveraged nature of CLOs, in particular, magnifies the adverse impact of senior secured loan defaults. CLO investments represent a leveraged investment with respect to the underlying senior secured loans. Therefore, changes in the market value of the CLO investments could be greater than the change in the market value of the underlying senior secured loans, which are subject to credit, liquidity and interest rate risk. There is the potential for interruption and deferral of cash flow from CLO investments. If certain minimum collateral value ratios and / or interest coverage ratios are not met by a CLO, primarily due to senior secured loan defaults, then cash flow that otherwise would have been available to pay distributions to us on our CLO investments may instead be used to redeem any senior notes or to purchase additional senior secured loans, until the ratios again exceed the minimum required levels or any senior notes are repaid in full. This could result in an elimination, reduction or deferral in the distribution and / or principal paid to the holders of the CLO investments, which would adversely impact our returns. Investments in foreign securities may involve significant risks in addition to the risks inherent in U. S. investments. Our CLO investment strategy allows investments in foreign CLOs. Investing in foreign entities may expose us to additional risks not typically associated with investing in U. S. issuers. These risks include changes in exchange control regulations, political 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. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor' s rights in foreign jurisdictions. In addition, the underlying companies of the CLOs in which we invest may be foreign, which may create greater exposure for us to foreign economic developments. The payment of underlying portfolio manager fees and other charges on CLO investments could adversely impact our returns. We may invest in CLO investments where the underlying portfolio securities may be subject to management, administration and incentive or performance fees, in addition to those payable by us. Payment of such additional fees could adversely impact the returns we achieve. The inability of a CLO collateral manager to reinvest the proceeds of the prepayment of senior secured loans at equivalent rates may adversely affect us. There can be no assurance that for any CLO investment, in the event that any of the senior secured loans of a CLO underlying such investment are prepaid, the CLO collateral manager will be able to reinvest such proceeds in new senior secured loans with equivalent investment returns. If the CLO collateral manager cannot reinvest in new senior secured loans with equivalent investment returns, the interest proceeds available to pay interest on the rated liabilities and investments may be adversely affected. Our CLO investments are subject to prepayments and calls, increasing re- investment risk. Our CLO investments and / or the underlying senior secured loans may prepay more quickly than expected, which could have an adverse impact on our value. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond our control and consequently cannot be predicted with certainty. In addition, for a CLO collateral manager there is often a strong incentive to refinance well performing portfolios once the senior tranches amortize. The yield to maturity of the investments will depend on the amount and timing of payments of principal on the loans and the price paid for the investments. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments of the debt. Furthermore, our CLO investments generally do not contain optional call provisions, other than a call at the option of the holders of the equity tranches for the senior notes and the junior secured notes to be paid in full after the expiration of an initial period in the deal (referred to as the " non- call period "). The exercise of the call option is by the relevant percentage (usually a majority) of the holders of the equity tranches and, therefore, where we do not hold the relevant percentage we will not be able to control the timing of the exercise of the call option. The equity tranches also generally have a call at any time based on certain tax event triggers. In any event, the call can only be exercised by the holders of equity tranches if they can demonstrate (in accordance with the detailed provisions in the transaction) that the senior notes and junior secured notes will be paid in full if the call is exercised. Early prepayments and / or the exercise of a call option otherwise than at our request may also give rise to increased re- investment risk with respect to certain investments, as we may realize excess cash earlier than expected. If we are unable to reinvest such cash in a new investment with an expected rate of return at least equal to that of the investment repaid, this may reduce our net income and, consequently, could have an adverse impact on our ability to pay dividends. We have limited control of the administration and amendment of senior secured loans owned by the CLOs in which we invest. We are not able to directly enforce any rights and remedies in the event of a default of a senior secured loan held by a CLO vehicle. In addition, the terms and conditions of the senior secured loans underlying our CLO investments may be amended, modified or waived only by the agreement of the underlying lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligations arising from senior secured loans could be modified, amended or waived in a manner contrary to our preferences. We have limited control of the administration and amendment of any CLO in which we invest. The terms and conditions of target securities may be amended, modified or waived only by the agreement of the underlying security holders. Generally, any such agreement must include a majority or a super majority (measured by outstanding amounts) or, in certain circumstances, a unanimous vote of the security holders. Consequently, the terms and conditions of the payment obligation arising from the CLOs in which we invest be modified, amended or waived in a manner contrary to our preferences. Senior secured loans of CLOs may be sold and replaced resulting in a loss to us. The senior secured loans underlying our CLO investments may be sold and replacement collateral purchased within the parameters set out in the relevant CLO indenture between the CLO and the CLO trustee and those parameters may typically only be amended, modified or waived by the agreement of a majority of the holders of the senior notes and / or the junior secured notes and / or the equity tranche once the CLO has been established. If these transactions result in a net loss, the magnitude of the loss from the perspective of the equity tranche would be increased by the leveraged nature of the investment. Our financial results may be affected adversely if one or more of our significant equity or junior debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect. We expect that a majority of our portfolio will consist of equity and junior debt investments in CLOs, which involve a number of significant risks. CLOs are typically highly levered up to approximately 10 times, and therefore the junior debt and equity tranches that we will invest in are subject to a higher risk of total loss. In particular, investors in CLOs indirectly bear risks of the underlying debt investments held by such CLOs. We will generally have the right to receive payments only from the CLOs, and will generally not have direct rights against the underlying borrowers or the entities that sponsored the CLOs. Although it is difficult to predict whether the prices of indices and securities underlying CLOs will rise or fall, these prices, and, therefore, the prices of the CLOs will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. The investments we make in CLOs are thinly traded or have only a limited trading market. CLO investments are typically privately offered and sold, in the primary and secondary markets. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from the underlying senior secured loans will not be adequate to make interest or other payments; (ii) the quality of the underlying senior secured loans may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO or unexpected investment results. Further, our investments in equity and junior debt tranches of CLOs are subordinate to the senior debt tranches thereof. Investments in structured vehicles, including equity and junior debt instruments issued by CLOs, involve risks, including credit risk and market risk. Changes in interest rates and credit quality may cause significant price fluctuations. Additionally, changes in the underlying senior secured loans held by a CLO may cause payments on the instruments we hold to be reduced, either temporarily or permanently. Structured investments, particularly the subordinated interests in which we invest, are less liquid than many other types of securities and may be more volatile than the senior secured loans underlying the CLOs in which we invest. Non- investment grade debt involves a greater risk of default and higher price volatility than investment grade debt. The senior secured loans underlying our CLO investments typically are BB or B rated (non- investment grade) and in limited circumstances, unrated, senior secured loans. Non- investment grade securities are predominantly speculative with respect to the issuer' s capacity to pay interest and repay principal when due and therefore involve a greater risk of default and higher price volatility than investment grade debt. We will have no influence on management of underlying investments managed by non- affiliated third party CLO collateral managers. We are not responsible for and have no influence over the asset management of the portfolios underlying the CLO investments we hold as those portfolios are managed by non- affiliated third party CLO collateral managers. Similarly, we are not responsible for and have no influence over the day- to- day management, administration or any other aspect of the issuers of the individual securities. As a result, the values of the portfolios underlying our CLO investments could decrease as a result of decisions made by third party CLO collateral managers. The application of the risk retention rules under Section 941 of the Dodd- Frank Act to CLOs may have broader effects on the CLO and loan markets in general, potentially resulting in fewer or less desirable investment opportunities for us. Section 941 of the Wall Street Reform and Consumer Protection Act (" Dodd- Frank Act ") added a provision to the Exchange Act, requiring the seller, sponsor or securitizer of a securitization vehicle to retain no less than five percent of the credit risk in assets it sells into a securitization and prohibiting such securitizer from directly or indirectly hedging or otherwise transferring the retained credit risk. The responsible federal agencies adopted final rules implementing these restrictions on October 22, 2014. The risk retention rules became effective with respect to CLOs two years after publication in the Federal Register. Under the final rules, the asset manager of a CLO is considered the sponsor of a securitization vehicle and is required to retain five percent of the credit risk in the CLO, which may be retained horizontally in the equity tranche of the CLO or vertically as a five percent interest in each tranche of the securities issued by the CLO. Although the final rules contain an exemption from such requirements for the asset manager of a CLO if, among other things, the originator or lead arranger of all of the loans acquired by the CLO retain such risk at the asset level and, at origination of such asset, takes a loan tranche of at least 20 % of the aggregate principal balance, it is possible that the originators and lead arrangers of loans in this market will not agree to assume this risk or provide such retention at origination of the asset in a manner that would provide meaningful relief from the risk retention requirements for CLO managers. We believe that the U. S. risk retention requirements imposed for CLO managers under Section 941 of the Dodd- Frank Act has created some uncertainty in the market in regard to future CLO issuance. Given that certain CLO managers may require capital provider partners to satisfy this requirement, we believe that this may create additional risks for us in the future. On February 9, 2018, a panel of the United States Court of Appeals for the District of Columbia Circuit ruled (the " D. C. Circuit Ruling ") that the federal agencies exceeded their authority under the Dodd- Frank Act in adopting the final rules as applied to asset managers of open- market CLOs. On April 5, 2018, the United States District Court for the District of Columbia entered an order implementing the D. C. Circuit Ruling and thereby vacated the U. S. Risk Retention Rules insofar as they apply to CLO managers of " open market CLOs ". As of the date of hereof, there has been no petition for writ of certiorari filed requesting the case to be heard by the United States Supreme Court. Since there hasn' t been a successful challenge to the D. C. Circuit Ruling and the United States District Court for the District of Columbia has issued the above described order implementing the D. C. Circuit Ruling, collateral managers of open market CLOs are no longer required to comply with the U. S. Risk Retention Rules at this time. As such, it is possible that some collateral managers of open market CLOs will decide to dispose of the notes constituting the " eligible vertical interest " or " eligible horizontal interest " they were previously required to retain, or decide to take other action with respect to such notes that is not otherwise permitted by the U. S. risk retention rules. As a result of this decision, certain CLO managers of " open market CLOs " will no longer be required to comply with the U. S. risk retention rules solely because of their roles as managers of " open market CLOs ", and there may be no " sponsor " of such securitization transactions and no party may be required to acquire and retain an economic interest in the credit risk of the securitized assets of such transactions. There can be no assurance or representation that any of the transactions, structures or arrangements currently under consideration by or currently used by CLO market participants will comply with the U. S. risk retention rules to the extent such rules are reinstated or otherwise become applicable to open market CLOs. The ultimate impact of the U. S. risk retention rules on the loan securitization market and the leveraged loan market generally remains uncertain, and any negative impact on secondary market liquidity for securities comprising a CLO may be experienced due to the effects of the U. S. risk retention rules on market expectations or uncertainty, the relative appeal of other investments not impacted by the U. S. risk retention rules and other factors. Changes in credit spreads may adversely affect our profitability and result in realized and unrealized depreciation on our investments. The performance of our CLO equity investments will depend, in a large part, upon the spread between the rate at which the CLO borrows funds and the rate at which it lends these funds. Any reduction of the spread between the rate at which the CLO invests and the rate at which it borrows may adversely affect the CLO equity investor' s profitability. Additionally, changes in credit spreads could lead to refinancing (paying off the existing senior secured loan with the proceeds from a new loan) or repricing (reducing the interest rate on an existing senior secured loan) of the senior secured loans that make up a CLO' s portfolio, which would result in a decline in the yield to the CLO' s equity investors and a corresponding loss on investment. Because CLO equity investors are paid the residual income after the CLO debt tranches receive contractual interest payments, a reduction in the weighted average spread of the senior secured loans underlying a CLO will reduce the income flowing to CLO equity investors. As a result, CLO investors will experience realized and unrealized depreciation in periods of prolonged spread compression. If these conditions continue, the CLO investors, such as us, may lose some or all of their investment. With respect to our online consumer lending initiative, we are dependent on the business performance and competitiveness of marketplace lending platforms and our ability to assess loan underwriting performance and, if the marketplace lending platforms from which we currently purchase consumer loans are unable to maintain or increase consumer loan originations, or if such marketplace lending platforms do not continue to sell consumer loans to us, or we are unable to otherwise purchase additional loans, our business and results of operations will be adversely affected. With respect to our online consumer lending initiative, we invest primarily in marketplace loans through marketplace lending platforms. We do not conduct loan origination activities ourselves. Therefore, our ability to purchase consumer loans, and our ability to grow our portfolio of consumer loans, is directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending platforms from which we purchase consumer loans. In addition, our ability to analyze the risk- return profile of consumer loans is significantly dependent on the marketplace platforms' ability to effectively evaluate a borrower' s credit profile and likelihood of default. The platforms from which we purchase such loans utilize credit decisioning and scoring models that assign each such loan offered a corresponding interest rate and origination fee. Our returns are a function of the assigned interest rate for each such particular loan purchased less any defaults over the term of the applicable loan. We evaluate the credit decisioning and scoring models implemented by each platform on a regular basis and leverage the additional data on loan history experience, borrower behavior, economic factors and prepayment trends that we accumulate to continually improve our own decisioning model. If we are unable to effectively evaluate borrowers' credit profiles or the credit decisioning and scoring models implemented by each platform, we may incur unanticipated losses which could adversely impact our operating results. Further, if the interest rates for consumer loans available through marketplace lending platforms are set too high or too low, it may adversely impact our ability to receive returns on our investment that are commensurate with the risks we incur in purchasing the loans. With respect to our online consumer lending initiative, we rely on the marketplace lending platforms to service loans including pursuing collections against borrowers. Personal loans facilitated through the marketplace lending platforms are not secured by any collateral, are not guaranteed or insured by any third- party and are not backed by any governmental authority in any way. Marketplace lending platforms are therefore limited in their ability to collect on the loans if a borrower is unwilling or unable to repay. A borrower' s ability to repay can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card and other loans, including student loans and home equity lines of credit. These changes can result from increases in base lending rates or structured increases in payment obligations and could reduce the ability of the borrowers to meet their payment obligations to other lenders and under the loans purchased by us. If a borrower defaults on a loan, the marketplace lending platforms may outsource subsequent servicing efforts to third- party collection agencies, which may be unsuccessful in their efforts to collect the amount of the loan. Marketplace lending platforms make payments ratably on an investor' s investment only if they receive the borrower' s payments on the corresponding loan. If they do not receive payments on the corresponding loan related to an investment, we are not entitled to any payments under the terms of the investment. As servicers of the loans we purchase as part of our online consumer lending initiative, the marketplace lending platforms have the authority to waive or modify the terms of a consumer loan without our consent or allow the postponement of strict compliance with any such term or in any manner grant any other indulgence to any borrower. If the marketplace lending platforms approve a modification to the terms of any consumer loan it may adversely impact our revenues. To continue to grow our online consumer lending initiative business, we rely on marketplace lending platforms from which we purchase loans to maintain or increase their consumer loan originations and to agree to sell their consumer loans to us. However, we do not have any exclusive arrangements with any of the marketplace lending platforms and have no agreements with them to provide us with a guaranteed source of supply. There can be no assurance that such marketplace lending platforms will be able to maintain or increase consumer loan originations or will continue to sell their consumer loans to us, or that we will be able to otherwise purchase additional loans and, consequently, there can be no assurance that we will be able to grow our business through investment in additional loans. The consumer marketplace lending platforms could elect to become investors in their own marketplace loans which would limit the amount of supply available for our own investments. An inability to expand our business through investments in additional consumer loans would reduce the return on investment that we might otherwise be able to realize from an increased portfolio of such investments. If we are unable to expand our business relating to our online consumer lending initiative, this may have a material adverse effect on our business, financial condition, results of operations and prospects. Additionally, if marketplace lending platforms are unable to attract qualified borrowers and sufficient investor commitments or borrowers and investors do not continue to participate in marketplace lending at current rates, the growth of loan originations will slow or loan originations will decrease. As a result of any of these factors, we may be unable to increase our consumer loan investments and our revenue may grow more slowly than expected or decline, which could have a material adverse effect on our business, financial condition and results of operations. Marketplace lending platforms on which we rely as part of the online consumer lending initiative by NPRC depend on issuing banks to originate all loans and to comply with various federal, state and other laws. Typically, the contracts between marketplace lending platforms and their loan issuing banks are non- exclusive and do not prohibit the issuing banks from working with other marketplace lending platforms or from offering competing services. Issuing banks could decide that working with marketplace lending platforms is not in their interests, could make working with marketplace lending platforms cost prohibitive or could decide to enter into exclusive or more favorable relationships with other marketplace lending platforms that do not provide consumer loans to us. In addition, issuing banks may not perform as expected under their agreements. Marketplace lending platforms could in the future have disagreements or disputes with their issuing banks. Any of these factors could negatively impact or threaten our ability to obtain consumer loans and consequently could have a material adverse effect on our business, financial condition, results of operations and prospects. Issuing banks are subject to oversight by the FDIC and the states where they are organized and operate and must comply with complex rules and regulations, as well as licensing and examination requirements, including requirements to maintain a certain amount of regulatory capital relative to their outstanding loans. If issuing banks were to suspend, limit or cease their operations or the relationship between the marketplace lending platforms and the issuing bank were to otherwise terminate, the marketplace lending platforms would need to implement a substantially similar arrangement with another issuing bank, obtain additional state licenses or curtail their operations. If the marketplace lending platforms are required to enter into alternative arrangements with a different issuing bank to replace their existing arrangements, they may not be able to negotiate a comparable alternative arrangement. This may result in their inability to facilitate loans through their platform and accordingly our inability to operate the business of our online consumer lending initiative. If the marketplace lending platforms were unable to enter into an alternative arrangement with a different issuing bank, they would need to obtain a state license in each state in which they operate in order to enable them to originate loans, as well as comply with other state and federal laws, which would be costly and time- consuming and could have a material adverse effect on our business, financial condition, results of operations and prospects. If the marketplace lending platforms are unsuccessful in maintaining their relationships with the issuing banks, their ability to provide loan products could be materially impaired and our operating results could suffer. Credit and other information that is received about a borrower may be inaccurate or may not accurately reflect the borrower' s creditworthiness, which may cause the loans to be inaccurately priced and affect the value of our portfolio. The marketplace lending platforms obtain borrower credit information from consumer reporting agencies, such as TransUnion, Experian or Equifax, and assign loan grades to loan requests based on credit decisioning and scoring models that take into account reported credit scores and the requested loan amount, in addition to a variety of other factors. A credit score or loan grade assigned to a borrower may not reflect that borrower' s actual creditworthiness because the credit score may be based on incomplete or inaccurate consumer reporting data, and typically, the marketplace lending platforms do not verify the information obtained from the borrower' s credit report. Additionally, there is a risk that, following the date of the credit report that the models are based on, a borrower may have: • become delinquent in the payment of an outstanding obligation; • defaulted on a pre- existing debt obligation; • taken on additional debt; or • sustained other adverse financial events. Borrowers supply a variety of information to the marketplace lending platforms based on which the platforms price the loans. In a number of cases, marketplace lending platforms do not verify all of this information, and it may be inaccurate or incomplete. For example, marketplace lending platforms do not always verify a borrower' s stated tenure, job title, home ownership status or intention for the use of loan proceeds. Moreover, we do not, and will not, have access to financial statements of borrowers or to other detailed financial information about the borrowers. If we invest in loans through the marketplace provided by the marketplace lending platforms based on information supplied by borrowers or third parties that is inaccurate, misleading or incomplete, we may not receive expected returns on our investments and this could have a material adverse impact on our business, financial condition, results of operations and prospects and our reputation may be harmed. Marketplace lending is a relatively new lending method and the platforms of marketplace lending platforms have a limited operating history relative to established consumer banks. Borrowers may not view or treat their obligations under any such loans we purchase as having the same significance as loans from traditional lending sources, such as bank loans. The return on our investment in consumer loans depends on borrowers fulfilling their payment obligations in a timely and complete manner under the corresponding consumer loan. Borrowers may not view their obligations originated on the lending platforms that the marketplace lending platforms provide as having the same significance as other credit obligations arising under more traditional circumstances, such as loans from banks or other commercial financial institutions. If a borrower neglects his or her payment obligations on a consumer loan or chooses not to repay his or her consumer loan entirely, we may not be able to recover any portion of our investment in the consumer loans. This will adversely impact our business, financial condition, results of operations and prospects. Risks affecting investments in real estate. NPRC invests in commercial multi- family residential and student- housing real estate. A number of factors may prevent each of NPRC' s properties and assets from generating sufficient net cash flow or may adversely affect their value, or both, resulting in less cash available for distribution, or a loss, to us. These factors include, but are not limited to: • national economic conditions; • regional and local economic conditions (which may be adversely impacted by plant closings, business layoffs, industry slow- downs, weather conditions, natural disasters, and other factors); • local real estate conditions (such as over- supply of or insufficient demand for office space); • changing demographics; • perceptions by prospective tenants of the convenience, services, safety, and attractiveness of a property; • the ability of property managers to provide capable management and adequate maintenance; • the quality of a property' s construction and design; • increases in costs of maintenance, insurance, and operations (including energy costs and real estate taxes); • changes in applicable laws or regulations (including tax laws, zoning laws, or building codes); • potential environmental and other legal liabilities; • the level of financing used by NPRC in respect of its properties, increases in interest rate levels on such financings and the risk that NPRC will default on such financings, each of which increases the risk of loss to us; • the availability and cost of refinancing; • the ability to find suitable tenants for a property and to replace any departing tenants with new tenants; • potential instability, default or bankruptcy of tenants in the properties owned by NPRC; • potential limited number of prospective buyers interested in purchasing a property that NPRC wishes to sell; and • the relative illiquidity of real estate investments in general, which may make it difficult to sell a property at an attractive price or within a reasonable time frame. ~~In addition, the full extent of the impact and effects of the recent outbreak of COVID- 19 on the future financial performance of NPRC are uncertain at this time. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.~~ To the extent original issue discount (" OID ") and payment in kind (" PIK ") interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income. Our investments may include OID instruments and PIK interest arrangements, which represents contractual interest added to a loan balance and due at the end of such loan' s term. To the extent OID or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following: • The higher interest rates of OID and PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans. • Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation. • OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK income may also create uncertainty about the source of our cash distributions. For accounting purposes, any cash distributions to stockholders representing OID and PIK income are not treated as coming from paid- in capital, even if the cash to pay them comes from offering proceeds. As a result, despite the fact that a distribution representing OID and PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital. Capitalizing PIK interest to loan principal increases our gross assets, thus increasing our Investment Adviser' s future base management fees, and increases future investment income, thus increasing our Investment Adviser' s future income incentive fees at a compounding rate. Market prices of zero-coupon or PIK securities may be affected to a greater extent by interest rate changes and may be more volatile than securities that pay interest periodically and in cash. ~~For accounting purposes, any cash distributions~~ **Although we generally expect the transaction documentation of some portion of our investments** to **include covenants** ~~stockholders representing OID~~ and ~~PIK income are~~ **other structural protections, a significant portion of our investments may be composed of so- called " covenant- lite loans. " Generally, covenant- lite loans do** not ~~designated as paid~~ **have certain maintenance covenants that would require the issuer to maintain debt service or other financial ratios. Ownership of covenant** - **lite loans may expose us** ~~in capital, even if the cash~~ to ~~pay~~ **different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is** ~~them~~ - **the** ~~derives~~ **case with loans that have financial maintenance covenants. As a result, our exposure to losses** from ~~offering proceeds. As a result, despite the~~ **these loans may** ~~fact that a distribution representing OID and PIK income could~~ be **increased. In addition** ~~paid out of amounts invested by our stockholders~~ , **in** the ~~1940 Act does not require that stockholders~~ **current economic environment, the market prices of covenant- lite loans may** be **depressed** ~~given notice of this fact by reporting it as a return of capital~~ . Our credit ratings may not reflect all risks of an investment in our debt or preferred equity securities. Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt and preferred equity securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt or preferred equity securities. We use our revolving credit facility to leverage our portfolio and we expect in the future to borrow from and issue senior debt securities to banks and other lenders and may securitize certain of our portfolio investments. We also have the Unsecured Notes outstanding and have launched a convertible preferred share offering program, which are forms of leverage and are senior in payment rights to our common stock. Business development companies are generally able to issue senior securities such that their asset coverage, as defined in the 1940 Act, equals at least 200 % of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. In March 2018, the Small Business Credit Availability Act added Section 61 (a) (2) to the 1940 Act, a successor provision to Section 61 (a) (1) referenced therein, which reduces the asset coverage requirement applicable to business development companies from 200 % to 150 % so long as the business development company meets certain disclosure requirements and obtains certain approvals. On May 5, 2020, the Company' s stockholders voted to approve the application of the reduced asset coverage requirements in Section 61 (a) (2) to the Company effective as of May 6, 2020. As a result of the stockholder approval, effective May 6, 2020, the asset coverage ratio under the 1940 Act applicable to the Company decreased to 150 % from 200 %. In other words, under the 1940 Act, the Company is now able to borrow $ 2 for investment purposes for every $ 1 of investor equity, as opposed to borrowing $ 1 for investment purposes for every $ 1 of investor equity. As a result, the Company will be able to incur additional indebtedness in the future and investors in the Company may face increased investment risk. In addition, the Company' s management fee payable to the Investment Adviser is based on the Company' s average adjusted gross assets, which includes leverage and, as a result, if the Company incurs additional leverage, management fees paid to the Investment Adviser would increase. With certain limited exceptions, as a BDC, we are only allowed to borrow amounts or otherwise issue senior securities such that our asset coverage, as defined in the 1940 Act, is at least 150 % after such borrowing or other issuance. The amount of leverage that we employ will depend on the Investment Adviser' s and our Board of Directors' assessment of market conditions and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for stockholders, any of which could adversely affect our business, financial condition and results of operations, including the following: • A likelihood of greater volatility in the net asset value and market price of our common stock; • Diminished operating flexibility as a result of asset coverage or investment portfolio composition requirements required by lenders or investors that are more stringent than those imposed by the 1940 Act; • The possibility that investments will have to be liquidated at less than full value or at inopportune times to comply with debt covenants or to pay interest or dividends on the leverage; • Increased operating expenses due to the cost of leverage, including issuance and servicing costs; • Convertible or exchangeable securities, such as the Convertible Notes outstanding or those issued in the future (including the Preferred Stock (as defined herein)), may have rights, preferences and privileges more favorable than those of our common stock including, the case of the Preferred Stock, the statutory right under the 1940 Act to vote, as a separate class, on the election of two of our directors and approval of certain fundamental transactions in certain circumstances; • Subordination to lenders' superior claims on our assets as a result of which lenders will be able to receive proceeds available in the case of our liquidation before any proceeds will be distributed to our stockholders; • Difficulty meeting our payment and other obligations under the Unsecured Notes and our other outstanding debt or preferred equity; • The occurrence of an event of default if we fail to comply with the financial and / or other restrictive covenants contained in our debt agreements, including the credit agreement and each indenture governing the Unsecured Notes, which event of default could result in all or some of our debt becoming immediately due and payable; • Reduced availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes; • The risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our amended senior credit facility; and • Reduced flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy. For example, the amount we may borrow under our revolving credit facility is determined, in part, by the fair value of our investments. If the fair value of our investments declines, we may be forced to sell investments at a loss to maintain compliance with our borrowing limits. Other debt facilities we may enter into in the future may contain similar provisions. Any such forced sales would reduce our net asset value and also make it difficult for the net asset value to recover. The Investment Adviser and our Board of Directors in their best judgment nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks. • In addition, our ability to meet our payment and other obligations of the Preferred Stock, the Unsecured Notes and our credit facility depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot provide assurance that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Preferred Stock, the Unsecured Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt and preferred equity obligations, we may need to refinance or restructure our debt or preferred equity, including the Unsecured Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Preferred Stock, the Unsecured Notes and our other debt. Illustration. The following tables illustrate the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of interest expense. The calculations in the tables below are hypothetical and actual returns may be higher or lower than those appearing below. The below calculation assumes (i) $ 8. ~~7~~ **4** billion in total assets, (ii) an average cost of funds of ~~4~~ **5** . ~~64~~ **63** % (including preferred dividend payments), (iii) $ 2. 6 billion in debt outstanding, (iv) $ ~~1~~ **0** . ~~75~~ **9** billion in liquidation preference of the 5. 50 % Preferred Stock outstanding, (v) $ 0. 15 billion in 5. 35 % Preferred Stock outstanding, ~~and~~ (vi) $ ~~4~~ **1** . ~~0~~ **2 billion in liquidation preference of 6. 50 % Preferred Stock outstanding, and (vi) $ 3. 6** billion of common stockholders' equity. Assumed Return on Our Portfolio (net of expenses) (10) % (5) % 0 % 5 % 10 % Corresponding Return to Common Stockholder (1) (~~27~~ **30. 8) % (19** . 2) % (**7** ~~16. 3) % (5~~ . 5) % ~~5.~~ 4 **. 2** % ~~16~~ **15** . ~~3~~ **8** % The below calculation assumes (i) $ 8. ~~7~~ **4** billion in total assets, (ii) an average cost of funds of ~~4~~ **5** . ~~12~~ **29** % (including preferred dividend payments), (iii) $ 2. 6 billion in debt outstanding, (iv) $ 0. 15 billion in 5. 35 % Preferred Stock outstanding, and (v) $ 5. ~~8~~ **7** billion of common stockholders' equity. Assumed Return on Our Portfolio (net of expenses) (10) % (5) % 0 % 5 % 10 % Corresponding Return to Common Stockholder (2) (17. ~~1~~ **2**) % (9. ~~6~~ **9**) % (2. ~~1~~ **5**) % ~~5.~~ 4 **. 9** % 12. ~~9~~ **2** % (1) Assumes no conversion of 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** to common stock. (2) Assumes the conversion of $ **0. 9 billion in 5. 50 % Preferred Stock and $** 1. ~~75~~ **2** billion in ~~5~~ **6** . 50 % Preferred Stock at a conversion rate based on the 5- day VWAP of our common stock on June 30, ~~2022~~ **2023** , which was $ ~~7~~ **6** . ~~05~~ **16** , and a Holder Optional Conversion Fee (as defined in the prospectus supplement relating to the applicable offering) of 9. 00 % on Series A1 Preferred Stock ~~and~~ **,** Series ~~AA1~~ **A3 Preferred Stock, and Series AA2** Preferred Stock of the maximum public offering price disclosed within the applicable prospectus supplements. The actual 5- day VWAP of our common stock on a Holder Conversion Exercise Date may be more or less than $ ~~7~~ **6** . ~~05~~ **16** , which may result in more or less shares of common stock issued. 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. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of June 30, ~~2022~~ **2023** . As a result, it has not been updated to take into account any changes in assets or leverage since June 30, ~~2022~~ **2023** . The Convertible Notes and the Public Notes present other risks to holders of our common stock, including the possibility that such notes could discourage an acquisition of us by a third party and accounting uncertainty. Certain provisions of the Convertible Notes and the Public Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Convertible Notes and the Public Notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of $ 1, 000. We may also be required to increase the conversion rate or provide for conversion into the acquirer' s capital stock in the event of certain fundamental changes with respect to the Convertible Notes. These provisions could discourage an acquisition of us by a third party. The accounting for convertible debt securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change could be made and any such change could have an adverse impact on our reported or future financial results. Any such impacts could adversely affect the market price of our common stock. The Convertible Notes and Public Notes present other risks to holders of our preferred stock. Our obligations to pay dividends or make distributions and, upon liquidation of the Company, liquidation payments in respect of our preferred stock is subordinate to our obligations to make any principal and interest payments due and owing with respect to our outstanding Convertible Notes and Public Notes. Accordingly, our Convertible Notes and Public Notes have the effect of creating special risks for our preferred stockholders that would not be present in a capital structure that did not include such securities. We fund a portion of our investments with preferred stock, which magnifies the potential for gain or loss and the risks of investing in us in the same way as our borrowings. Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not 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. We have entered into dealer manager agreements and underwriting agreements pursuant to which we intend to sell shares of 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** , the terms of which could result in significant dilution to existing common stockholders. On August 3, 2020, we entered into a Dealer Manager Agreement with Preferred Capital Securities, LLC (" PCS ") (the " Original Dealer Manager Agreement "), amended and restated on February 25, 2021 and further amended on June 9, 2022 **, October 7, 2022 and February 10, 2023** (as so amended, the " Amended and Restated Dealer Manager Agreement "), pursuant to which PCS has agreed to serve as the Company' s agent, principal distributor and exclusive dealer manager for the Company' s offering of up to ~~60~~ **72** , 000, 000 shares, par value $ 0. 001 per share, of preferred stock, with a liquidation preference of $ 25. 00 per share ~~. The terms of the Amended and Restated Dealer Manager Agreement are substantially similar to the terms of the Original Dealer Manager Agreement, except that provisions have been made permit the preferred stock to be offered outside of the United States as well~~ . Under the Amended and Restated Dealer Manager Agreement, the preferred stock is being issued in multiple series, including the Series A1 Preferred Stock, the Series **A3 Preferred Stock, the Series** M1 Preferred Stock, ~~and~~ the Series M2 **Preferred Stock and the Series M3** Preferred Stock, and the Company may offer any future series of preferred stock, provided that the aggregate number of shares issued across all series of preferred stock under the Amended and Restated Dealer Manager Agreement shall not exceed ~~60~~ **72** , 000, 000 shares. On October 30, 2020, and amended on February 18 **, 2022 and October 7** , 2022, we entered into a Dealer Manager Agreement with InspereX LLC (" InspereX Dealer Manager Agreement "), pursuant to which InspereX LLC has agreed to serve as the Company' s agent and dealer manager for the Company' s offering of up to 10, 000, 000 shares, par value $ 0. 001 per share, of 5. 50 % Series AA1 Preferred Stock ~~and~~ **,** 5. 50 % Series MM1 Preferred Stock, **6. 50 % Series AA2 Preferred Stock and 6. 50 % Series MM2 Preferred Stock** with a liquidation preference of $ 25. 00 per share. The Company may offer any future series of preferred stock, provided that the aggregate number of shares issued across all series of preferred stock offered pursuant to the InspereX Dealer Manager Agreement shall not exceed 10, 000, 000 shares. On May 19, 2021, we entered into an Underwriting Agreement with UBS Securities LLC, relating to the offer and sale of 187, 000 shares, par value $ 0. 001 per share, of Series A2 Preferred Stock, with a liquidation preference of $ 25. 00 per share. At any time prior to the listing of the 5. 50 % Preferred Stock **or 6. 50 % Preferred Stock** on a national securities exchange, shares of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock will be convertible, at the option of the holder of the 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock (the " Holder Optional Conversion "). We will settle any Holder Optional Conversion by paying or delivering, as the case may be, (A) any portion of the Settlement Amount (as defined below) that we elect to pay in cash and (B) a number of shares of our common stock at a conversion rate equal to (1) (a) the Settlement Amount, minus (b) any portion of the Settlement Amount that we elect to pay in cash, divided by (2) the arithmetic average of the daily volume weighted average price of shares of our common stock over each of the five consecutive trading days ending on the Holder Conversion Exercise Date (~~as defined herein) (~~ such arithmetic average, the " 5- day VWAP "). For the Series A1 Preferred Stock, the Series **A3 Preferred Stock, the Series** AA1 **Preferred Stock, the Series AA2** Preferred Stock, and the Series A2 Preferred Stock, " Settlement Amount " means (A) $ 25. 00 per share (the " Stated Value "), plus (B) unpaid dividends accrued to, but not including, the Holder Conversion Exercise Date, minus (C) the **applicable** Holder Optional Conversion Fee ~~(as described in the prospectus supplements relating to the Series A1 Preferred Stock, the Series AA1 Preferred Stock, or~~ **for** ~~the Series A2 Preferred Stock, as applicable) applicable on~~ the respective Holder Conversion Deadline ~~(as defined in the applicable prospectus supplement)~~ . For ~~the Series M1 Preferred Stock, Series M2 Preferred Stock and Series MM1 Preferred Stock (collectively,~~ the " Series M Preferred Stock "), " Settlement Amount " means (A) the Stated Value, plus (B) unpaid dividends accrued to, but not including, the Holder Conversion Exercise Date, minus (C) the applicable Series M Clawback, if any ~~(as described in the prospectus supplements relating to the Series M Preferred Stock.~~ " Series M Clawback ", if applicable, means an amount equal to the aggregate amount of all dividends, whether paid or accrued, on such share of Series M Stock in the three full months prior to the Holder Conversion Exercise Date. Subject to certain limited exceptions, we will not pay any portion of the Settlement Amount in cash (other than cash in lieu of fractional shares of our common stock) until the five year anniversary of the date on which a share of 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock has been issued. Beginning on the five year anniversary of the date on which a share of 5. 50 % Preferred Stock is issued, we may elect to settle all or a portion of any Holder Optional Conversion in cash without limitation or restriction. The right of holders to convert a share of 5. 50 % Preferred Stock **or 6** ~~will terminate upon the listing of such share on a national securities exchange. Holders of 5~~ . 50 % Preferred Stock **will terminate upon the listing of such share on a national securities exchange. Holders of 5. 50 % Preferred Stock and 6. 50 % Preferred Stock** may elect to convert their shares of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock at any time by delivering a notice of conversion (the " Holder Conversion Notice "). A Holder Conversion Notice will be effective as of the 15th day of the month (or, if the 15th day of the month is not a business day, then on the business day immediately preceding the 15th day) or the last business day of the month, whichever occurs first after a Holder Conversion Notice is duly received (each such date, a " Holder Conversion Deadline "). Any Holder Conversion Notice received after 5: 00 p. m. Eastern time on a Holder Conversion Deadline will be effective as of the next Holder Conversion Deadline. For all shares of 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock duly submitted to us for conversion on or before a Holder Conversion Deadline, we will determine the Settlement Amount on any business day after such Holder Conversion Deadline but before the next Holder Conversion Deadline (such date, the " Holder Conversion Exercise Date "). Within such period, we may select the Holder Conversion Exercise Date in our sole discretion. We may, in our sole discretion, permit a holder to revoke their Holder Conversion Notice at any time prior to 5: 00 pm, Eastern time, on the business day immediately preceding the Holder Conversion Exercise Date. Subject to certain limited exceptions allowing earlier redemption, beginning on the earlier of the five year anniversary of the date on which a share of 5. 50 % Preferred Stock **or 6. 50 %**

Preferred Stock has been issued, or, for listed shares of 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock, five years from the earliest date on which any series that has been listed was first issued (the earlier of such dates, the “ Redemption Eligibility Date ”), such share of 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock may be redeemed at any time or from time to time at our option (the “ Issuer Optional Redemption ”) upon not less than 10 calendar days nor more than 90 calendar days written notice to the holder prior to the date fixed for redemption thereof, at a redemption price of 100 % of the Stated Value of the shares of 5. 50 % Preferred Stock **or 6. 50 % Preferred Stock** to be redeemed plus unpaid dividends accrued to, but not including, the date fixed for redemption. Subject to certain limitations, each share of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock will be convertible at our option, upon not less than 30 calendar days nor more than 90 calendar days written notice to the holder (the “ Issuer Optional Conversion ”) prior to the date fixed for conversion thereof. We will settle any Issuer Optional Conversion by paying or delivering, as the case may be, (A) any portion of the IOC Settlement Amount (as defined below) that we elect to pay in cash and (B) a number of shares of our common stock at a conversion rate equal to (1) (a) the IOC Settlement Amount, minus (b) any portion of the IOC Settlement Amount that we elect to pay in cash, divided by (2) the 5- day VWAP, subject to our ability to obtain or maintain any stockholder approval that may be required under the 1940 Act to permit us to sell our common stock below net asset value if the 5- day VWAP represents a discount to our net asset value per share of common stock. For the 5. 50 % Preferred Stock, “ IOC Settlement Amount ” means (A) the Stated Value, plus (B) unpaid dividends accrued to, but not including, the date fixed for conversion. Subject to certain limited exceptions, we will not exercise an Issuer Optional Conversion with respect to a share of 5. 50 % Preferred Stock **or 6. 50 % Preferred Stock** until after the date set forth in the applicable prospectus supplement with respect to the 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock. In connection with an Issuer Optional Conversion, we will use commercially reasonable efforts to obtain or maintain any stockholder approval that may be required under the 1940 Act to permit us to sell our common stock below net asset value. If we do not have or obtain any required stockholder approval under the 1940 Act to sell our common stock below net asset value and the 5- day VWAP is at a discount to our net asset value per share of common stock, we will settle any conversions in connection with an Issuer Optional Conversion by paying or delivering, as the case may be, (A) any portion of the IOC Settlement Amount that we elect to pay in cash and (B) a number of shares of our common stock at a conversion rate equal to (1) (a) the IOC Settlement Amount, minus (b) any portion of the IOC Settlement Amount that we elect to pay in cash, divided by (2) the NAV per share of common stock at the close of business on the business day immediately preceding the date of conversion (the" NAV- Based Conversion Rate"). We will not pay any portion of the IOC Settlement Amount from an Issuer Optional Conversion in cash (other than cash in lieu of fractional shares of our common stock) until the Redemption Eligibility Date. Beginning on the Redemption Eligibility Date, we may elect to settle any Issuer Optional Conversion in cash without limitation or restriction. In the event that we exercise an Issuer Optional Conversion with respect to any shares of 5. 50 % Preferred Stock **or 6. 50 % Preferred Stock** , the holder of such 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock may instead elect a Holder Optional Conversion with respect to such 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock provided that the date of conversion for such Holder Optional Conversion would occur prior to the date of conversion for an Issuer Optional Conversion. On June 12, 2020 ~~and~~ **,** June 11, 2021 **and June 10, 2022** , we obtained stockholder approval under Section 63 of the 1940 Act to issue shares of common stock below net asset value until June ~~11~~ **10** , ~~2022~~ **2023** . On June ~~10~~ **9** , ~~2022~~ **2023** ~~,~~ at a special meeting of our stockholders, our stockholders again authorized us to issue shares of our common stock below net asset value during the next 12 months until June ~~10~~ **19** , ~~2023~~ **2024** . We believe that pursuant to this approval any shares of 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock issued prior to June ~~10~~ **9** , ~~2023~~ **2024** may be converted into shares of common stock pursuant to the Issuer Optional Conversion using the 5- day VWAP to determine the conversion rate at any time, including after June 10, ~~2023~~ **2024** . We believe any shares of 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock issued after June ~~10~~ **9** , ~~2023~~ **2024** may be converted into shares of common stock pursuant to the Issuer Optional Conversion using the 5- day VWAP to determine the conversion rate only if we have obtained stockholder approval for the period in which such shares of 5. 50 % Preferred Stock **or 6. 50 % Preferred Stock** were issued (assuming the 5- day VWAP results in a price below net asset value). The application of Section 63 of the 1940 Act with respect to the conversion of the 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock under the Issuer Optional Conversion is unclear. It is possible the SEC will assert a position that stockholder approval to issue shares of common stock below net asset value must be obtained for the year in which the Issuer Optional Conversion is exercised, instead of the time at which the 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock is issued. If the SEC asserted this position and prevailed, we would be required to obtain stockholder approval under the 1940 Act for the years in which we exercise the Issuer Optional Conversion. Obtaining this approval may cause us to incur additional costs and there can be no assurance such stockholder approval will be obtained. If we cannot obtain stockholder approval required by the 1940 Act to issue shares of common stock below net asset value at the time of an Issuer Optional Conversion, then the Issuer Optional Conversion will be effected at the NAV- Based Conversion Rate. An investment in shares of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** involves certain additional risks, including the risks discussed herein. For additional information on the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** , including the risks involved in investing in the 5 **. 50 % Preferred Stock or 6** . 50 % Preferred Stock, please refer to the applicable prospectus supplement pursuant to which such sale is made. The price of our common stock may fluctuate significantly during the period used to calculate any 5- day VWAP with respect to the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** , and this may make it difficult for holders of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** to resell the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock or common stock issuable upon conversion of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock when such holder wants or at prices such holder finds attractive. The price of our common stock on the Nasdaq Global Select Market constantly changes. We expect that the market price of our common stock will continue to fluctuate. Because the 5. 50 % Preferred Stock ~~is~~ **and 6. 50 % Preferred Stock are** convertible into our common stock based on the 5- day VWAP, volatility or declining prices for our common stock during the period used to determine the 5- day VWAP or during the period between when a holder delivers a Holder Conversion Notice and the related Holder Conversion Exercise Date, could have a similar effect on the value of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** or the trading price thereof when and if the 5. 50 % Preferred Stock ~~is~~ **and 6. 50 % Preferred Stock are** ever listed. Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include: • quarterly variations in our investment results; • operating results that vary from the expectations of management, securities analysts and investors; • changes in expectations as to our future financial performance; • the operating and securities price performance of other companies that investors believe are comparable to us; • future sales of our equity or equity - related securities; • the rate at which investors purchase, sell, short sell or otherwise transact in shares of our common stock; • changes in general conditions in our industry and in the economy and the financial markets; and • departures of key personnel. In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, regardless of our operating results. With respect to the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** , the consideration paid upon a Holder Optional Conversion and Issuer Optional Conversion is uncertain. Under the terms of the 5. 50 % Preferred Stock **and 6** ~~, we or holders of shares of the 5~~ . 50 % Preferred Stock **, we or holders of shares of the 5. 50 % Preferred Stock and 6. 50 % Preferred Stock** may choose to convert shares of 5 **. 50 % Preferred Stock 6** . 50 % Preferred Stock at a time when the market price of common stock has dropped significantly. If we elect to settle conversions in shares of our common stock, this may cause significant dilution to the net asset value per share of our outstanding shares of common stock, including shares of common stock owned by holders of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock that had previously converted their 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** into common stock. With respect to any conversion of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock, we may elect, at our sole discretion and subject to certain restrictions and limitations, to pay any portion (or no portion) of the amount owed in cash and settle the remaining portion in shares of our common stock. We will not pay any portion of the conversion proceeds for a share of 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** from a Holder Optional Conversion in cash (other than cash in lieu of fractional shares of our common stock) until the five year anniversary of the date on which such share of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock has been issued, unless our Board of Directors determines, in its sole discretion, that the issuance of common stock in satisfaction of a Holder Optional Conversion would be materially detrimental to, and not in the best interest of, existing common stockholders. Beginning on the five year anniversary of the date on which a share of 5. 50 % Preferred Stock ~~is~~ **and 6. 50 % Preferred Stock are** issued, we may elect to settle all or a portion of any Holder Optional Conversion in cash without limitation or restriction. The conversion rates for the Holder Optional Conversion and, assuming we have the necessary approval under the 1940 Act, the Issuer Optional Conversion are both based on the 5- day VWAP, which may represent a discount to the NAV per share of our common stock. If we do not have or obtain any required stockholder approval under the 1940 Act to sell our common stock below net asset value, 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** may be converted into common stock in connection with an Issuer Optional Conversion at a conversion rate based on our NAV per share of common stock if the 5- day VWAP represents a discount to the NAV per share of our common stock. In this circumstance, there may be fewer shares of common stock issued upon conversion of the shares of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock; while this would reduce dilution to existing common stockholders, including former holders of 5. 50 % Preferred Stock ~~who had previously converted their holdings to common stock, it would also reduce the proportionate interest in the Company (and thus the economic benefit to the holder of 5. 50 % Preferred Stock) for holders of 5. 50 % Preferred Stock subject to such an~~ **and 6** ~~Issuer Optional Conversion. Conversely, a conversion rate based on the 5- day VWAP, if it represents a discount to our net asset value per share of common stock, would result in greater dilution to existing common stockholders (including former holders of 5~~ . 50 % Preferred Stock who had previously converted their holdings to common stock **, it would also reduce the proportionate interest in the Company (and thus the economic benefit to the holder of 5. 50 % Preferred Stock and 6. 50 % Preferred Stock) for holders of 5. 50 % Preferred Stock and 6. 50 % Preferred Stock subject to such an Issuer Optional Conversion. Conversely, a conversion rate based on the 5- day VWAP, if it represents a discount to our net asset value per share of common stock, would result in greater dilution to existing common stockholders (including former holders of 5. 50 % Preferred Stock and 6. 50 % Preferred Stock who had previously converted their holdings to common stock**), and this outcome may be more likely given that the notice period for a Holder Optional Conversion is shorter than the notice period for an Issuer Optional Conversion, so holders of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock can supersede any Issuer Optional Conversion and obtain a conversion rate based on the 5- day VWAP (assuming the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** is settled in shares of our common stock and not cash). There is no cap on the number of shares of common stock that can be issued upon the conversion of shares of 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** . The conversion of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock into shares of common stock could cause the price of common stock to decline significantly. There is no cap on the number of shares of common stock that can be issued upon the conversion of shares of 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** . Because the number of shares of common stock issued upon conversion of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock will be based on the price of shares of common stock, the lower the price of our common stock at the time of conversion, the more shares of our common stock into which the 5. 50 % Preferred Stock ~~is~~ **and 6. 50 % Preferred Stock are** convertible and the greater the dilution that will be experienced by holders of our common stock. Accordingly, there is no limit on the amount of dilution that may be experienced by holders of our common stock. The issuance of the 5. 50 % Preferred Stock **and 6** ~~may be followed by a decline in the price of our common stock, creating additional dilution to the existing holders of the common stock. Such a price decline may allow holders of 5~~ . 50 % Preferred Stock **may be followed by a decline in the price of our common stock, creating additional dilution to the existing holders of the common stock. Such a price decline may allow holders of 5. 50 % Preferred Stock and 6. 50 % Preferred Stock** to convert shares of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock into large amounts of the Company' s common stock. As these shares of common stock are issued upon conversion of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** , our common stock price may decline further. Additionally, the issuance of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock could result in our failure to comply with the Nasdaq Global Select Market' s listing standards. The Nasdaq Global Select Market' s listing standards that may be affected by the issuance of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** include voting rights rules, bid price requirements, listing of additional shares rules, change in control rules and the Nasdaq Global Select Market' s discretionary authority rules. Failure to comply with any of these rules could result in the delisting of the Company' s common stock from the Nasdaq Global Select Market or impact the ability to list the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** on a national securities exchange. The potential decline in the price of our common stock described above may negatively affect the price of our common stock and our ability to obtain financing in the future. In addition, the issuance of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock may provide incentives for holders thereof that intend to convert their shares to seek to cause a decline in the price of our common stock (including through selling our common stock short) in order to receive an increased number of shares of our common stock upon such conversion of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** , and may encourage other investors to sell short or otherwise dispose of our common stock. Our charter currently authorizes us to issue approximately 1. ~~35~~ **13** billion shares of common stock, in addition to our shares of common stock currently outstanding or reserved for issuance upon conversion of the Convertible Notes, and after reflecting the reclassification of ~~227~~ **447** . 9 million shares of common stock as Preferred Stock. Although the Board of Directors can increase the amount of our authorized common stock and reclassify unissued preferred stock as common stock without stockholder approval, if they did not do so for any reason and our 5- day VWAP fell below approximately $ 1. ~~30~~ **82** per share of common stock (assuming we issued all ~~70~~ **82** , 187, 000 shares of the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock available pursuant to the respective offerings), we would be required to settle any conversion of 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** in cash (to the extent we had cash available) or list the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** on a national securities exchange and the value of our shares of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock would then equal their market price, which may be less than $ 25. 00 per share. Future sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock and our ability to raise funds in new stock offerings, and may affect the value of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** . Future sales of substantial amounts of our common stock or equity - related securities in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity - related securities, and may affect the value of the 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** . No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale, will have on the trading price of our common stock or the value of the 5. 50 % Preferred Stock **or 6** ~~. Shares of common stock, which shares of 5~~ . 50 % Preferred Stock **. Shares of common stock, which shares of 5. 50 % Preferred Stock and 6. 50 % Preferred Stock** may be converted into, rank junior to the 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock with respect to dividends and upon liquidation. We may choose to convert the 5. 50 % Preferred Stock **and 6** ~~to shares of our common stock. Holders of 5~~ . 50 % Preferred Stock ~~may also choose~~ to ~~convert their~~ **shares of our common stock. Holders of** 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock may also choose to convert their 5. 50 % Preferred Stock and 6. 50 % Preferred Stock** , subject to our election to settle conversions in cash or shares of our common stock or a combination thereof. The rights of the holders of shares of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock rank senior to the rights of the holders of shares of our common stock as to dividends and payments upon liquidation. Unless full cumulative dividends on our shares of 5 **. 50 % Preferred Stock and 6** . 50 % Preferred Stock for all past dividend periods have been declared and paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our common stock for any period. Upon liquidation, dissolution or winding up of the Company, the holders of shares of our 5. 50 % Preferred Stock **and 6. 50 % Preferred Stock** are entitled to receive the Stated Value of $ 25. 00 per share, plus an amount equal to any accumulated, accrued and unpaid dividends at the applicable rate, after provision is made for our senior liabilities, but prior and in preference to any distribution to the holders of shares of our common stock or any other class of our equity securities junior to any and all shares of our preferred stock outstanding (" Preferred Stock "). Holders of our Preferred Stock have the right to elect members of the board of directors and class voting rights on certain matters. Holders of our Preferred Stock, voting separately as a single class, have the right to elect two members of the board of directors at all times and in the event dividends become two full years in arrears, have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, Preferred Stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions, conversion to open- end status, and plans of reorganization that adversely affect the Preferred Stock and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and Preferred Stock, both by the 1940 Act and by requirements imposed by rating agencies or the terms of our credit facilities, might impair our ability to maintain our qualification as a RIC for federal income tax purposes. While we would intend to redeem our Preferred Stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements. The 5. 35 % Series A Fixed Rate Cumulative Perpetual Preferred Stock (the " 5. 35 % Preferred Stock ") is listed on the NYSE under the symbol " PSEC PRA " and has a limited trading history. Additionally, we may list the 5. 50 % Preferred Stock **and the 6. 50 % Preferred Stock** on a national securities exchange upon notice to holders of 5 **. 50 % Preferred Stock and the 6** . 50 % Preferred Stock. We cannot accurately predict the trading patterns of our Preferred Stock, including the effective costs of trading the stock, and a liquid secondary market may not develop. There is also a risk that our publicly traded preferred stock may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features. The trading price of any publicly traded preferred stock would depend on many factors, including: • prevailing interest rates; • the market for similar securities; • general economic and financial market conditions; • our issuance of debt or other preferred equity securities; and • our financial condition, results of operations and prospects. In addition, the Preferred Stock pays dividends at a fixed rate. Prices of fixed income investments tend to vary inversely with changes in market yields. The market yields on securities comparable to the Preferred Stock may increase, which would likely result in a decline in the value of the Preferred Stock. Additionally, if interest rates rise, securities comparable to the Preferred Stock may pay higher dividend rates and holders of the Preferred Stock may not be able to sell the Preferred Stock at the Stated Value or Liquidation Preference (as defined in the applicable prospectus supplement) and reinvest the proceeds at market rates. The Company may be subject to a greater risk **in this period** of rising ~~interest rates due to the current period of historically low~~ interest rates. There is a possibility that interest rates may **continue to** rise, which would likely drive down the prices of income- or dividend- paying securities. Holders of the 5. 35 % Preferred Stock may not be permitted to exercise conversion rights upon a Change of Control Triggering Event. If exercisable, the Change of Control Triggering Event conversion feature of the 5. 35 % Preferred Stock may not adequately compensate such preferred stockholders, and the Change of Control Triggering Event conversion and redemption features of the 5. 35 % Preferred Stock may make it more difficult for a party to take over the Company or discourage a party from taking over the Company. Upon the occurrence of a Change of Control Triggering Event (as defined in the applicable prospectus supplement), holders of 5. 35 % Preferred Stock will have the right to convert some or all of their 5. 35 % Preferred Stock into our common stock (or equivalent value of alternative consideration). Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock equal to the Share Cap (as defined in the applicable prospectus supplement) multiplied by the number of shares of 5. 35 % Preferred Stock converted. Notwithstanding that we generally may not redeem the 5. 35 % Preferred Stock prior to July 19, 2026, we have a special optional redemption right to redeem the 5. 35 % Preferred Stock in the event of a Change of Control Triggering Event, and holders of 5. 35 % Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the " Change of Control Conversion Date " (i. e., the date the shares of 5. 35 % Preferred Stock are to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide notice). In addition, those features of the 5. 35 % Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a change of control of the Company under circumstances that otherwise could provide the holders of our common stock and Preferred Stock with the opportunity to realize a premium over the then- current market price or that stockholders may otherwise believe is in their best interest. The agreement governing our credit facility requires us to comply with certain financial and operational covenants. These covenants include: • Restrictions on the level of indebtedness that we are permitted to incur in relation to the value of our assets; • Restrictions on our ability to incur liens; and • Maintenance of a minimum level of stockholders' equity. As of June 30, ~~2022~~ **2023** , we were in compliance with these covenants. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Accordingly, there are no assurances that we will continue to comply with the covenants in our credit facility. Failure to comply with these covenants would result in a default under this facility which, if we were unable to obtain a waiver from the lenders thereunder, could result in an acceleration of repayments under the facility and thereby have a material adverse impact on our business, financial condition and results of operations. Failure to extend our existing credit facility, the revolving period of which is currently scheduled to expire on September ~~9~~ **15** , ~~2023~~ **2026** , could have a material adverse effect on our results of operations and financial position and our ability to pay expenses and make distributions. The revolving period for our credit facility with a syndicate of lenders is currently scheduled to terminate on September ~~9~~ **15** , ~~2023~~ **2026** , with an additional one year amortization period (with distributions allowed) after the completion of the revolving period. During such one year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one year amortization period, the remaining balance will become due, if required by the lenders. If the credit facility is not renewed or extended by the participant banks by September ~~9~~ **15** , ~~2023~~ **2026** , we will not be able to make further borrowings under the facility after such date and the outstanding principal balance on that date will be due and payable on September ~~9~~ **15** , ~~2024~~ **2027** . As of June 30, ~~2022~~ **2023** , we had $ ~~839. 5 million~~ **1, 014, 703** of outstanding borrowings under our credit facility. Interest on borrowings under the credit facility is one- month ~~LIBOR~~ **SOFR** plus ~~220~~ **205** basis points with a minimum ~~LIBOR~~ **SOFR** floor of zero. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either ~~50~~ **40** basis points if more than 60 % of the credit facility is drawn, **70** ~~or 100~~ basis points if more than 35 % and an amount less than or equal to 60 % of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35 % of the credit facility is drawn. The credit facility requires us to pledge assets as collateral in order to borrow under the credit facility. If we are unable to extend our facility or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding under the facility during the two- year term- out period through one or more of the following: (1) principal collections on our securities pledged under the facility, (2) at our option, interest collections on our securities pledged under the facility and cash collections on our securities not pledged under the facility, or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position and may force us to decrease or stop paying certain expenses and making distributions until the facility is repaid. In addition, our stock price could decline significantly, we would be restricted in our ability to acquire new investments and, in connection with our year- end audit, and our independent registered accounting firm could raise an issue as to our ability to continue as a going concern. ~~In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. See " Risks Relating to Our business — Changes relating to the LIBOR calculation process, and the discontinuation of LIBOR, may adversely affect the value of the LIBOR- indexed, floating- rate debt securities in our portfolio or issued by us. "~~ The Unsecured Notes mature at various dates from ~~July~~ **January** 15, ~~2022~~ **2024** to March 15, 2052. If we are unable to refinance the Unsecured Notes or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding at maturity under the facility during the ~~two~~ **one** - year term- out period through one or more of the following: (1) borrowing additional funds under our then current credit facility, (2) issuance of additional common stock or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position. In addition, our stock price could decline significantly; we would be restricted in our ability to acquire new investments and, in connection with our year- end audit, our independent registered accounting firm could raise an issue as to our ability to continue as a going concern. Our publicly issued debt securities may or may not have an established trading market. We cannot assure our noteholders that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following: • the time remaining to the maturity of these debt securities; • the outstanding principal amount of debt securities with terms identical to these debt securities; • the ratings assigned by national statistical ratings agencies; • the general economic environment; • the supply of debt securities trading in the secondary market, if any; • the redemption or repayment features, if any, of these debt securities; • the level, direction and volatility of market interest rates generally; and • market rates of interest higher or lower than rates borne by the debt securities. Our noteholders should also be aware that there may be a limited number of buyers when they decide to sell their debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities. Terms relating to redemption may materially adversely affect our noteholders' or Preferred Stockholders', as applicable, return on any debt or preferred equity securities that we may issue. If our debt securities or Preferred Stock are redeemable at our option, we may choose to redeem such securities at times when prevailing interest rates are lower than the interest rate paid by our noteholders or our Preferred Stockholders on their respective securities. In addition, if our debt securities or Preferred Stock are subject to mandatory redemption, or optional redemption triggers in advance of a general no- call deadline, we may be required to, or choose to, redeem such respective securities also at times when prevailing interest rates are lower than the interest rate paid by our noteholders or our Preferred Stockholders on their respective securities. In this circumstance, our noteholders or Preferred Stockholders, as applicable, may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as their securities being redeemed. Shares of closed- end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed- end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict whether any shares of our common stock will trade at, above, or below net asset value. The stocks of BDCs as an industry, including shares of our common stock, currently trade below net asset value as a result of concerns over liquidity, interest rate changes, leverage restrictions and distribution requirements. Under the 1940 Act, when our common stock is trading below its net asset value per share, we will not be able to issue additional shares of our common stock at its market price without first obtaining approval for such issuance from our stockholders and our independent directors. On June ~~10~~ **9** , ~~2022~~ **2023** , at a special meeting of stockholders, our stockholders reauthorized us to sell shares of our common stock (during the following 12 months) at a price or prices below our net asset value per share at the time of sale in one or more offerings subject to certain conditions as set forth in the proxy statement relating to the special meeting (including that the number of shares sold on any given date does not exceed 25 % of its outstanding common stock immediately prior to such sale) ~~. On June 12, 2020, we entered into equity distribution agreements with each of RBC Capital Markets, LLC, Barclays Capital Inc., and KeyBanc Capital Markets Inc. pursuant to which we may offer and sell, by means of at- the- market offerings, up to 50, 000, 000 shares of our $ 0. 001 par value common stock. Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share will result in an immediate dilution to many of our existing common stockholders even if they participate in such sale. For additional information and hypothetical examples of these risks, including actual dilution illustrations specific to an offering, please refer to the corresponding prospectus supplement pursuant to which such sales by means of at- the- market offerings are made~~ . There is a risk that investors in our common stock may not receive dividends or that our dividends may not grow over time and investors in our debt securities or preferred equity may not receive all of the interest or dividend income to which they are entitled. In addition, if the current period of capital market disruption and instability continues for an extended period of time, there is a risk that investors in our common stock may not receive distributions consistent with historical levels or at all or that our distributions may not grow over time and a portion of our distributions may be a return of capital. 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. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution. The above- referenced restrictions on distributions may also inhibit our ability to make required interest or dividend payments to holders of our debt and preferred equity, as applicable, which may cause a default under the terms of our debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt agreements. Moreover, while we have declared common stock distributions through ~~October~~ **August** ~~2022~~ **2023** at the same rate as the ~~60~~ **72** months prior to such declaration, 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. Our ability to pay common stock distributions might be adversely affected by the impact of one or more of the risk factors described in this Annual Report ~~, including the COVID- 19 pandemic described above~~ . For example, if the temporary closure in 2020 of many corporate offices, retail stores, and manufacturing facilities and factories in the jurisdictions, including the United States, affected by the COVID-19 pandemic is reintroduced it could result in reduced cash flows to us from our existing portfolio companies, which could reduce cash available for distribution to our stockholders. In addition, if we are unable to satisfy the asset coverage test applicable to us under the 1940 Act as a business development company or if we violate certain covenants under our existing or future credit facilities or other leverage, we may be limited in our ability to make common stock distributions. If we declare a common stock distribution and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash distribution payments. To the extent we make common stock distributions to stockholders that include a return of capital, such portion of the distribution essentially constitutes a return of the stockholder' s investment. Although such return of capital may not be taxable, such distributions would generally decrease a stockholder' s basis in our common stock and may therefore increase such stockholder' s tax liability for capital gains upon the future sale of such stock. A return of capital distribution may cause a stockholder to recognize a capital gain from the sale of our common stock even if the stockholder sells its shares for less than the original purchase price. The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be speculative and aggressive, and therefore, an investment in our shares may not be suitable for someone with low risk tolerance. Our stockholders may experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan. All dividends declared in cash payable to stockholders that are participants in our DRIP with respect to dividends declared by our Board of Directors on shares of our common stock, are automatically reinvested in shares of our common stock based on a 5 % discount to the market price of our common stock on the date fixed by our Board of Directors for such distribution. As a result, our stockholders that opt out of our DRIP will experience dilution in their ownership percentage of our common stock over time. Stockholders who (or whose broker through which they hold shares) do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the Plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder. Sales **or issuances of Preferred Stock at a discount to Stated Value reduces the net assets available to holders of our common stock. We may receive net proceeds from the issuance of Preferred Stock in an amount less than the Stated Value of such Preferred Stock which reduces net assets available to holders of our common stock. Additionally, on June 12, 2023, the Company notified affected holders of Preferred Stock of amendments to the Preferred Stock DRIP, which became effective on July 19, 2023 and apply to all subsequent dividends and distributions. These amendments provide for additional shares of the Company' s Preferred Stock issued pursuant to the Preferred Stock DRIP to be issued at a 5 % discount from the Stated Value of $ 25. 00 per share of the Preferred Stock. Because Preferred Stock DRIP- issued Preferred Stock, like all Preferred Stock, has a $ 25. 00 Stated Value, these issuances also reduce the net assets available to holders of our common stock. Such reductions reflect part of the issuance expenses of the Preferred Stock that common shareholders bear. See " Senior Securities, including debt and preferred equity, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and result of operations. " Sales** of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock. Sales of substantial amounts of our common stock, or the availability of such common stock for sale (including as a result of the conversion of the 5. 50 % Preferred Stock **, 6. 50 % Preferred Stock** or of the Convertible Notes into common stock), could adversely affect the prevailing market prices for our common stock. 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. If we sell shares of our common stock or securities to subscribe for or are convertible into shares of our common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material. On June ~~10~~ **9** , ~~2022~~ **2023** , at a special meeting of stockholders, our stockholders authorized us to sell shares of our common stock (during the following 12 months) at a price or prices below our net asset value per share at the time of sale in one or more offerings subject to certain conditions as set forth in the proxy statement relating to the special meeting (including that the number of shares sold on any given date does not exceed 25 % of its outstanding common stock immediately prior to such sale). Our stockholders approved our ability to issue warrants, options or rights to acquire our common stock at our 2008 annual meeting of stockholders for an unlimited time period and in accordance with the 1940 Act which provides that the conversion or exercise price of such warrants, options or rights may be less than net asset value per share at the date such securities are issued or at the date such securities are converted into or exercised for shares of our common stock. The issuance or sale by us of shares of our common stock or securities to subscribe for or are convertible into shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares of common stock at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares of common stock if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. We have sold shares of our common stock at prices below net asset value per share in the past and may do so to the future. In addition, we may issue additional shares of preferred stock or debt securities that are convertible into shares of our common stock. The net effect of both types of offerings would be to increase the number of shares of our common stock outstanding or available, which could negatively impact the market price of our common stock and cause the market value of our common stock to become more volatile. Further, to the extent that shares of our common stock are offered or converted at a price below the then net asset value per share, existing stockholders who do not participate in such offerings would experience dilution of their interest (both voting and economic, in terms of net asset value) in the Company. Our ability to enter into transactions with our affiliates is restricted. We are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors. Any person that owns, directly or indirectly, 5 % or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security or other property from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits " joint " transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. Subject to certain limited exceptions, we are prohibited from buying or selling any security or other property from or to the Investment Adviser and its affiliates and persons with whom we are in a control relationship, or entering into joint transactions with any such person, absent the prior approval of the SEC. On January 13, 2020 (amended on August 2, 2022), we received an exemptive order from the SEC (the " Order "), which superseded a prior co- investment exemptive order granted on February 10, 2014, that gave us the ability to negotiate terms other than price and quantity of co- investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Income Fund, Inc. and Prospect Sustainable Income Fund, Inc. (f / k / a Prospect Flexible Income Fund, Inc.), where co- investing would otherwise be prohibited under the 1940 Act, subject to the conditions included therein. Under the terms of the relief permitting us to co- invest with other funds managed by our Investment Adviser or its affiliates, a " required majority " (as defined in Section 57 (o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co- investment transaction, including that (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. In certain situations where co- investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested. The market price of our securities may fluctuate significantly. The market price and liquidity of the market for our securities 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 the energy industry, which are not necessarily related to the operating performance of these companies; • price and volume fluctuations in the overall stock market from time to time; • changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies; • loss of RIC qualification; • changes or perceived changes in earnings or variations in operating results; • changes or perceived changes in the value of our portfolio of investments; • changes in accounting guidelines governing valuation of our investments; • any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts; • departure of one or more of Prospect Capital Management' s key personnel; • operating performance of companies comparable to us; • short- selling pressure with respect to shares of our common stock or BDCs generally; • future sales of our securities convertible into or exchangeable or exercisable for our common stock or the conversion of such securities, including the 5. 50 % Preferred Stock **, 6. 50 % Preferred Stock** and the Convertible Notes; • the occurrence of one or more natural disasters, pandemic outbreaks or other health crises ~~(including but not limited to the ongoing COVID- 19 pandemic)~~ ; • concerns regarding European sovereign debt; • changes in prevailing interest rates; • prolonged inflation; • litigation matters; • general economic trends and other external factors ~~, including the current COVID- 19 pandemic~~ ; and • loss of a major funding source. In the past, following periods of volatility in the market price of a company' s securities, securities class action litigation has, from time to time, been brought against that company. If our stock price fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management' s attention and resources from our business. There is a risk that you may not receive distributions or that our distributions may not grow over time. We have made and intend to continue to make distributions on a monthly basis to our common stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year- to- year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Our charter and bylaws and the Maryland General Corporation Law contain provisions that may have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interest. These provisions may prevent stockholders from being able to sell shares of our common stock at a premium over the current of prevailing market prices. Our charter provides for the classification of our Board of Directors into three classes of directors, serving staggered three- year terms, which may render a change of control or removal of our incumbent management more difficult. Furthermore, any and all vacancies on our Board of Directors will be filled generally only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term until a successor is elected and qualifies. Our Board of Directors is authorized to create and issue new series of shares, to classify or reclassify any unissued shares of stock into one or more classes or series, including preferred stock and, without stockholder approval, to amend our charter to increase or decrease the number of shares of common stock that we have authority to issue, which could have the effect of diluting a stockholder' s ownership interest. Prior to the issuance of shares of common stock of each class or series, including any reclassified series, our Board of Directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock. Our charter and bylaws also provide that our Board of Directors has the exclusive power to adopt, alter or repeal any provision of our bylaws, and to make new bylaws. The Maryland General Corporation Law also contains certain provisions that may limit the ability of a third party to acquire control of us, such as: • The Maryland Business Combination Act, which, subject to certain limitations, prohibits certain business combinations between us and an " interested stockholder " (defined generally as any person who beneficially owns 10 % or more of the voting power of the common stock or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special minimum price provisions and special stockholder voting requirements on these combinations. • The Maryland Control Share Acquisition Act, which provides that " control shares " of a Maryland corporation (defined as shares of common stock which, when aggregated with other shares of common stock controlled by the stockholder, entitles the stockholder to exercise one of three increasing ranges of voting power in electing directors, as described more fully below) acquired in a " control share acquisition " (defined as the direct or indirect acquisition of ownership or control of " control shares ") have no voting rights except to the extent approved by stockholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding all interested shares of common stock. The provisions of the Maryland Business Combination Act will not apply, however, if our Board of Directors adopts a resolution that any business combination between us and any other person will be exempt from the provisions of the Maryland Business Combination Act. Our Board of Directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Maryland Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. There can be no assurance that this resolution will not be altered or repealed in whole or in part at any time. If the resolution is altered or repealed, the provisions of the Maryland Business Combination Act may discourage others from trying to acquire control of us. As permitted by Maryland law, our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our common stock. Although our bylaws include such a provision, such a provision may also be amended or eliminated by our Board of Directors at any time in the future. Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares. In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to the applicable prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering. In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial. We may in the future choose to pay dividends in our own stock, in which case our stockholders may be required to pay tax in excess of the cash they receive. We may distribute taxable dividends that are payable in part in our stock. In accordance with guidance issued by the Internal Revenue Service, subject to the satisfaction of certain guidelines, a publicly traded RIC should generally be eligible to treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder is permitted to elect to receive his or her distribution in either cash or stock of the RIC, even where there is a limitation on the percentage of the aggregate distribution payable in cash, provided that the limitation is at least 20 %. If too many stockholders elect to receive cash, each stockholder electing to receive cash generally must receive a portion of his or her distribution in cash (with the balance of the distribution paid in stock). If these and certain other requirements are met, for U. S. federal income tax purposes, the amount of the distribution paid in stock generally will be a taxable distribution in an amount equal to the amount of cash that could have been received instead of stock. Taxable stockholders receiving such dividends would be required to include the full amount of the dividend as ordinary income (or as long- term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U. S. Stockholder (as defined in " Material U. S. Federal Income Tax Considerations ") may be required to pay tax with respect to such dividends in excess of any cash received. If a U. S. Stockholder sells the stock it receives as a dividend in order to pay this tax, it may be subject to transaction fees (e. g., broker fees or transfer agent fees) and the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of its stock at the time of the sale. Furthermore, with respect to Non- U. S. Stockholders (as defined in " Material U. S. Federal Income Tax Considerations "), we may be required to withhold U. S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. It is unclear whether and to what extent we will be pay dividends in cash and our stock. We could experience fluctuations in our quarterly operating results due to a number of factors, including the level of structuring fees received, the interest or dividend rates payable on the debt or equity securities we hold, the default rate on debt 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. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. ~~77~~