

Priority Income Fund

Risk Factors

An investment in our shares involves a high degree of risk and may be considered speculative. You should carefully consider the information found in “Risk Factors” before deciding to invest in our shares. The following are some of the risks an investment in us involves:

- Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.
- We are not obligated to complete a liquidity event by a specified date; therefore, it will be difficult or impossible for an investor to sell his or her shares, which are not listed on a securities exchange.
- Our shares are not currently listed on any securities exchange, and we do not expect a public market for them to develop in the foreseeable future, if ever. Therefore, stockholders should not expect to be able to sell their shares promptly or at a desired price. No stockholder will have the right to require us to repurchase his or her shares or any portion thereof. Because no public market will exist for our shares, and none is expected to develop, stockholders will not be able to liquidate their investment prior to our liquidation or other liquidity event, other than through our share repurchase program, or, likely in limited circumstances, as a result of transfers of shares to other eligible investors.
- We intend to offer to repurchase a limited number of shares on a quarterly basis, though we are under no obligation to do so. As a result you will have limited opportunities to sell your shares and, to the extent you are able to sell your shares under the program, you may not be able to recover the amount of your investment in our shares.
- The amount of any distributions we may make is uncertain. Our distribution proceeds may exceed our earnings. Therefore, portions of the distributions that we make may be a return of the money that you originally invested and represent a return of capital to you for tax purposes. Such a return of capital is not immediately taxable, but reduces your tax basis in our shares, which may result in higher taxes for you even if your shares are sold at a price below your original investment.
- Legislative or other actions relating to taxes could have a negative effect on us.
- We intend to maintain our status as a RIC but may fail to do so. Such failure would subject us to corporate-level U.S. federal income tax on all of our income, which would have a material adverse effect on our financial performance.
- As a result of the annual distribution requirement to qualify as a RIC, we will likely need to continually raise equity, make borrowings or sell existing investments to fund new investments. At times, these sources of funding may not be available to us on acceptable terms, if at all.
- We are subject to financial market risks, including changes in interest rates, which may have a substantially negative impact on our investments.
- Changes in credit spreads may adversely affect our profitability and result in realized and unrealized depreciation on our investments.

Priority Income Fund

- A significant portion of our portfolio will be recorded at fair value as determined in good faith by our Board of Directors and, as a result, there may be uncertainty as to the value of our investments.
- Investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. securities.
- Our investments in the equity and junior debt tranches of CLOs are exposed to leveraged credit risk.
- Our investments in the equity and junior debt tranches of CLOs may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies.
- CLOs typically will have no significant assets other than their underlying Senior Secured Loans; payments on the CLOs are and will be payable solely from the cashflows from such Senior Secured Loans.
- There is the potential for interruption and deferral of cashflow to our investments in the equity and junior debt tranches of CLOs.
- Our investments in Target Securities may be illiquid.
- We may invest in assets with no or limited performance or operating history.
- We are exposed to underlying borrower fraud through our portfolio securities.
- The inability of a CLO collateral manager to reinvest the proceeds of the prepayment of Senior Secured Loans in a CLO may adversely affect us.
- Our investments are subject to prepayments and calls, increasing re-investment risk.
- There is limited control of the administration and amendment of Senior Secured Loans in CLOs.
- Senior Secured Loans in CLOs may be sold and replaced resulting in a loss to us.
- Non-investment grade debt, which is often referred to as “junk” or “high-yield,” involves a greater risk of default and higher price volatility than investment grade debt.
- We will generally have the right to receive payments only from the CLOs in which we invest, and will generally not have direct rights against the underlying borrowers comprising the CLOs’ investments or the entities that sponsored the CLOs.
- Our investments in equity and junior debt tranches of CLOs will likely be subordinate to the other debt tranches of such CLOs, and are subject to a higher degree of risk of total loss.
- We have not identified specific investments that we will make with the proceeds of this offering, and therefore you will not have the opportunity to evaluate our investments prior to purchasing our shares.
- We may be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence.

Priority Income Fund

- The potential for our Adviser to earn incentive fees under the Investment Advisory Agreement may create an incentive for it to enter into investments that are riskier or more speculative than would otherwise be in our best interests, and, since the base management fee is based on average total assets, our Adviser may have an incentive to increase portfolio leverage in order to earn higher base management fees.
- Our Adviser and its affiliates face conflicts of interest as a result of compensation arrangements, time constraints and competition for investments, which they will attempt to resolve in a fair and equitable manner, but which may result in actions that are not in our stockholders' best interests.
- Our ability to enter into transactions with our affiliates will be restricted.
- The purchase price at which you may purchase shares will be determined at each closing date. As a result, such purchase price may be higher than the prior closing price per share, and therefore you may receive a smaller number of shares than if you had subscribed at the prior closing price.
- We may be unable to invest a significant portion of the net proceeds of our offering on acceptable terms in an acceptable timeframe.
- Because we intend to continue to issue and offer for sale additional shares, investors in this offering will incur dilution.
- We have issued shares of preferred stock and may borrow funds to make investments. We may also issue additional shares of preferred stock in order to provide funding to make investments. As a result, we would be exposed to the risks of borrowing, also known as leverage, which may be considered a speculative investment technique. Leverage increases the volatility of investments and magnifies the potential for loss on amounts invested, therefore increasing the risks associated with investing in our shares.

Our investments may be concentrated in a limited number of investments, which would magnify the effect of any losses suffered by a few of these investments.