



Risk Factors

An investment in PSEC Preferred Stock involves certain risks. You should carefully consider the information set forth in the “Risk Factors” section of the Prospectus for a discussion of material risk factors relevant to an investment in PSEC Preferred Stock, including, but not limited to the following:

- The Preferred Stock will be subject to a risk of early redemption at our option and holders may not be able to reinvest their funds.
- Holders of the Preferred Stock will bear dividend risk. We may be unable to pay dividends on the Preferred Stock under some circumstances. In addition, the terms of any future indebtedness we may incur could preclude the payment of dividends in respect of equity securities, including the Preferred Stock, under certain conditions.
- There is limited liquidity and no public trading market for the PSEC Preferred Stock and there is no guarantee that the Preferred Stock will be listed on a national securities exchange.
- The A1/A3 Shares and M1/M2/M3 Shares pay dividends at fixed rates and the Series A4 Shares and Series M4 Shares pay dividends at floating rates (subject to a minimum total dividend rate and a maximum total dividend rate). The market values 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 market value of the Preferred Stock if it were to be traded on a national securities exchange. Additionally, if interest rates rise, securities comparable to the Preferred Stock may pay higher dividend rates and holders of the Preferred Stock, if it were listed on a national securities exchange, may not be able to sell the Preferred Stock at the Stated Value on a national securities exchange and reinvest the proceeds at market rates. The Company may be subject to a greater risk of rising interest rates due to the current period of rising interest rates and high inflation. The Federal Reserve has aggressively raised interest rates in recent years, which is likely to drive down the prices of income or dividend-paying securities. There is a risk that interest rates may continue to rise.
- We will have a discretionary right to limit the aggregate Liquidation Preference of Preferred Stock subject to redemption following the death of a holder that may be exercised in any calendar year to an amount equal to the greater of \$10 million or 5% of all Preferred Stock outstanding as of the end of the most recent calendar year. Accordingly, no assurance can be given that exercise of a redemption following the death of a holder for the desired amount will be permitted in any single calendar year.
- Series A1, A3, M1, and M3 shares of Preferred Stock are currently rated BBB- by Egan-Jones and BB by S&P. Series A4 and M4 shares of Preferred Stock are not currently rated; if Egan-Jones or S&P rates such Preferred Stock in the future, we would anticipate the same ratings for such Preferred Stock. The credit rating that have been issued on the Preferred Stock could be reduced or withdrawn while an investor holds such Preferred Stock. A reduction or withdrawal of the credit ratings would likely have an



adverse effect on the market value of the relevant series of Preferred Stock. In addition, a credit rating does not eliminate or mitigate the risks of investing in the Preferred Stock.

- Senior securities, including debt and preferred stock, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and results of operations.
- Our obligations to pay dividends or make distributions and, upon liquidation of us, liquidation payments in respect of the Preferred Stock is subordinate to our obligations to make any principal and interest payments due and owing with respect to our outstanding debt.
- In the event we do not generate a total return from dividends and interest received and net realized capital gains in an amount at least equal to our distributions for a given year, we may return capital as part of its distribution. This would decrease the asset coverage per shares with respect to the Preferred Stock, which could adversely affect their liquidity or market prices.
- Unlike the Series A1/A3 Shares and the Series M1/M2/M3 Shares, the Series A4 Shares and Series M4 Shares do not have a Holder Optional Conversion feature.
- Floating rate securities have risks that conventional fixed rate securities do not.
- Redemption of the Series A4 Shares and Series M4 Shares at the Holder's Option is limited. The aggregate amount of Holder Optional Redemptions by the holders of the Series A4 Shares and Series M4 Shares will be subject to redemption limits.