# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**
# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended June 30, 2020**
**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 814-00659**

# PROSPECT CAPITAL CORPORATION
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **Maryland** | **43-2048643** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **10 East 40th Street, 42nd Floor** | |
| **New York, New York** | **10016** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant's telephone number, including area code: (212) 448-0702**
**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbols | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.001 per share | PSEC | NASDAQ Global Select Market |
| 6.25% Notes due 2024, par value $25 | PBB | New York Stock Exchange |
| 6.25% Notes due 2028, par value $25 | PBY | New York Stock Exchange |
| 6.875% Notes due 2029, par value $25 | PBC | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☐ No ☐
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒
The aggregate market value of the common equity held by non-affiliates of the Registrant as of December 31, 2019 was $2.100 billion (based on the closing price on that date of $6.44 on the NASDAQ Global Select Market). For the purposes of calculating this amount only, all executive officers and Directors are "affiliates" of the Registrant.
As of August 25, 2020, there were 376,997,654 shares of the Registrant's common stock outstanding.

**Documents Incorporated by Reference**

Portions of the Registrant's definitive Proxy Statement relating to the 2020 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent described therein.

## Table of Contents

## FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “should,” “could,” “may,” “plan” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results—are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, “Item 1A. Risk Factors” and elsewhere in this report and those described from time to time in reports that we have filed or in the future may file with the Securities and Exchange Commission.

The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of global health epidemics, including, but not limited to, the recent and ongoing novel coronavirus (“Wuhan Virus”) pandemic, on our and our portfolio companies’ business and the global economy;
- uncertainty surrounding the financial stability of the United States, Europe, and China;
- the ability of our portfolio companies to achieve their objectives;
- difficulty in obtaining financing or raising capital, especially in the current credit and equity environment, and the impact of a protracted decline in the liquidity of credit markets on our and our portfolio companies’ business;
- the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets;
- the impact of changes in London Interbank Offered Rate (“LIBOR”) on our operating results;
- adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise;
- a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us;
- our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of the Investment Adviser to locate suitable investments for us and to monitor and administer our investments; and
- authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the Securities and Exchange Commission, Internal Revenue Service, the NASDAQ Global Select Market, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business.

## PART I

### Item 1. Business

In this Annual Report, the terms "Prospect," "the Company," "we," "us" and "our" mean Prospect Capital Corporation and all entities included in our consolidated financial statements, unless the context specifically requires otherwise.

### General

Prospect is a financial services company that primarily lends to and invests in middle-market privately-held companies. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, we have elected to be treated as a regulated investment company ("RIC"), under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004. We are one of the largest BDCs with approximately $5.30 billion of total assets as of June 30, 2020.

We are externally managed by our investment adviser, Prospect Capital Management L.P. ("Prospect Capital Management" or the "Investment Adviser"). Prospect Administration LLC ("Prospect Administration" or the "Administrator"), a wholly-owned subsidiary of the Investment Adviser, provides administrative services and facilities necessary for us to operate.

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We invest primarily in senior and subordinated debt and equity of private companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have nine strategies that guide our origination of investment opportunities: (1) lending to companies controlled by private equity sponsors, (2) lending to companies not controlled by private equity sponsors, (3) purchasing controlling equity positions and lending to operating companies, (4) purchasing controlling equity positions and lending to financial services companies, (5) purchasing controlling equity positions and lending to real estate companies, (6) purchasing controlling equity positions and lending to aircraft leasing companies, (7) investing in structured credit, (8) investing in syndicated debt and (9) investing in consumer and small business loans and asset-backed securitizations. We may also invest in other strategies and opportunities from time to time that we view as attractive. We continue to evaluate other origination strategies in the ordinary course of business with no specific top-down allocation to any single origination strategy.

Lending to Companies Controlled by Private Equity Sponsors - We make agented loans to companies which are controlled by private equity sponsors. This debt can take the form of first lien, second lien, unitranche or unsecured loans. These loans typically have equity subordinate to our loan position. Historically, this strategy has comprised approximately 25%-50% of our portfolio.

Lending to Companies not Controlled by Private Equity Sponsors - We make loans to companies which are not controlled by private equity sponsors, such as companies that are controlled by the management team, the founder, a family or public shareholders. This origination strategy may have less competition to provide debt financing than the private-equity-sponsor origination strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. This origination strategy can result in investments with higher returns or lower leverage than the private-equity-sponsor origination strategy. Historically, this strategy has comprised less than 5% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Operating Companies - This strategy involves purchasing yield-producing debt and controlling equity positions in non-financial-services operating companies. We believe that we can provide enhanced certainty of closure and liquidity to sellers and we look for management to continue on in their current roles. This strategy has comprised approximately 5%-10% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Financial Services Companies - This strategy involves purchasing yield-producing debt and control equity investments in financial services companies, including consumer direct lending, sub-prime auto lending and other strategies. These investments are often structured in tax-efficient partnerships, enhancing returns. This strategy has comprised approximately 10%-15% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Real Estate Companies - We purchase debt and controlling equity positions in tax-efficient real estate investment trusts (“REIT” or “REITs”). The real estate investments of National Property REIT Corp. (“NPRC”) are in various classes of developed and occupied real estate properties that generate current yields, including multi-family properties, student housing, and self-storage. NPRC seeks to identify properties that have historically significant occupancy rates and recurring cash flow generation. NPRC generally co-invests with established and experienced property management teams that manage such properties after acquisition. Additionally, NPRC purchases loans originated by certain consumer loan facilitators. It purchases each loan in its entirety (i.e., a “whole loan”). The borrowers are consumers, and the loans are typically serviced by the facilitators of the loans. This investment strategy has comprised approximately 10%-20% of our business.

Purchasing Controlling Equity Positions and Lending to Aircraft Leasing Companies - We invest in debt as well as equity in companies with aircraft assets subject to commercial leases to airlines across the globe. We believe that these investments can present attractive return opportunities due to cash flow consistency from long-term leases coupled with hard asset residual value. We believe that these investment companies seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across a variety of aircraft types and vintages. This strategy historically has comprised less than 5% of our portfolio.

Investing in Structured Credit - We make investments in collateralized loan obligations (“CLOs”), often taking a significant position in the subordinated interests (equity) and debt of the CLOs. The underlying portfolio of each CLO investment is diversified across approximately 100 to 200 broadly syndicated loans and does not have direct exposure to real estate, mortgages, or consumer-based credit assets. The CLOs in which we invest are managed by established collateral management teams with many years of experience in the industry. This strategy has comprised approximately 10%-20% of our portfolio.

Investing in Syndicated Debt - On a primary or secondary basis, we purchase primarily senior and secured loans and high yield bonds that have been sold to a club or syndicate of buyers. These investments are often purchased with a long-term, buy-and-hold outlook, and we often look to provide significant input to the transaction by providing anchoring orders. This strategy has comprised approximately 10%-25% of our portfolio.

Investing in Consumer and Small Business Loans and Asset-Backed Securitizations - We purchase loans originated by certain consumer and small-and-medium-sized business (“SME”) loan platforms. We generally purchase each loan in its entirety (i.e., a “whole loan”) and we invest in asset-backed securitizations collateralized by consumer or small business loans. The borrowers are consumers and SMEs and the loans are typically serviced by the platforms of the loans. This investment strategy currently comprises 0% of our portfolio.

Typically, we concentrate on making investments in companies with annual revenues of less than $750 million and enterprise values of less than $1 billion. Our typical investment involves a secured loan of less than $250 million. We also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. In most cases, companies in which we invest are privately held at the time we invest in them. We refer to these companies as “target” or “middle-market” companies and these investments as “middle-market investments.”

We seek to maximize total returns to our investors, including both current yield and equity upside, by applying rigorous credit analysis and asset-based and cash-flow based lending techniques to make and monitor our investments. We are constantly pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. We also regularly evaluate control investment opportunities in a range of industries, and some of these investments could be material to us. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. If any of these opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

**Our Investment Objective and Policies**

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We focus on making investments in private companies. We are a non-diversified company within the meaning of the 1940 Act.

We invest primarily in first and second lien secured loans and unsecured debt, which in some cases includes an equity component. First and second lien secured loans generally are senior debt instruments that rank ahead of unsecured debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Our investments in CLOs are subordinated to senior loans and are generally unsecured. We invest in debt and equity positions of CLOs which are a form of securitization in which the cash flows of a portfolio of loans are pooled and passed on to different classes of owners in various tranches. Our CLO investments are derived from portfolios of corporate debt securities which are generally risk rated from BB to B.

We may also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. These may be in several industries, including industrial, service, aircraft leasing, real estate and financial businesses.

We seek to maximize returns and minimize risk for our investors by applying rigorous analysis to make and monitor our investments. While the structure of our investments varies, we can invest in senior secured debt, senior unsecured debt, subordinated secured debt, subordinated unsecured debt, convertible debt, convertible preferred equity, preferred equity, common equity, warrants and other instruments, many of which generate current yield. While our primary focus is to seek current income through investment in the debt and/or dividend-paying equity securities of eligible privately-held, thinly-traded or distressed companies and long-term capital appreciation by acquiring accompanying warrants, options or other equity securities of such companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek enhanced returns for stockholders. Such investments may include investments in the debt and equity instruments of broadly-traded public companies. We expect that these public companies generally will have debt securities that are non-investment grade. Such investments may also include purchases (either in the primary or secondary markets) of the equity and junior debt tranches of a type of pools such as CLOs. Structurally, CLOs are entities that are formed to hold a portfolio of senior secured loans made to companies whose debt is rated below investment grade or, in limited circumstances, unrated. The senior secured loans within a CLO are limited to senior secured loans which meet specified credit and diversity criteria and are subject to concentration limitations in order to create an investment portfolio that is diverse by senior secured loan, borrower, and industry, with limitations on non-U.S. borrowers. Within this 30% basket, we have and may make additional investments in debt and equity securities of financial companies and companies located outside of the United States.

Our investments may include other equity investments, such as warrants, options to buy a minority interest in a portfolio company, or contractual payment rights or rights to receive a proportional interest in the operating cash flow or net income of such company. When determined by the Investment Adviser to be in our best interest, we may acquire a controlling interest in a portfolio company. Any warrants we receive with our debt securities may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We have structured, and will continue to structure, some warrants to include provisions protecting our rights as a minority-interest or, if applicable, controlling-interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we obtain registration rights in connection with these equity interests, which may include demand and “piggyback” registration rights.

We plan to hold many of our debt investments to maturity or repayment, but will sell a debt investment earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company, or if we determine a sale of such debt investment to be in our best interest.

We have qualified and elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To continue to qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to qualify for RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our “investment company taxable income,” which is generally our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses.

For a discussion of the risks inherent in our portfolio investments, see “Risk Factors – Risks Relating to Our Investments.”

**Industry Sectors**

Our portfolio is invested across 38 industry categories. Excluding our CLO investments, which do not have industry concentrations, no individual industry comprises more than 14.4% of the portfolio on either a cost or fair value basis.

**Ongoing Relationships with Portfolio Companies**

*Monitoring*

Prospect Capital Management monitors our portfolio companies on an ongoing basis. Prospect Capital Management will continue to monitor the financial trends of each portfolio company to determine if it is meeting its business plan and to assess the appropriate course of action for each company.

Prospect Capital Management employs several methods of evaluating and monitoring the performance and value of our investments, which may include, but are not limited to, the following:

- Assessment of success in adhering to the portfolio company's business plan and compliance with covenants;
- Regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor to discuss financial position, requirements and accomplishments;
- Comparisons to other portfolio companies in the industry, if any;
- Attendance at and participation in board meetings of the portfolio company; and
- Review of monthly and quarterly financial statements and financial projections for the portfolio company.

*Investment Valuation*

To value our investments, we follow the guidance of ASC 820, Fair Value Measurement ("ASC 820"), that defines fair value, establishes a framework for measuring fair value in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and requires disclosures about fair value measurements. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

*Level 1*: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

*Level 2*: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

*Level 3*: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Our Board of Directors has established procedures for the valuation of our investment portfolio. These procedures are detailed below.

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below.

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors.
2. The independent valuation firms prepare independent valuations for each investment based on their own independent assessments and issue their report.
3. The Audit Committee of our Board of Directors reviews and discusses with the independent valuation firms the valuation reports, and then makes a recommendation to the Board of Directors of the value for each investment.

4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield technique, enterprise value ("EV") technique, net asset value technique, asset recovery technique, discounted cash flow technique, or a combination of techniques, as appropriate. The yield technique uses loan spreads for loans and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV technique, the EV of a portfolio company is first determined and allocated over the portfolio company's securities in order of their preference relative to one another (i.e., "waterfall" allocation). To determine the EV, we typically use a market (multiples) valuation approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent merger and acquisitions transactions, and/or a discounted cash flow technique. The net asset value technique, an income approach, is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The asset recovery technique is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company's assets. The discounted cash flow technique converts future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The fair value measurement is based on the net present value indicated by current market expectations about those future amounts.

In applying these methodologies, additional factors that we consider in valuing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

Our investments in CLOs are classified as Level 3 fair value measured securities under ASC 820 and are valued using a discounted multi-path cash flow model. The CLO structures are analyzed to identify the risk exposures and to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which is a simulation used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows from the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market as well as certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the multi-path cash flows. 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. The main risk factors are default risk, prepayment risk, interest rate risk, downgrade risk, and credit spread risk.

For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see "Risk Factors – Risks Relating to Our Business – 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."

*Managerial Assistance*

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. "Making available significant managerial assistance" refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us to controlled and non-controlled portfolio companies will vary according to the particular needs of each portfolio company. Examples of such activities include (i) advice on recruiting, hiring, management and termination of employees, officers and directors, succession planning and other human resource matters; (ii) advice on capital raising, capital budgeting, and capital expenditures; (iii) advice on advertising, marketing, and sales; (iv) advice on fulfillment, operations, and execution; (v) advice on managing relationships with unions and other personnel organizations, financing sources, vendors, customers, lessors, lessees, lawyers, accountants, regulators and other important counterparties; (vi) evaluating acquisition and divestiture opportunities, plant expansions and closings, and market expansions; (vii) participating in audit committee, nominating committee, board and management meetings; (viii) consulting with and advising board members and officers of portfolio companies (on overall strategy and other matters); and (ix) providing other organizational, operational, managerial and financial guidance.

Prospect Administration, when executing a managerial assistance agreement with each portfolio company to which we provide managerial assistance, arranges for the provision of such managerial assistance on our behalf. When doing so, Prospect Administration utilizes personnel of our Investment Adviser. We, on behalf of Prospect Administration, invoice portfolio companies receiving and paying for managerial assistance, and we remit to Prospect Administration its cost of providing such services, including the charges deemed appropriate by our Investment Adviser for providing such managerial assistance. No income is recognized by Prospect.

**Investment Adviser**

Prospect Capital Management, a Delaware limited partnership that is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") manages our investments. Prospect Capital Management is led by John F. Barry III and M. Grier Eliasek, two senior executives with significant investment advisory and business experience. Both Messrs. Barry and Eliasek spend a significant amount of their time in their roles at Prospect Capital Management working on our behalf. The principal executive offices of Prospect Capital Management are 10 East 40th Street, 42nd Floor, New York, NY 10016. We depend on the due 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 investment professionals and the information and deal flow generated by those investment professionals in the course of their investment and portfolio management activities. The Investment Adviser's senior management team evaluates, negotiates, structures, closes, monitors and services our investments. Our future 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 managers of the Investment Adviser 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. Under the Investment Advisory Agreement (as defined below), we pay Prospect Capital Management investment advisory fees, which consist of an annual base management fee based on our gross assets as well as a two-part incentive fee based on our performance. Mr. Barry currently controls Prospect Capital Management.

**Investment Advisory Agreement**

*Terms*

We have entered into an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, the Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies), and (iii) closes and monitors investments we make.

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our total assets. For services currently rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate), i.e., the "catch-up"; and
- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in our portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which may be asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate amortized cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

*Examples of Quarterly Incentive Fee Calculation*

Example 1: Income Incentive Fee*

*The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.

<u>Alternative 1</u>

*Assumptions*

- Investment income (including interest, dividends, fees, etc.) = 1.25%
- Hurdle rate(1) = 1.75%
- Base management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
- Pre-incentive fee net investment income (investment income – (base management fee + other expenses)) = 0.55%

Pre-incentive net investment income does not exceed hurdle rate, therefore there is no income incentive fee.

<u>Alternative 2</u>

*Assumptions*

- Investment income (including interest, dividends, fees, etc.) = 2.70%
- Hurdle rate(1) = 1.75%
- Base management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
- Pre-incentive fee net investment income (investment income – (base management fee + other expenses)) = 2.00%

Pre-incentive net investment income exceeds hurdle rate, therefore there is an income incentive fee payable by us to the Investment Adviser. The Income Incentive Fee would be calculated as follows:

= 100% × "Catch Up" + the greater of 0% AND (20% × (pre-incentive fee net investment income – 2.1875%))

= (100% × (2.00% - 1.75%)) + 0%

= 100% × 0.25% + 0%

= 0.25%

<u>Alternative 3</u>

*Assumptions*

- Investment income (including interest, dividends, fees, etc.) = 3.00%
- Hurdle rate(1) = 1.75%
- Base management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
- Pre-incentive fee net investment income (investment income – (base management fee + other expenses)) = 2.30%

Pre-incentive net investment income exceeds hurdle rate, therefore there is an income incentive fee payable by us to the Investment Adviser. The Income Incentive Fee would be calculated as follows:

= 100% × "Catch Up" + the greater of 0% AND (20% × (pre-incentive fee net investment income – 2.1875%))

= (100% × (2.1875% – 1.75%)) + the greater of 0% AND (20% × (2.30% – 2.1875%))

= (100% × 0.4375%) + (20% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

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(1) Represents 7% annualized hurdle rate.

(2) Represents 2% annualized base management fee.

(3) Excludes organizational and offering expenses.

Example 2: Capital Gains Incentive Fee

<u>Alternative 1</u>

*Assumptions*

- Year 1: $20 million investment made
- Year 2: Fair market value ("FMV") of investment determined to be $22 million
- Year 3: FMV of investment determined to be $17 million
- Year 4: Investment sold for $21 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: No impact
- Year 3: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation)
- Year 4: Increase base amount on which the second part of the incentive fee is calculated by $4 million ($1 million of realized capital gain and $3 million *reversal* in unrealized capital depreciation)

<u>Alternative 2</u>

*Assumptions*

- Year 1: $20 million investment made
- Year 2: FMV of investment determined to be $17 million
- Year 3: FMV of investment determined to be $17 million
- Year 4: FMV of investment determined to be $21 million
- Year 5: FMV of investment determined to be $18 million
- Year 6: Investment sold for $15 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation)
- Year 3: No impact
- Year 4: Increase base amount on which the second part of the incentive fee is calculated by $3 million (*reversal* in unrealized capital depreciation)
- Year 5: Decrease base amount on which the second part of the incentive fee is calculated by $2 million (unrealized capital depreciation)
- Year 6: Decrease base amount on which the second part of the incentive fee is calculated by $3 million ($5 million of realized capital loss offset by a $2 million *reversal* in unrealized capital depreciation)

Alternative 3

*Assumptions*

- Year 1: $20 million investment made in company A ("Investment A") and $20 million investment made in company B ("Investment B")
- Year 2: FMV of Investment A is determined to be $21 million and Investment B is sold for $18 million
- Year 3: Investment A is sold for $23 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $2 million (realized capital loss on Investment B)
- Year 3: Increase base amount on which the second part of the incentive fee is calculated by $3 million (realized capital gain on Investment A)

Alternative 4

*Assumptions*

- Year 1: $20 million investment made in company A ("Investment A") and $20 million investment made in company B ("Investment B")
- Year 2: FMV of Investment A is determined to be $21 million and FMV of Investment B is determined to be $17 million
- Year 3: FMV of Investment A is determined to be $18 million and FMV of Investment B is determined to be $18 million
- Year 4: FMV of Investment A is determined to be $19 million and FMV of Investment B is determined to be $21 million
- Year 5: Investment A is sold for $17 million and Investment B is sold for $23 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation on Investment B)
- Year 3: Decrease base amount on which the second part of the incentive fee is calculated by $1 million ($2 million in unrealized capital depreciation on Investment A and $1 million recovery in unrealized capital depreciation on Investment B)
- Year 4: Increase base amount on which the second part of the incentive fee is calculated by $3 million ($1 million recovery in unrealized capital depreciation on Investment A and $2 million recovery in unrealized capital depreciation on Investment B)
- Year 5: Increase base amount on which the second part of the incentive fee is calculated by $1 million ($3 million realized capital gain on Investment B offset by $3 million realized capital loss on Investment A plus a $1 million reversal in unrealized capital depreciation on Investment A from Year 4)

*Duration and Termination*

The Investment Advisory Agreement was originally approved by our Board of Directors on June 23, 2004 and was recently re-approved by the Board of Directors on June 17, 2020 for an additional one-year term expiring June 21, 2021. Unless terminated earlier as described below, it will remain in effect from year to year thereafter if approved annually by our Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. The Investment Advisory Agreement will automatically terminate in the event of its assignment. The Investment Advisory Agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other. See "Risk Factors – Risks Relating to Our Business – We are dependent upon Prospect Capital Management's key management personnel for our future success."

*Indemnification*

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Capital Management and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Capital Management's services under the Investment Advisory Agreement or otherwise as the Investment Adviser.

**Administration Agreement**

We have also entered into an administration agreement (the "Administration Agreement") with Prospect Administration under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and her staff, including the internal legal staff. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see *Managerial Assistance* section below). The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a wholly-owned subsidiary of the Investment Adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as administrator for us. Our payments to Prospect Administration are reviewed quarterly by our Board of Directors.

**Payment of Our Expenses**

All investment professionals of the Investment Adviser and its respective staff, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Investment Adviser. We bear all other costs and expenses of our operations and transactions, including those relating to: organization and offering; calculation of our net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by Prospect Capital Management payable to third parties, including agents, consultants or other advisers (such as independent valuation firms, accountants and legal counsel), in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies; interest payable on debt, if any, and dividends payable on preferred stock, if any, incurred to finance our investments; offerings of our debt, our preferred shares, our common stock and other securities; investment advisory fees; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; registration fees; listing fees; taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents with the SEC; the costs of any reports, proxy statements or other notices to stockholders, including printing costs; our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including auditor and legal costs; and all other expenses incurred by us, by the Investment Adviser or by Prospect Administration in connection with administering our business, such as our allocable portion of overhead under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and her staff.

**License Agreement**

We entered into a license agreement with Prospect Capital Management pursuant to which Prospect Capital Management agreed to grant us a non-exclusive, royalty free license to use the name “Prospect Capital.” Under this agreement, we have a right to use the Prospect Capital name, for so long as Prospect Capital Management or one of its affiliates remains the Investment Adviser. Other than with respect to this limited license, we have no legal right to the Prospect Capital name. This license agreement will remain in effect for so long as the Investment Advisory Agreement with the Investment Adviser is in effect.

**Determination of Net Asset Value**

The net asset value per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding.

In calculating the value of our total assets, we will value investments for which market quotations are readily available at such market quotations. Short-term investments which mature in 60 days or less, such as U.S. Treasury bills, are valued at amortized cost, which approximates market value. The amortized cost method involves recording a security at its cost (i.e., principal amount plus any premium and less any discount) on the date of purchase and thereafter amortizing/accreting that difference between the principal amount due at maturity and cost assuming a constant yield to maturity as determined at the time of purchase. Short-term securities which mature in more than 60 days are valued at current market quotations by an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, or otherwise by a principal market maker or a primary market dealer). Investments in money market mutual funds are valued at their net asset value as of the close of business on the day of valuation.

Most of the investments in our portfolio do not have market quotations which are readily available, meaning the investments do not have actively traded markets. Debt and equity securities for which market quotations are not readily available are valued with the assistance of an independent valuation service using a documented valuation policy and a valuation process that is consistently applied under the direction of our Board of Directors. For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see “Risk Factors – Risks Relating to Our Business – 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.”

The factors that may be taken into account in valuing such investments include, as relevant, the portfolio company’s ability to make payments, its estimated earnings and projected discounted cash flows, the nature and realizable value of any collateral, the financial environment in which the portfolio company operates, comparisons to securities of similar publicly traded companies, changes in interest rates for similar debt instruments and other relevant factors. Due to the inherent uncertainty of determining the fair value of investments that do not have readily available market quotations, the fair value of these investments may differ significantly from the values that would have been used had such market quotations existed for such investments, and any such differences could be material.

As part of the fair valuation process, the independent valuation firms engaged by the Board of Directors perform a review of each debt and equity investment requiring fair valuation and provide a range of values for each investment, which, along with management’s valuation recommendations, is reviewed by our Audit Committee. Management and the independent valuation firms may adjust their preliminary evaluations to reflect comments provided by our Audit Committee. The Audit Committee reviews the final valuation reports and management’s valuation recommendations and makes a recommendation to the Board of Directors based on its analysis of the methodologies employed and the various weights that should be accorded to each portion of the valuation as well as factors that the independent valuation firms and management may not have included in their evaluation processes. The Board of Directors then evaluates the Audit Committee recommendations and undertakes a similar analysis to determine the fair value of each investment in the portfolio in good faith.

Determination of fair values involves subjective judgments and estimates. Accordingly, under current accounting standards, the notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

**Dividend Reinvestment and Direct Stock Purchase Plan**

We have adopted a dividend reinvestment and direct stock purchase plan (the "Plan" or the "DRIP") that provides for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below, and the ability to purchase additional shares by making optional cash investments. On April 17, 2020, our Board of Directors approved amendments to our DRIP, effective on May 21, 2020. These amendments principally provide for the number of newly-issued shares of common stock to be credited to a stockholder's account to be determined by dividing (i) the total dollar amount of the dividend payable to such stockholder by (ii) 95% of the closing market price per share of our common stock on the date fixed by our Board of Directors for such distribution (thereby providing a 5% discount to the market price of our common stock on such date). As a result, when our Board of Directors authorizes, and we declare, a cash dividend or distribution, then our stockholders who have not (or whose broker through which they hold shares have not) "opted out" of our DRIP will have their cash dividends or distributions automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends or distributions.

Stockholders who purchased shares through or hold shares in the name of a broker or financial institution should consult with a representative of their broker or financial institution with respect to their participation in our DRIP. Even if such stockholders have elected to automatically reinvest their shares with their broker, the broker may have "opted out" of our DRIP (which utilizes DTC's dividend reinvestment service), and such stockholders may therefore not be receiving the 5% pricing discount. Many stockholders have been "opted out" of our DRIP by their brokers who instead implement a "synthetic" dividend reinvestment plan in which such broker purchases shares in the open market with no discount, using the funds from cash dividends. Stockholders interested in participating in our DRIP should contact their brokers to make sure each such DRIP participation election has been made for the benefit of such stockholder. In making such DRIP election, each such stockholder should specify to his or her broker the desire to participate in the "Prospect Capital Corporation DRIP through DTC" that issues shares of our common stock based on 95% of the market price (a 5% discount to the market price) and not the broker's own "synthetic" dividend reinvestment plan (if any) that offers no such discount. Stockholders may need to make such election proactively with their broker.

If you are not a current stockholder and want to enroll or have "opted out" and wish to rejoin, you may also purchase shares directly through the Plan or opt in by enrolling online or submitting to the Plan administrator a completed enrollment form and, if you are not a current stockholder, making an initial investment of at least $250.

No action is required on the part of a directly registered stockholder to have their cash dividend or distribution reinvested in shares of our common stock. A directly registered stockholder may elect to receive an entire dividend or distribution in cash by notifying the Plan administrator and our transfer agent and registrar, in writing so that such notice is received by the Plan administrator no later than the record date for dividends to stockholders. The Plan administrator will set up a dividend reinvestment account for shares acquired pursuant to the Plan for each stockholder who has not so elected to receive dividends and distributions in cash or who has enrolled in the Plan as described herein (each, a "Participant"). The Plan administrator will hold each Participant's shares, together with the shares of other Participants, in non-certificated form in the Plan administrator's name or that of its nominee. Upon request by a Participant to terminate their participation in the Plan and liquidate their Plan account, received in writing, via the Internet or the Plan administrator's toll free number no later than 3 business days prior to a dividend or distribution payment date, such dividend or distribution will be paid out in cash and not be reinvested. If such request is received fewer than 3 business days prior to a dividend or distribution payment date, such dividend or distribution will be reinvested but all subsequent dividends and distributions will be paid to the stockholder in cash on all balances. Upon such termination of the Participant's participation in the Plan and liquidation of their plain account, all whole shares owned by the Participant will be issued to the Participant in certificated form and a check will be issued to the Participant for the proceeds of fractional shares less a transaction fee of $15. Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends or distributions in cash by notifying their broker or other financial intermediary of their election.

We primarily use newly-issued shares to implement reinvestment of dividends and distributions under the DRIP, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with the implementation of reinvestment of dividends or distributions under the DRIP. The number of newly-issued shares of common stock to be credited to a stockholder's account will be determined by dividing the total dollar amount of the dividend or distribution payable to such stockholder by 95% of the market price per share of our common stock at the close of regular trading on the NASDAQ Global Select Market on the date fixed by the Board for Directors for such distribution. Market price per share on that date will be the closing price for such shares on the NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend or distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive dividends and 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 at the time we issue new shares under the Plan 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 dividend or distribution payable to a stockholder.

There are no brokerage charges or other charges to stockholders who participate in reinvestment of dividends or distributions under the Plan. The Plan administrator's fees under the Plan are paid by us. If a participant elects by written notice to the Plan administrator to have the Plan administrator sell part or all of the shares held by the Plan administrator in the participant's account and remit the proceeds to the participant, the Plan administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commissions from the proceeds.

Stockholders who receive dividends or distributions in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their dividends or distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend or distribution from us will be equal to the total dollar amount of the dividend or distribution payable to the stockholder. Any stock received in a dividend or distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. Stockholder's account (as defined below).

Participants in the Plan have the option of making additional cash payments to the Plan administrator for investment in the shares at the then current market price. Such payments may be made in any amount from $25 to $10,000 per transaction. Participants in the Plan may also elect to have funds electronically withdrawn from their checking or savings account each month. Direct debit of cash will be performed on the 10th of each month. Participants may elect this option by submitting a written authorization form or by enrolling online at the Plan administrator's website. The Plan administrator will use all funds received from participants since the prior investment of funds to purchase shares of our common stock in the open market. We will not use newly-issued shares of our common stock to implement such purchases. Purchase orders will be submitted daily. The Plan administrator may, at its discretion, submit purchase orders less frequently but no later than 30 days after receipt. The Plan administrator will charge each stockholder who makes such additional cash payments $2.50, plus a $0.10 per share brokerage commission. Cash dividends and distributions payable on all shares credited to your Plan account will be automatically reinvested in additional shares pursuant to the terms of the Plan. Brokerage charges for some purchases are expected to be less than the usual brokerage charge for such transactions. Instructions sent by a participant to the Plan administrator in connection with such participant's cash payment may not be rescinded.

Participants may terminate their participation in and liquidate their accounts under the Plan by notifying the Plan administrator in writing prior to a dividend or distribution payment date via its website at www.astfinancial.com or by filling out the transaction request form located at the bottom of their statement and sending it to the Plan administrator at American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by calling the Plan administrator's Interactive Voice Response System at (888) 888-0313. Upon termination and liquidation, the stockholder will receive certificates for the full shares credited to your Plan account. If you elect to receive cash, the Plan administrator sells such shares and delivers a check for the proceeds, less the $0.10 per share brokerage commission and the Plan administrator's transaction fee of $15. In every case of termination, fractional shares credited to a terminating Plan account are paid in cash at the then-current market price, less any commission and transaction fee.

The Plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any payable date for the payment of any dividend by us or distribution pursuant to any additional cash payment made. All correspondence concerning the Plan should be directed to the Plan administrator by mail at American Stock Transfer and Trust Company LLC, 6201 15th Avenue, Brooklyn, New York 11219, or by telephone at 888-888-0313.

**Material U.S. Federal Income Tax Considerations**

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our common shares. This summary does not purport to be a complete description of the income tax considerations applicable to us or our investors on such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, U.S. Stockholders (as defined below) whose functional currency is not the U.S. dollar, persons who mark-to-market our shares, persons who hold our shares as part of a "straddle," "hedge" or "conversion" transaction, and persons that own or have owned, actually or constructively, 5% or more of any class or series of our stock. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this Annual Report and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

A “U.S. Stockholder” is a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

- A citizen or individual resident of the United States;
- A corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- An estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

A “Non-U.S. Stockholder” is a beneficial owner of shares of our common stock that is not a partnership and is not a U.S. Stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner of a partnership holding shares of our common stock should consult its tax advisor with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

*Election to be Taxed as a RIC*

As a business development company, we have elected and intend to continue to qualify to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally are not subject to corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our “investment company taxable income,” which is generally our ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the “Annual Distribution Requirement”).

*Taxation as a RIC*

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- Qualify to be treated as a business development company or be registered as a management investment company under the 1940 Act at all times during each taxable year;
- Derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a “qualified publicly traded partnership” (as defined in the Code) (the “90% Income Test”); and
- Diversify our holdings so that at the end of each quarter of the taxable year:
  - At least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a “qualified publicly traded partnership”); and
  - No more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer (ii) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of one or more “qualified publicly traded partnerships,” (the “Diversification Tests”).

To the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than a "qualified publicly traded partnership"), we generally must include the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than a "qualified publicly traded partnership") will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a "qualified publicly traded partnership") in which we are a partner for purposes of the Diversification Tests. If the partnership is a "qualified publicly traded partnership," the net income derived from such partnership will be qualifying income for purposes of the 90% Income Test, and interests in the partnership will be "securities" for purposes of the Diversification Tests. We monitor our investments in equity securities of entities that are treated as partnerships for U.S. federal income tax purposes to prevent our disqualification as a RIC.

In order to meet the 90% Income Test, we may establish one or more special purpose corporations to hold assets from which we do not anticipate earning dividend, interest or other qualifying income under the 90% Income Test. Any such special purpose corporation would generally be subject to U.S. federal income tax, and could result in a reduced after-tax yield on the portion of our assets held by such corporation.

Provided that we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (which we define as net long-term capital gains in excess of net short-term capital losses) we timely distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders. Any undistributed taxable income is subject to U.S. federal income tax.

We will be subject to a 4% non-deductible U.S. federal excise tax on certain undistributed income of RICs unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during the calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31 in that calendar year and (iii) any income recognized, but not distributed, in preceding years.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount, we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant. As a RIC, we are not allowed to carry forward or carry back a net operating loss for purposes of computing our investment company taxable income in other taxable years.

Guidance from the IRS generally permits publicly offered RICs to pay cash/stock dividends consisting of up to 80% (or, for distributions declared between April 1, 2020, and December 31, 2020, 90%) stock if certain requirements are met. Any dividends paid in stock in accordance with such guidance will be taxable to the shareholder as if the dividend had been paid in cash and we will receive a dividend paid deduction for such distribution.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation as a Business Development Company – Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid the excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our stockholders our accumulated earnings and profits attributable to non-RIC years. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of five years. The remainder of this discussion assumes we will qualify for taxation as a RIC.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions, and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the effect of these provisions.

We may invest in preferred securities or other securities the U.S. federal income tax treatment of which may be unclear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the expected tax treatment, it could affect the timing or character of income recognized, requiring us to purchase or sell securities, or otherwise change our portfolio, in order to comply with the tax rules applicable to RICs under the Code.

*Taxation of U.S. Stockholders*

Distributions by us generally are taxable to U.S. Stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. Stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. Provided that certain holding period and other requirements are met, such distributions (if reported by us) may qualify (i) for the dividends received deduction available to corporations, but only to the extent that our income consists of dividend income from U.S. corporations and (ii) in the case of individual stockholders, as qualified dividend income eligible to be taxed at long-term capital gain rates to the extent that we receive qualified dividend income (generally, dividend income from taxable domestic corporations and certain qualified foreign corporations). There can be no assurance as to what portion, if any, of our distributions will qualify for favorable treatment as qualified dividend income.

Distributions of our net capital gain (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly reported by us as "capital gain dividends" will be taxable to a U.S. Stockholder as long-term capital gains, regardless of the U.S. Stockholder's holding period for its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. Stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. Stockholder.

Under recently issued regulations, properly reported dividends paid by us that are attributable to our "qualified REIT dividends" (generally, ordinary income dividends paid by a REIT, not including capital gain dividends or dividends treated as qualified dividend income) may be eligible for the 20% deduction described in Section 199A of the Code in the case of non-corporate U.S. Stockholders, provided that certain holding period and other requirements are met by us and by such stockholder. There can be no assurance as to what portion, if any, of our distributions will qualify for such deduction. Subject to any future regulatory guidance to the contrary, any distribution of income attributable to income from our investment in a master limited partnership ("MLP") will not qualify for the 20% deduction for "qualified PTP income" that would generally be available to a non-corporate U.S. Stockholder were the stockholder to own such MLP directly. As a result, it is possible that a non-corporate U.S. Stockholder will be subject to a higher effective tax rate on any such distributions received from us compared to the effective rate applicable to any income the U.S. Stockholder would receive if the stockholder invested directly in an MLP.

Although we currently intend to distribute any long-term capital gains at least annually, we may in the future decide to retain some or all of our long-term capital gains, and designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, and we may elect for each U.S. Stockholder to include his, her or its proportionate share of the deemed distribution in income as if it had been actually distributed to the U.S. Stockholder, in which case the U.S. Stockholder would be entitled to claim a credit equal to its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. Stockholder's tax basis for his, her or its common stock. The amount of tax that individual stockholders would be treated as having paid and for which they will receive a credit may exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. Stockholder's other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for U.S. federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a “deemed distribution.”

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. Stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in any such month and actually paid during January of the following year, will be treated as if it had been received by our U.S. Stockholders on December 31 of the year in which the dividend was declared.

If a U.S. Stockholder purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of its investment.

A U.S. Stockholder generally will recognize taxable gain or loss if such U.S. Stockholder sells or otherwise disposes of its shares of our common stock. Any gain or loss arising from such sale or taxable disposition generally will be treated as long-term capital gain or loss if the U.S. Stockholder has held his, her or its shares for more than one year. Otherwise, it would be classified as short-term capital gain or loss. However, any capital loss arising from the sale or taxable disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a taxable disposition of shares of our common stock may be disallowed if other substantially identical shares are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. Capital losses are deductible only to the extent of capital gains (subject to an exception for individuals under which a limited amount of capital losses may be offset against ordinary income).

In general, individual U.S. Stockholders currently are subject to a preferential rate on their net capital gain, or the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year, including long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. Stockholders currently are subject to U.S. federal income tax on net capital gain at ordinary income rates.

Certain U.S. Stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on all or a portion of their “net investment income,” which includes dividends received from us and capital gains from the sale or other disposition of our stock.

We will make available to each of our U.S. Stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share basis, the amounts includible in such U.S. Stockholder’s taxable income for such year as ordinary income and as long-term capital gain on form 1099-DIV. In addition, the amount and the U.S. federal tax status of each year’s distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. Stockholder’s particular situation.

Payments of dividends, including deemed payments of constructive dividends, or the proceeds of the sale or other taxable disposition of our common stock generally are subject to information reporting unless the U.S. Stockholder is an exempt recipient. Such payments may also be subject to U.S. federal backup withholding at the applicable rate if the recipient of such payment fails to supply a taxpayer identification number and otherwise comply with the rules for establishing an exemption from backup withholding. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against the holder’s U.S. federal income tax liability, provided that certain information is provided timely to the IRS.

*Taxation of Non-U.S. Stockholders*

Whether an investment in our common stock is appropriate for a Non-U.S. Stockholder will depend upon that person’s particular circumstances. An investment in our common stock by a Non-U.S. Stockholder may have adverse tax consequences. Non-U.S. Stockholders should consult their tax advisers before investing in our common stock.

Distributions of our “investment company taxable income” to Non-U.S. Stockholders that are not “effectively connected” with a U.S. trade or business conducted by the Non-U.S. Stockholder, will generally be subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate) to the extent of our current and accumulated earnings and profits.

Properly reported distributions to Non-U.S. Stockholders are generally exempt from U.S. federal withholding tax where they (i) are paid in respect of our "qualified net interest income" (generally, our U.S.-source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of our "qualified short-term capital gains" (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). However, depending on our circumstances, we may report all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a Non-U.S. Stockholder needs to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, W-8BEN-E or substitute form). In the case of shares held through an intermediary, the intermediary may withhold even if we report the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. Stockholders should contact their intermediaries with respect to the application of these rules to their accounts. There can be no assurance as to what portion of our distributions will qualify for favorable treatment as qualified net interest income or qualified short-term capital gains.

Actual or deemed distributions of our net capital gain to a Non-U.S. Stockholder, and gains recognized by a Non-U.S. Stockholder upon the sale of our common stock, that are not effectively connected with a U.S. trade or business conducted by the Non-U.S. Stockholder, will generally not be subject to U.S. federal withholding tax and generally will not be subject to U.S. federal income tax unless (i) the Non-U.S. Stockholder is a nonresident alien individual and is physically present in the United States for 183 or more days during the taxable year and meets certain other requirements, or (ii) or subject to certain exceptions, we are or during prescribed testing periods have been a "United States real property holding corporation" or, in the case of certain distributions, a "qualified investment entity," each within the meaning of the Foreign Investment in Real Property Tax Act of 1980. Although we do not expect to be a "United States real property holding corporation" or "qualified investment entity," no assurances can be given in that regard.

Distributions of our "investment company taxable income" and net capital gain (including deemed distributions) to Non-U.S. Stockholders, and gains realized by Non-U.S. Stockholders upon the sale of our common stock, that are effectively connected with a U.S. trade or business conducted by the Non-U.S. Stockholder, will be subject to U.S. federal income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations. In addition, if such Non-U.S. Stockholder is a foreign corporation, it may also be subject to a 30% (or lower applicable treaty rate) branch profits tax on its effectively connected earnings and profits for the taxable year, subject to adjustments, if its investment in our common stock is effectively connected with its conduct of a U.S. trade or business.

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. Stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. Stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. Stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

In addition, withholding at a rate of 30% will be required on dividends in respect of our stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution to the extent such interests or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. Accordingly, the entity through which our shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of our shares held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which we or the applicable withholding agent will in turn provide to the IRS. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. We will not pay any additional amounts to stockholders in respect of any amounts withheld. Non-U.S. Stockholders are encouraged to consult their tax advisors regarding the possible implications of the legislation on their investment in our shares.

A Non-U.S. Stockholder generally will be required to comply with certain certification procedures to establish that such holder is not a U.S. person in order to avoid backup withholding with respect to payments of dividends, including deemed payments of constructive dividends, or the proceeds of a disposition of our common stock. In addition, we are required to annually report to the IRS and each Non-U.S. Stockholder the amount of any dividends or constructive dividends treated as paid to such Non-U.S. Stockholder, regardless of whether any tax was actually withheld. Copies of the information returns reporting such dividend or constructive dividend payments and the amount withheld may also be made available to the tax authorities in the country in which a Non-U.S. Stockholder resides under the provisions of an applicable income tax treaty. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against a Non-U.S. Stockholder's U.S. federal income tax liability, if any, provided that certain required information is provided timely to the IRS.

Non-U.S. persons should consult their tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our common stock.

*Tax Cuts and Jobs Act*

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including a reduction in the statutory corporate income tax rate to 21%, a new limitation on the deductibility of business interest expense, restrictions on the use of net operating loss carryforwards arising in taxable years beginning after December 31, 2017 and dramatic changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the Treasury Department to issue regulations with respect to the new provisions.

The newly imposed limitation on the deductibility of interest expense for U.S. federal income tax purposes may adversely affect our leveraged portfolio companies' ability to deduct interest payments. Additionally, the disallowance of interest deductibility may or may not impact the portfolio company's ability to make dividend distributions from taxable earnings and profits. We cannot predict how these or the other changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business, the business of our portfolio companies, or an investment in our securities.

The discussion set forth herein does not constitute tax advice, and potential investors should consult their own tax advisors concerning the tax considerations relevant to their particular situation.

**Regulation as a Business Development Company**

*General*

We are a closed-end, non-diversified investment company that has filed an election to be treated as a BDC under the 1940 Act and has elected to be treated as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act of 1933. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate, foreign currency and other market fluctuations. However, in connection with an investment or acquisition financing of a portfolio company, we may purchase or otherwise receive warrants to purchase the common stock of the portfolio company. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except with respect to money market funds, we generally cannot acquire more than 3% of the voting stock of any regulated investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments subject our stockholders indirectly to additional expenses. None of these policies are fundamental and may be changed without stockholder approval.

*Qualifying Assets*

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An "eligible portfolio company" is defined in the 1940 Act and rules adopted pursuant thereto as any issuer which:

    a. is organized under the laws of, and has its principal place of business in, the United States;

    b. is not an investment company (other than a small business investment company wholly-owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act for certain financial companies such as banks, brokers, commercial finance companies, mortgage companies and insurance companies; and

    c. satisfies any of the following:

        i. does not have any class of securities with respect to which a broker or dealer may extend margin credit;

        ii. is controlled by a business development company or a group of companies including a business development company and the business development company has an affiliated person who is a director of the eligible portfolio company;

        iii. is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million;

        iv. does not have any class of securities listed on a national securities exchange; or

        v. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million.

2. Securities in companies that were eligible portfolio companies when we made our initial investment if certain other requirements are satisfied.

3. Securities of any eligible portfolio company which we control.

4. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing agreements.

5. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

6. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

7. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2), (3) or (4) above.

*Managerial Assistance to Portfolio Companies*

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, a business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. "Making available significant managerial assistance" refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us will vary according to the particular needs of each portfolio company. Examples of such activities include advice on marketing, operations, fulfillment and overall strategy, capital budgeting, managing relationships with financing sources, recruiting management personnel, evaluating acquisition and divestiture opportunities, participating in board and management meetings, consulting with and advising officers of portfolio companies, and providing other organizational and financial guidance. We provide significant managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. Prospect Administration provides such managerial assistance on our behalf to portfolio companies, including controlled companies, when we are required to provide this assistance, utilizing personnel from Prospect Capital Management.

*Temporary Investments*

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, including money market funds, U.S. government securities or high quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in money market funds, U.S. Treasury bills or in repurchase agreements that are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. The Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

*Senior Securities*

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 March 30, 2020, our Board of Directors approved, and on May 5, 2020, at a special meeting of our stockholders, our stockholders approved, the application to us of the reduced asset coverage requirements in Section 61(a) of the 1940 Act. The application of the reduced asset coverage requirement, which became effective on May 6, 2020, permits us, provided certain requirements are satisfied, to double the maximum amount of leverage that it is permitted to incur by reducing the asset coverage requirement applicable to us from 200% to 150% (a 2:1 debt to equity ratio, as opposed to a 1:1 debt to equity ratio), as provided for in Section 61(a)(2) of the 1940 Act, a successor provision to Section 61(a)(1) of the 1940 Act. 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.

We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors – Risks Relating to Our Securities."

*Code of Ethics*

We, Prospect Capital Management and Prospect Administration have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. For information on how to obtain a copy of each code of ethics, see "Available Information."

*Compliance Policies and Procedures*

We and the Investment Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the U.S. federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation and to designate a Chief Compliance Officer to be responsible for administering the policies and procedures. Kristin L. Van Dask serves as our Chief Compliance Officer.

*Proxy Voting Policies and Procedures*

We have delegated our proxy voting responsibility to Prospect Capital Management. The Proxy Voting Policies and Procedures of Prospect Capital Management are set forth below. The guidelines are reviewed periodically by Prospect Capital Management and our independent directors, and, accordingly, are subject to change.

*Introduction.*

As an investment adviser registered under the Advisers Act, Prospect Capital Management has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, Prospect Capital Management recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for Prospect Capital Management's Investment Advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

*Proxy policies.*

These policies are designed to be responsive to the wide range of subjects that may be the subject of a proxy vote. These policies are not exhaustive due to the variety of proxy voting issues that Prospect Capital Management may be required to consider. In general, Prospect Capital Management will vote proxies in accordance with these guidelines unless: (1) Prospect Capital Management has determined to consider the matter on a case-by-case basis (as is stated in these guidelines), (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) Prospect Capital Management might find it necessary to vote contrary to its general guidelines to maximize stockholder value and vote in its clients' best interests. In such cases, a decision on how to vote will be made by the Proxy Voting Committee (as described below). In reviewing proxy issues, Prospect Capital Management will apply the following general policies:

*Elections of directors.*

In general, Prospect Capital Management will vote in favor of the management-proposed slate of directors. If there is a proxy fight for seats on the Board of Directors or Prospect Capital Management determines that there are other compelling reasons for withholding votes for directors, the Proxy Voting Committee will determine the appropriate vote on the matter. Prospect Capital Management believes that directors have a duty to respond to stockholder actions that have received significant stockholder support. Prospect Capital Management may withhold votes for directors that fail to act on key issues such as failure to implement proposals to declassify boards, failure to implement a majority vote requirement, failure to submit a rights plan to a stockholder vote and failure to act on tender offers where a majority of stockholders have tendered their shares. Finally, Prospect Capital Management may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

*Appointment of auditors.*

Our Audit Committee and Board of Directors believe that the company remains in the best position to choose the auditors and will generally support management's recommendation.

*Changes in capital structure.*

Changes in a company's charter, articles of incorporation or by-laws may be required by state or U.S. federal regulation. In general, Prospect Capital Management will cast its votes in accordance with the company's management on such proposal. However, the Proxy Voting Committee will review and analyze on a case-by-case basis any proposals regarding changes in corporate structure that are not required by state or U.S. federal regulation.

*Corporate restructurings, mergers and acquisitions.*

Prospect Capital Management believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, the Proxy Voting Committee will analyze such proposals on a case-by-case basis.

*Proposals affecting the rights of stockholders.*

Prospect Capital Management will generally vote in favor of proposals that give stockholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals, Prospect Capital Management will weigh the financial impact of the proposal against the impairment of the rights of stockholders.

*Corporate governance.*

Prospect Capital Management recognizes the importance of good corporate governance in ensuring that management and the Board of Directors fulfill their obligations to the stockholders. Prospect Capital Management favors proposals promoting transparency and accountability within a company.

*Anti-takeover measures.*

The Proxy Voting Committee will evaluate, on a case-by-case basis, proposals regarding anti-takeover measures to determine the measure's likely effect on stockholder value dilution.

*Stock splits.*

Prospect Capital Management will generally vote with the management of the company on stock split matters.

*Limited liability of directors.*

Prospect Capital Management will generally vote with management on matters that would affect the limited liability of directors.

*Social and corporate responsibility.*

The Proxy Voting Committee may review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on stockholder value. Prospect Capital Management may abstain from voting on social proposals that do not have a readily determinable financial impact on stockholder value.

*Proxy voting procedures.*

Prospect Capital Management will generally vote proxies in accordance with these guidelines. In circumstances in which (1) Prospect Capital Management has determined to consider the matter on a case-by-case basis (as is stated in these guidelines), (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) Prospect Capital Management might find it necessary to vote contrary to its general guidelines to maximize stockholder value and vote in its clients' best interests, the Proxy Voting Committee will vote the proxy.

*Proxy voting committee.*

Prospect Capital Management has formed a proxy voting committee to establish general proxy policies and consider specific proxy voting matters as necessary. In addition, members of the committee may contact the management of the company and interested stockholder groups as necessary to discuss proxy issues. Members of the committee will include relevant senior personnel. The committee may also evaluate proxies where we face a potential conflict of interest (as discussed below). Finally, the committee monitors adherence to guidelines, and reviews the policies contained in this statement from time to time.

*Conflicts of interest.*

Prospect Capital Management recognizes that there may be a potential conflict of interest when it votes a proxy solicited by an issuer that is its advisory client or a client or customer of one of our affiliates or with whom it has another business or personal relationship that may affect how it votes on the issuer's proxy. Prospect Capital Management believes that adherence to these policies and procedures ensures that proxies are voted with only its clients' best interests in mind. To ensure that its votes are not the product of a conflict of interests, Prospect Capital Management requires that: (i) anyone involved in the decision making process (including members of the Proxy Voting Committee) disclose to the chairman of the Proxy Voting Committee any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how Prospect Capital Management intends to vote on a proposal in order to reduce any attempted influence from interested parties.

*Proxy voting.*

Each account's custodian will forward all relevant proxy materials to Prospect Capital Management, either electronically or in physical form to the address of record that Prospect Capital Management has provided to the custodian.

*Proxy recordkeeping.*

Prospect Capital Management must retain the following documents pertaining to proxy voting:

- copies of its proxy voting policies and procedures;
- copies of all proxy statements;
- records of all votes cast by Prospect Capital Management;
- copies of all documents created by Prospect Capital Management that were material to making a decision how to vote proxies or that memorializes the basis for that decision; and
- copies of all written client requests for information with regard to how Prospect Capital Management voted proxies on behalf of the client as well as any written responses provided.

All of the above-referenced records will be maintained and preserved for a period of not less than five years from the end of the fiscal year during which the last entry was made. The first two years of records must be maintained at our office.

*Proxy voting records.*

Clients may obtain information about how Prospect Capital Management voted proxies on their behalf by making a written request for proxy voting information to: Compliance Officer, Prospect Capital Management LLC, 10 East 40th Street, 42nd Floor, New York, NY 10016.

*Sarbanes-Oxley Act of 2002*

The Sarbanes-Oxley Act of 2002 imposes a variety of regulatory requirements on publicly-held companies. In addition to our Chief Executive and Chief Financial Officers' required certifications as to the accuracy of our financial reporting, we are also required to disclose the effectiveness of our disclosure controls and procedures as well as report on our assessment of our internal controls over financial reporting, the latter of which must be audited by our independent registered public accounting firm.

The Sarbanes-Oxley Act of 2002 also requires us to continually review our policies and procedures to ensure that we remain in compliance with all rules promulgated thereunder.

*Available Information*

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information is available free of charge by contacting us at (212) 448-0702 or on our website at *www.prospectstreet.com*. Information contained on our website is not incorporated into this Annual Report and you should not consider such information to be part of this Annual Report. You also may inspect and copy these reports, proxy statements and other information, as well as the Annual Report and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. Such information is also available from the EDGAR database on the SEC's website at *http://www.sec.gov*. You also can obtain copies of such information, after paying a duplicating fee, by sending a request by e-mail to publicinfo@sec.gov or by writing the SEC's Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at (202) 551-8090 or (800) SEC-0330.

**Item 1A. Risk Factors**

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 $258.2 million of 4.95% convertible notes due 2022 are referred to as the "2022 Notes". Our $201.3 million of 6.375% convertible notes due 2025 are referred to as the "2025 Notes", and collectively with the 2022 Notes, are the "Convertible Notes". Our $320.0 million of 5.875% unsecured notes due 2023 are referred to as the "2023 Notes". Our $233.8 million of 6.25% unsecured notes due 2024 are referred to as the "2024 Notes". Our $70.8 million of 6.25% unsecured notes due 2028 are referred to as the "2028 Notes". Our $100.0 million of 6.375% unsecured notes due 2024 are referred to as the "6.375% 2024 Notes". Our $69.2 million of 6.875% unsecured notes due 2029 are referred to as the "2029 Notes", and collectively with the 2023 Notes, the 2024 Notes, the 2028 Notes, and the 6.375% 2024 Notes are the "Public Notes". Any corporate notes issued pursuant to our medium term notes program with Incapital 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".

**Risks Relating to Our Business**

***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.***

From time to time, capital markets may experience periods of disruption and instability. 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 economic conditions that materially and 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. While the adverse effects of these conditions have abated to a degree, global financial markets experienced significant volatility 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 market conditions have historically had, and 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 access, if available, alternative markets for debt and equity capital. The Company is working to navigate the significant challenges created by the unprecedented coronavirus ("Wuhan Virus") pandemic. If adverse market conditions, including as a result of the Wuhan Virus pandemic, continue or increase in severity and duration, equity capital may be difficult to raise 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 12, 2021, 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.

Current market conditions and 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, 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 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 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.

***Uncertainty about the financial stability of the United States, the economic crisis in Europe and the Executive Branch could negatively impact our business, financial condition and results of operations.***

Although U.S. lawmakers passed legislation to raise the federal debt ceiling and Standard & Poor's Ratings Services affirmed its AA+ long-term sovereign credit rating on the United States and revised the outlook on the long-term rating from negative to stable in June of 2013, U.S. debt ceiling and budget deficit concerns together with signs of deteriorating sovereign debt conditions in Europe continue to present the possibility of a credit-rating downgrade, economic slowdowns, or a recession for the United States. The impact of any further downgrades to the U.S. government's sovereign credit rating or downgraded sovereign credit ratings of European countries or the Russian Federation, or their perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments, along with any further European sovereign debt issues, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

In October 2014, the Federal Reserve announced that it was concluding its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve's holdings of long-term securities, suggesting that key economic indicators, such as the unemployment rate, had showed signs of improvement since the inception of the program. During the period between December 2015 and December 2018, the Federal Reserve raised the federal funds rate nine times, but subsequently reduced the federal funds rate to a target of 0% - 0.25% in connection with the economic turmoil resulting from the Wuhan Virus; the Federal Reserve may raise this rate again in the future. To the extent the Federal Reserve determines to raise rates, and without quantitative easing by the Federal Reserve, there is a risk that the debt markets may experience increased volatility and that the liquidity of certain of our investments may be reduced. These developments, along with the corresponding potential rise in interest rates and borrowing costs, the United States government's credit and deficit concerns and the European sovereign debt crisis, may negatively impact our ability to access the debt markets on favorable terms.

The Executive Branch has called for significant changes to U.S. trade, healthcare, immigration, foreign, and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the Executive Branch implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas. Although we cannot predict the impact, if any, of these changes to our business, they could adversely affect our business, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact our business and the business of our competitors over the long-term, we will not know if, overall, we will benefit from them or be negatively affected by them.

General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net investment income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high-yield bonds, and also could increase our interest expense, thereby decreasing our net investment income. 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 distributions rate, which could reduce the value of our common stock.

On February 3, 2017, President Trump signed Executive Order 13772 announcing the administration's policy to regulate the U.S. financial system in a manner consistent with certain "Core Principles," including regulation that is efficient, effective and appropriately tailored. The Executive Order directed the Secretary of the Treasury, in consultation with the heads of the member agencies of the Financial Stability Oversight Council, to report to the President on the extent to which existing laws, regulations and other government policies promote the Core Principles and to identify any laws, regulations or other government policies that inhibit federal regulation of the U.S. financial system. On June 12, 2017, the U.S. Department of the Treasury published the first of several reports in response to the Executive Order on the depository system covering banks and other savings institutions. On October 6, 2017, the Treasury released a second report outlining ways to streamline and reform the U.S. regulatory system for capital markets, followed by a third report, on October 26, 2017, examining the current regulatory framework for the asset management and insurance industries. On July 31, 2018, the Treasury released the fourth and final report identifying improvements to the regulatory landscape that would better support nonbank financial institutions, embrace financial technology, and foster innovation.

Regulations adopted by prudential regulators have begun to require that certain qualified financial contracts entered into with certain counterparties that are part of a U.S. or foreign banking organization designated as a global-systemically important banking organization include contractual provisions that delay or restrict the rights of counterparties, such as the portfolio, to exercise certain close-out, cross-default and similar rights under certain conditions. Qualified financial contracts include agreements relating to swaps, foreign currency forward contracts and other derivatives. Qualified financial contracts are subject to a stay for a specified time period during which counterparties, such as the portfolio, will be prevented from closing out a qualified financial contract if the counterparty is subject to resolution proceedings and prohibit the portfolio from exercising default rights due to a receivership or similar proceeding of an affiliate of the counterparty. Implementation of these requirements may increase credit and other risks to the portfolio.

***The Wuhan Virus pandemic has caused severe disruptions in the global economy, which has had, and may continue to have, a negative impact on our portfolio companies and our business and operations.***

As of the filing date of this Annual Report, there is an outbreak of a highly contagious form of a novel coronavirus ("Wuhan Virus"), which the World Health Organization has declared a global pandemic, the United States has declared a national emergency, and for the first time in its history, every state in the United States is under a federal disaster declaration. Many states, including those in which we and our portfolio companies operate, have issued orders requiring the closure of non-essential businesses and/or requiring or encouraging residents to stay at home. The Wuhan Virus pandemic and preventative measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, cancellations of and 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 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. Potential consequences of the current unprecedented measures taken in response to the spread of Wuhan Virus, and current market disruptions and volatility on our business include, but are not limited to:

- sudden, unexpected and/or severe declines in the market price of our securities or net asset value;
- inability of the Company to accurately or reliably value its portfolio;
- inability of the Company to comply with certain asset coverage ratios that would prevent the Company from paying dividends to our common stockholders and that could result in breaches of covenants or events of default under our credit agreement or debt indentures;
- inability of the 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 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 weather an extended cessation of normal economic activity and thereby impairing their ability to continue functioning as a going concern;
- reduced economic demand resulting from mass employee layoffs or furloughs in response to governmental action taken to slow the spread of Wuhan Virus, 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 Wuhan Virus 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 operate successfully as a business development company.

The Wuhan Virus 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 Wuhan Virus pandemic is having 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 Wuhan Virus 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, 2020, 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 Wuhan Virus pandemic, it is uncertain whether, or how much, our portfolio companies 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 Wuhan Virus 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 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 Wuhan Virus pandemic has adversely impacted the fair value of our investments as of June 30, 2020, 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 Wuhan Virus 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 Wuhan Virus pandemic. As a result, our valuations at June 30, 2020 may not show the complete or continuing impact of the Wuhan Virus pandemic and the resulting measures taken in response thereto. In addition, write downs in the value 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 continue to incur additional net unrealized losses or may incur realized losses after June 30, 2020, which could have a material adverse effect on our business, financial condition and results of operations.

The volatility and disruption to the global economy from the Wuhan Virus 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 volatility and disruption have also led to the increased credit spreads in the private debt capital markets.

In response to the Wuhan Virus pandemic, Prospect Capital Management L.P. instituted a work from home policy until it is deemed safe to return to the office. Such a policy of an 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 Wuhan Virus pandemic.

Despite actions of the U.S. federal government and foreign governments, the uncertainty surrounding the Wuhan Virus 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 12, 2021, 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 "Risk Factors-Risks Relating to Our Business-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" in this Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

It is virtually impossible to determine the ultimate impact of Wuhan Virus at this time. Accordingly, an investment in the Company is subject to an elevated degree of risk as compared to other market environments.

***Legislative or other actions relating to taxes could have a negative effect on us.***

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the U.S. Internal Revenue Service, or the "IRS," and the U.S. Treasury Department. On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including by, among other changes, instituting a reduction in the corporate income tax rate, changing the tax rates applicable to non-corporate taxpayers, creating a new limitation on the deductibility of interest expense and other deductions, and making significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business, the business of our portfolio companies, or an investment in our securities. In addition, other legislation, U.S. Treasury regulations, administrative interpretations or court decisions, with or without retroactive application, could affect the U.S. federal income tax consequences to our investors and us or could have other adverse consequences. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our securities.

***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.***

Our debt investments may be based on floating rates, such as London Interbank Offer Rate ("LIBOR"), 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 in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high-yield bonds, and also could increase our interest expense, thereby decreasing our net investment income. 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 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 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 fees payable to our Investment Adviser with respect to the portion of the Incentive Fee based on income.

***Changes relating to the LIBOR calculation process may adversely affect the value of the LIBOR-indexed, floating-rate debt securities in our portfolio or issued by us.***

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

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. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In addition, on March 25, 2020, the United Kingdom Financial Conduct Authority stated that although the central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed, the outbreak of the Wuhan Virus has impacted the timing of many firms' transition planning, and the United Kingdom Financial Conduct Authority will continue to assess the impact of the Wuhan Virus pandemic on transition timelines and update the marketplace as soon as possible. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Actions by the BBA, the United Kingdom Financial Conduct Authority or other regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although the U.S. Federal Reserve, in connection with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"). 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 effect 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 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.***

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 entered into an 11-month transition period. During this transition period, the United Kingdom is expected to renegotiate its political and economic relationships with the EU and other countries. As a result of the original referendum and other geopolitical developments leading to Brexit, the financial markets experienced increased levels of volatility and it is likely that, in the near term, Brexit will continue to bring about higher levels of uncertainty and volatility. 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 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, pandemics (such as the Wuhan Virus), 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.

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 recent Wuhan Virus pandemic outbreak, generally subsided, uncertainty and 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.

***We may suffer credit losses.***

Investment in small and middle-market companies is highly speculative and involves a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods. See "Risks Related to Our Investments."

***Our financial condition and results of operations will depend on our ability to manage our future growth effectively.***

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.

***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.***

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.

***Changes in interest rates may affect our cost of capital and net investment income.***

A portion of the debt investments we make bears interest at fixed rates and other debt investments bear interest at variable rates with floors and the value of these investments could be negatively affected by increases in market interest rates. In addition, as the interest rate on our revolving credit facility is at a variable rate based on an index, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, an increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which could reduce our net investment income or net increase in net assets resulting from operations. A portion of our floating rate investments may include features such as LIBOR floors. To the extent we invest in credit instruments with LIBOR floors, we may lose some of the benefits of incurring leverage. Specifically, if we issue preferred stock or debt (or otherwise borrow money), our costs of leverage will increase as rates increase. However, we may not benefit from the higher coupon payments resulting from increased interest rates if our investments in LIBOR floors and rates do not rise to levels above the LIBOR floors. In this situation, we will experience increased financing costs without the benefit of receiving higher income. This, in turn, may result in the potential for a decrease in the level of income available for dividends or other distributions made by us.

***We need to raise additional capital to grow because we must distribute most of our income.***

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.

***We may experience fluctuations in our quarterly results.***

We could experience fluctuations in our quarterly operating results due to a number of factors, including the 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.

***Our most recent NAV was calculated on June 30, 2020 and our NAV when calculated effective September 30, 2020 and thereafter may be higher or lower.***

Our NAV per share is $8.18 as of June 30, 2020. NAV per share as of September 30, 2020 may be higher or lower than $8.18 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, 2020. 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.

***Our business model depends upon the development and maintenance of strong referral relationships with other asset managers and investment banking firms.***

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 interest rates rise, it would 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 and the NASDAQ Global Select Market, 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, 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. 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. If one or more of these events 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 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. In addition, 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. 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.

**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.***

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.

***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.***

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.”

***We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.***

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.”

***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.***

We have incurred indebtedness under our revolving credit facility and through the issuance of the Unsecured Notes and, in the future, may issue 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 12, 2021), 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.”

***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.

***Our ability to invest in public companies may be limited in certain circumstances.***

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 have elected to rely on certain relief granted by the SEC related to the Wuhan Virus pandemic that may have the effect of allowing us to incur more leverage than we otherwise would be permitted to incur.***

On April 8, 2020, in connection with the outbreak of the Wuhan Virus pandemic, the SEC issued an Order Under Sections 6(c), 17(d), 38(a) and 57(i) of the Investment Company Act of 1940 and Rule 17d-1 Thereunder Granting Exemptions from Specified Provisions of the Investment Company Act and Certain Rules Thereunder, 1940 Act Release No. 33837 (Apr. 8, 2020) (the "April 2020 Order"), which provides exemptions from certain requirements of the 1940 Act. Section II of the April 2020 Order (i) affords BDCs greater flexibility in calculating asset coverage ratios for purposes of the 1940 Act asset coverage requirements, (ii) requires a BDC's board of directors, including a required majority of such board, as defined in Section 57(o) of the 1940 Act, to determine that the issuance or sale of covered senior securities is permitted by this April 2020 Order and is in the best interests of the BDC and its stockholders, (iii) requires prior disclosure on Form 8-K of an election to rely on Section II of the April 2020 Order (an "Election"), and (iv) includes certain limitations on new investments, among other requirements detailed in the April 2020 Order.

The Company's Board of Directors, including a required majority of the Board (as defined in section 57(o) of the 1940 Act), approved the Election on April 13, 2020. In approving the Election the Board of Directors considered, among other things, the conditions to rely on and be subject to the April 2020 Order and determined that the issuance and sale of the Company's senior securities is permitted by the April 2020 Order and is in the best interests of the Company and its stockholders. The Election permits us to use a modified formula to calculate our asset coverage ratios for purposes of the 1940 Act asset coverage requirements and, in doing so, permits us to rely in part on the fair value of our assets as of December 31, 2019. The overall effect of the Election is to make it easier for us to meet our applicable asset coverage ratios for purposes of the 1940 Act asset coverage requirements, as well as for purposes of covenants referencing the 1940 Act asset coverage requirements, which could result in the Company incurring additional leverage and being subject to the risks associated with additional leverage, but while also providing the Company with additional flexibility to manage its portfolio and support its portfolio companies during the economic disruption caused by the Wuhan Virus pandemic. The Election is effective through December 31, 2020 unless the Company withdraws it earlier. The Election does not impact calculation of the Company's asset coverage ratios for purposes of the declaration or payment of any dividend or any other distribution.

**Risks Relating to Our Investments**

***We may not realize gains or income from our investments.***

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."

***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.***

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."

***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.***

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.

***Our investments in prospective portfolio companies may be risky and we could lose all or part of our investment.***

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, 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 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.

***The lack of liquidity in our investments may adversely affect our business.***

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.

***Economic recessions or downturns could impair our portfolio companies and harm our operating results.***

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 are likely to increase, and the value of our portfolio is likely to decrease, during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our 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 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 may have structured our interest 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 recharacterize our debt or equity holding and subordinate all or a portion of our claim to those of other creditors.

***Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk.***

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.

***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.***

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. Future CFTC or SEC rulemakings to implement the Dodd-Frank Act requirements 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 SEC has also proposed new rules on the use of derivatives by registered investment companies and BDCs. Such rules could affect the nature and extent of our use of derivatives.

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 it reserves 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.

***Our investments in CLOs may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies.***

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. Our investments in portfolio companies may be risky, and we could lose all or part of our investment.

***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.

***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 to stockholders representing OID and PIK income are not designated as paid-in capital, even if the cash to pay them derives 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.

**Risks Relating to Our Securities**

***Our credit ratings may not reflect all risks of an investment in our debt 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 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 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 currently 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.

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 table illustrates 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 table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation assumes (i) $5.3 billion in total assets, (ii) an average cost of funds of 5.34%, (iii) $2.2 billion in debt and preferred equity outstanding and (iv) $3.1 billion of common stockholders' equity.

| **Assumed Return on Our Portfolio (net of expenses)** | **(10.0)%** | **(5.0)%** | **— %** | **5.0%** | **10.0%** |
|---|---|---|---|---|---|
| Corresponding Return to Common Stockholder | (20.9)% | (12.3)% | (3.8)% | 4.8% | 13.3% |

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, 2020. As a result, it has not been updated to take into account any changes in assets or leverage since June 30, 2020.

***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 may in the future determine to fund a portion of our investments with preferred stock, which would magnify 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 a Dealer Management Agreement pursuant to which we intend to sell shares of the 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 (the "Dealer Manager") (the "Dealer Manager Agreement"), pursuant to which the Dealer Manager has agreed to serve as the Company's agent, principal distributor and exclusive dealer manager for the Company's offering of up to 40,000,000 shares, par value $0.001 per share, of preferred stock, with a $1,000,000,000 aggregate liquidation preference (the "Preferred Stock"). The Preferred Stock will be issued in multiple series, including the 5.50% Series A1 Preferred Stock ("Series A1 Preferred Stock"), the 5.50% Series M1 Preferred Stock ("Series M1 Preferred Stock"), and the 5.50% Series M2 Preferred Stock ("Series M2 Preferred Stock", and together with the Series M1 Preferred Stock, the "Series M 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 shall not exceed 40,000,000 shares.

At any time prior to the listing of the Preferred Stock on a national securities exchange, shares of the Preferred Stock will be convertible, at the option of the holder of the 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, "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 A Share Holder Optional Conversion Fee (as description in the prospectus supplement relating to the Preferred Stock) applicable on the respective Holder Conversion Deadline. For 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, but if a holder of Series M Preferred Stock exercises a Holder Optional Conversion within the first twelve months of issuance of such Series M Preferred Stock, the Settlement Amount payable to such holder will be reduced by the aggregate amount of all dividends, whether paid or accrued, on such Series M Preferred 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 Preferred Stock has been issued. Beginning on the five year anniversary of the date on which a share of 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 Preferred Stock will terminate upon the listing of such share on a national securities exchange.

Holders of Preferred Stock may elect to convert their shares of 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 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 Preferred Stock has been issued, or, for listed shares of 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 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 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 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 both the Series A1 Preferred Stock and the Series M 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 Preferred Stock until after the second anniversary of its issuance. 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 Preferred Stock, the holder of such Preferred Stock may instead elect a Holder Optional Conversion with respect to such 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.

We have obtained stockholder approval under Section 63 of the 1940 Act to issue shares of common stock below net asset value until June 12, 2021. We believe that pursuant to this approval any shares of Preferred Stock issued prior to June 12, 2021 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 12, 2021. We believe any shares of Preferred Stock issued after June 12, 2021 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 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 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 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 Preferred Stock involve certain additional risks, including the risks discussed herein. For additional information on the Preferred Stock, including the risks involved in investing in the Preferred Stock, please refer to the 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 Preferred Stock, and this may make it difficult for holders of the Preferred Stock to resell the Preferred Stock or common stock issuable upon conversion of the 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 Preferred Stock is 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 Preferred Stock or the trading price thereof when and if the Preferred Stock is 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 Preferred Stock, the consideration paid upon a Holder Optional Conversion and Issuer Optional Conversion is uncertain.***

Under the terms of the Preferred Stock, we or holders of shares of the Preferred Stock may choose to convert shares of 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 Preferred Stock that had previously converted their Preferred Stock into common stock. With respect to any conversion of the 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 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 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 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 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, 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 Preferred Stock; while this would reduce dilution to existing common stockholders, including former holders of 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 Preferred Stock) for holders of 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 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 Preferred Stock can supersede any Issuer Optional Conversion and obtain a conversion rate based on the 5-day VWAP (assuming the 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 Preferred Stock. The conversion of the 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 Preferred Stock. Because the number of shares of common stock issued upon conversion of the 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 Preferred Stock is 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 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 Preferred Stock to convert shares of Preferred Stock into large amounts of the Company’s common stock. As these shares of common stock are issued upon conversion of the Preferred Stock, our common stock price may decline further.

Additionally, the issuance of the 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 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 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 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 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 1.45 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 120.0 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 $0.69 per share of common stock (assuming we issued all 40,000,000 shares of the Preferred Stock available pursuant to this offering), we would be required to settle any conversion of Preferred Stock in cash (to the extent we had cash available) or list the Preferred Stock on a national securities exchange and the value of our shares of 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 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 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 Preferred Stock.

***Shares of common stock, which shares of Preferred Stock may be converted into, rank junior to the Preferred Stock with respect to dividends and upon liquidation.***

We may choose to convert the Preferred Stock to shares of our common stock. Holders of Preferred Stock may also choose to convert their 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 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 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 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 our Preferred Stock.

***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.***

Holders of any preferred stock we might issue, voting separately as a single class, would 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, would 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.

***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.***

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, 2020, 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, 2023, 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, 2023, 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, 2023, 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, 2024. As of June 30, 2020, we had $237,536 of outstanding borrowings under our credit facility. Interest on borrowings under the credit facility is one-month LIBOR plus 220 basis points with a minimum LIBOR floor of zero. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, 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.

***Failure to refinance our existing Unsecured Notes could have a material adverse effect on our results of operations and financial position.***

The Unsecured Notes mature at various dates from July 15, 2022 to October 15, 2043. 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-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.

***The trading market or market value of our publicly issued debt securities may fluctuate.***

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 return on any debt securities that we may issue.***

If our noteholders' debt securities are redeemable at our option, we may choose to redeem their debt securities at times when prevailing interest rates are lower than the interest rate paid on their debt securities. In addition, if our noteholders' debt securities are subject to mandatory redemption, we may be required to redeem their debt securities also at times when prevailing interest rates are lower than the interest rate paid on their debt securities. In this circumstance, our noteholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as their debt securities being redeemed.

***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.***

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 12, 2020, 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).

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 2020 at the same rate as the 36 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 Wuhan Virus pandemic described above. For example, if the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories in the jurisdictions, including the United States, affected by the Wuhan Virus pandemic were to continue for an extended period of time 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.

***Investing in our securities may involve a high degree of risk and is highly speculative.***

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 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 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 12, 2020, 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 February 10, 2014, we received an exemptive order from the SEC (the “Order”) 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 TP Flexible Income Fund, Inc. (f/k/a Pathway Capital Opportunity Fund, Inc.), 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 business development companies 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 in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- 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 Preferred Stock and the Convertible Notes;
- uncertainty surrounding the strength of the U.S. economic recovery;
- concerns regarding European sovereign debt;
- changes in prevailing interest rates;
- litigation matters;
- general economic trends and other external factors; 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 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.

***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.***

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% (which has been temporarily reduced to 10% for distributions declared on or after April 1, 2020, and on or before December 31, 2020). 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.

**Item 1B. Unresolved Staff Comments**

Not applicable.

**Item 2. Properties**

We do not own any real estate or other physical properties materially important to our operation. Our principal executive offices are located at 10 East 40th Street, New York, New York 10016, where we occupy our office space pursuant to our Administration Agreement with Prospect Administration. The office facilities, which are shared with the Investment Adviser and Administrator, consist of approximately 32,500 square feet, with various leases expiring up to and through 2023. We believe that our office facilities are suitable and adequate for our business as currently conducted.

**Item 3. Legal Proceedings**

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of such matters as may arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources.

In 2018, Prospect and Pacific World filed lawsuits against certain third parties in connection with a loan Prospect made to Pacific World in 2014. During the quarter ended March 31, 2020, these and certain related matters were settled, and Prospect received $11,000 in settlement proceeds. The settlement was a voluntary compromise of the lawsuits, and none of the defendants admitted or acknowledged any wrongdoing.

Except as disclosed above, we are not aware of any material legal proceedings as of June 30, 2020.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Global Select Market under the symbol "PSEC."

The following table sets forth, for the quarterly reporting periods indicated, the net asset value per share of our common stock and the high and low sales prices for our common stock, as reported on the NASDAQ Global Select Market. Our common stock historically has traded at prices both above and below its net asset value. There can be no assurance, however, that such premium or discount, as applicable, to net asset value will be maintained. See also "Item 1A. Risk Factors" in Part I of this Annual Report for additional information about the risks and uncertainties we face.

| | | Stock Price | | | |
|---|---|---|---|---|---|
| | NAV(1) | High(2) | Low(2) | Premium (Discount) of High to NAV | Premium (Discount) of Low to NAV |
| **Year Ended June 30, 2019** | | | | | |
| First quarter | $ 9.39 | $ 7.58 | $ 6.67 | (19.3)% | (29.0)% |
| Second quarter | 9.02 | 7.27 | 5.77 | (19.4)% | (36.0)% |
| Third quarter | 9.08 | 6.93 | 6.27 | (23.7)% | (30.9)% |
| Fourth quarter | 9.01 | 6.83 | 6.24 | (24.2)% | (30.7)% |
| **Year Ended June 30, 2020** | | | | | |
| First quarter | $ 8.87 | $ 6.73 | $ 6.30 | (24.1)% | (29.0)% |
| Second quarter | 8.66 | 6.70 | 6.37 | (22.6)% | (26.4)% |
| Third quarter | 7.98 | 6.61 | 4.04 | (17.2)% | (49.4)% |
| Fourth quarter | 8.18 | 5.74 | 3.78 | (29.8)% | (53.8)% |

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high or low sales price. The NAVs shown are based on outstanding shares of our common stock at the end of each period.
(2) The High/Low Stock Price is calculated as of the closing price on a given day in the applicable quarter.

As of August 25, 2020, there were 147 stockholders of record of our common stock. This figure does not include a substantially greater number of beneficial holders of our common stock, whose shares are held in the names of brokers, dealers and clearing agencies.

**Recent Sales of Common Stock Below Net Asset Value**

At our 2009, 2010, 2011, 2012 and 2013 annual meeting of stockholders, and at a special meeting of stockholders held on June 12, 2020, our stockholders approved our ability to sell shares of our common stock at a price or prices below our NAV per share at the time of sale in one or more offerings. The current approval to sell shares of our common stock below our NAV per share is valid until June 12, 2021 and 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 our outstanding common stock immediately prior to such sale). Accordingly, we may make offerings of our common stock without any limitation on the total amount of dilution to stockholders. Our prospectus supplement and accompanying prospectus relating to this offering contains additional information about these offerings. Pursuant to the authority granted at our June 12, 2020 special meeting of stockholders and the approval of our Board of Directors, we have made the following offerings:

| Date of Offering | Price Per Share to Investors | Shares Issued | Estimated Net Asset Value per Share(1) | Percentage Dilution |
|---|---|---|---|---|
| June 15, 2020 to June 22, 2020(2) | $5.29 - $5.40 | 1,158,222 | $7.93 - 7.94 | 0.10% |

(1) The data for sales of shares below NAV pursuant to our equity distribution agreements are estimates based on our last reported NAV adjusted for capital events occurring during the period since the last calculated NAV. All amounts presented are approximations based on the best available data at the time of issuance.
(2) At the market offering. Dates of offering represent the sales dates of the stock. The settlement dates are two business days later than the sale dates.

**Distribution Policy**

Through March 2010, we made quarterly distributions to our stockholders out of assets legally available for distribution. In June 2010, we changed our distribution policy from a quarterly payment to a monthly payment. To the extent prudent and practicable, we currently intend to continue making distributions on a monthly basis. Our ability to pay distributions could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants. Our distributions, if any, will be determined by our Board of Directors. Certain amounts of the monthly distributions may from time to time be paid out of our capital rather than from earnings for the quarter as a result of our deliberate planning or by accounting reclassifications.

As a RIC, we generally are not subject to U.S. federal income tax on income and gains we distribute each taxable year to our stockholders, provided that in such taxable year, we distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code) to our stockholders. Any undistributed taxable income is subject to U.S. federal income tax. In addition, we will be subject to a 4% non-deductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during the calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31 in that calendar year and (iii) any income recognized, but not distributed, in preceding years.

We did not have an excise tax liability for the calendar year ended December 31, 2019. As of June 30, 2020, we do not expect to have any excise tax due for the 2020 calendar year. Tax characteristics of all distributions will be reported to stockholders, as appropriate, on Form 1099-DIV after the end of the calendar year.

In addition, although we currently intend to distribute realized net capital gains (which we define as net long-term capital gains in excess of short-term capital losses), if any, at least annually out of the assets legally available for such distributions, we may decide in the future to retain such capital gains for investment. In such event, the consequences of our retention of net capital gains are described under "Material U.S. Federal Income Tax Considerations." We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

During the years ended June 30, 2020 and June 30, 2019, we distributed approximately $265.3 million and $263.6 million, respectively, to our stockholders. The following table summarizes our distributions declared and payable for the years ended June 30, 2019 and June 30, 2020.

| Declaration Date | Record Date | Payment Date | Amount Per Share | Amount Distributed (in thousands) |
|---|---|---|---|---|
| 5/9/2018 | 7/31/2018 | 8/23/2018 | $ 0.060000 | $ 21,881 |
| 5/9/2018 | 8/31/2018 | 9/20/2018 | 0.060000 | 21,898 |
| 8/28/2018 | 9/28/2018 | 10/18/2018 | 0.060000 | 21,914 |
| 8/28/2018 | 10/31/2018 | 11/21/2018 | 0.060000 | 21,930 |
| 11/6/2018 | 11/30/2018 | 12/20/2018 | 0.060000 | 21,945 |
| 11/6/2018 | 1/2/2019 | 1/24/2019 | 0.060000 | 21,963 |
| 11/6/2018 | 1/31/2019 | 2/21/2019 | 0.060000 | 22,003 |
| 2/6/2019 | 2/28/2018 | 3/21/2019 | 0.060000 | 22,008 |
| 2/6/2019 | 3/29/2019 | 4/18/2019 | 0.060000 | 22,013 |
| 2/6/2019 | 4/30/2019 | 5/23/2019 | 0.060000 | 22,018 |
| 5/8/2019 | 5/31/2019 | 6/20/2019 | 0.060000 | 22,023 |
| 5/8/2019 | 6/28/2019 | 7/18/2019 | 0.060000 | 22,028 |
| | | Total declared and payable for the year ended June 30, 2019 | | $ 263,624 |
| | | | | |
| 5/8/2019 | 7/31/2019 | 8/22/2019 | $ 0.060000 | $ 22,032 |
| 5/8/2019 | 8/30/2019 | 9/19/2019 | 0.060000 | 22,037 |
| 8/27/2020 | 9/30/2019 | 10/24/2019 | 0.060000 | 22,042 |
| 8/27/2020 | 10/31/2019 | 11/20/2019 | 0.060000 | 22,046 |
| 11/6/2019 | 11/29/2019 | 12/19/2019 | 0.060000 | 22,051 |
| 11/6/2019 | 1/2/2020 | 1/23/2020 | 0.060000 | 22,055 |
| 11/6/2019 | 1/31/2020 | 2/20/2020 | 0.060000 | 22,059 |
| 2/10/2020 | 2/28/2020 | 3/19/2020 | 0.060000 | 22,064 |
| 2/10/2020 | 3/31/2020 | 4/23/2020 | 0.060000 | 22,069 |
| 2/10/2020 | 4/30/2020 | 5/21/2020 | 0.060000 | 22,161 |
| 5/11/2020 | 5/29/2020 | 6/18/2020 | 0.060000 | 22,249 |
| 5/11/2020 | 6/30/2020 | 7/23/2020 | 0.060000 | 22,412 |
| | | Total declared and payable for the year ended June 30, 2020 | | $ 265,277 |

Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during the years ended June 30, 2020 and June 30, 2019. It does not include distributions previously declared to stockholders of record on any future dates, as those amounts are not yet determinable. The following dividends were previously declared and will be recorded and payable subsequent to June 30, 2020:

- $0.06 per share for July 2020 to holders of record on July 31, 2020 with a payment date of August 20, 2020.
- $0.06 per share for August 2020 to holders of record on August 31, 2020 with a payment date of September 17, 2020.

**Dividend Reinvestment Plan**

We maintain an "opt out" dividend reinvestment and direct stock purchase plan for our common stockholders. As a result, if we declare a distribution (as discussed above), stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they (or their broker through which they hold shares) opt out of the Plan so as to receive cash distributions. Stockholders who receive distributions in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. Stockholders are advised to consult with their brokers or financial institutions, as appropriate, with respect to the administration of their dividends and related instructions. See also "Dividend Reinvestment and Direct Stock Purchase Plan" in Part I of this Annual Report for additional information.

We primarily use newly-issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with the implementation of the plan. Our Board of Directors determines how the stock to be distributed as part of the plan is made available.

On February 9, 2016, we amended our dividend reinvestment plan that provided for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash, to add the ability of stockholders to purchase additional shares by making optional cash investments. Under the revised dividend reinvestment and direct stock repurchase plan, stockholders may elect to purchase additional shares through our transfer agent in the open market or in negotiated transactions.

On April 17, 2020, our Board of Directors approved further amendments to our dividend reinvestment plan, effective May 21, 2020, that principally provide for the number of newly-issued shares of our common stock to be credited to a stockholder's account shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by 95% of the market price per share of our common stock at the close of regular trading on the Nasdaq Global Select Market on the date fixed by the Board of Directors for such distribution.

During the years ended June 30, 2020 and June 30, 2019, we distributed 5,249,252 and 2,721,087 shares of our common stock, respectively, in connection with the dividend reinvestment plan. All of the shares distributed were new issues. The following table summarizes the shares issued through the reinvestment of dividends in the years ended June 30, 2019 and June 30, 2020.

| Record Date | Payment Date | Shares Issued | Value of Shares (in thousands) | % of Distribution |
|---|---|---|---|---|
| 6/29/2018 | 7/19/2018 | 282,592 | $ 1,949 | 8.9% |
| 7/31/2018 | 8/23/2018 | 270,136 | 1,901 | 8.7% |
| 8/31/2018 | 9/20/2018 | 262,473 | 1,945 | 8.9% |
| 9/28/2018 | 10/18/2018 | 255,850 | 1,804 | 8.2% |
| 10/31/2018 | 11/21/2018 | 263,350 | 1,783 | 8.1% |
| 11/30/2018 | 12/20/2018 | 311,627 | 1,871 | 8.5% |
| 1/2/2019 | 1/24/2019 | 654,382 | 4,306 | 19.6% |
| 1/31/2019 | 2/21/2019 | 83,675 | 561 | 2.6% |
| 2/28/2019 | 3/21/2019 | 90,951 | 602 | 2.7% |
| 3/29/2019 | 4/18/2019 | 82,697 | 553 | 2.5% |
| 4/30/2019 | 5/23/2019 | 81,323 | 555 | 2.5% |
| 5/31/2019 | 6/20/2019 | 82,031 | 535 | 2.4% |
| Total issued in the year ended June 30, 2019 | | 2,721,087 | $ 18,365 | |
| | | | | |
| 6/28/2019 | 7/18/2019 | 78,163 | $ 520 | 2.4% |
| 7/31/2019 | 8/22/2019 | 78,335 | 521 | 2.4% |
| 8/30/2019 | 9/19/2019 | 76,349 | 503 | 2.3% |
| 9/30/2019 | 10/24/2019 | 63,076 | 413 | 1.9% |
| 10/31/2019 | 11/20/2019 | 82,501 | 535 | 2.4% |
| 11/29/2019 | 12/19/2019 | 74,795 | 499 | 2.3% |
| 1/2/2020 | 1/23/2020 | 74,108 | 490 | 2.2% |
| 1/31/2020 | 2/20/2020 | 72,405 | 475 | 2.2% |
| 2/28/2020 | 3/19/2020 | 87,169 | 436 | 2.0% |
| 3/31/2020 | 4/23/2020 | 1,538,432 | 5,861 | 26.6% |
| 4/30/2020 | 5/21/2020 | 1,467,398 (1) | 6,733 | 30.4% |
| 5/29/2020 | 6/18/2020 | 1,556,521 (1) | 7,955 | 35.8% |
| Total issued in the year ended June 30, 2020 | | 5,249,252 | $ 24,941 | |

(1) Number of newly-issued shares to be credited to a stockholder’s account to be determined by dividing (i) the total dollar amount of the dividend payable to such stockholder by (ii) 95% of the closing market price per share of our stock on the date fixed by the Board of Directors for such distribution (thereby providing a 5% discount to the market price of our common stock on such date).

Registered stockholders who opt out of the dividend reinvestment plan must notify the plan administrator prior to the payment date in order for that distribution to be paid in cash. As such, the table above includes distributions with payment dates during the years ended June 30, 2020 and June 30, 2019. It does not include distributions previously declared and recorded as payable to stockholders on any future dates, as those amounts are not yet determinable.

**Purchases of equity securities by the issuer and affiliated purchasers**

On August 24, 2011, our Board of Directors approved a share repurchase plan (the "Repurchase Program") under which we may repurchase up to $100,000 of our common stock at prices below our net asset value per share. Prior to any repurchase, we are required to notify stockholders of our intention to purchase our common stock. Our last notice was delivered with our annual proxy mailing on September 19, 2019.

We did not repurchase any shares of our common stock under the Repurchase Program for the years ended June 30, 2020, June 30, 2019 and June 30, 2018.

As of June 30, 2020, the approximate dollar value of shares that may yet be purchased under the plan is $65,860.

During the year ended June 30, 2020, Prospect officers and directors purchased 32,559,053 shares of our stock, or 8.72% of total outstanding shares as of June 30, 2020, both through the open market transactions and shares issued in connection with our dividend reinvestment plan.

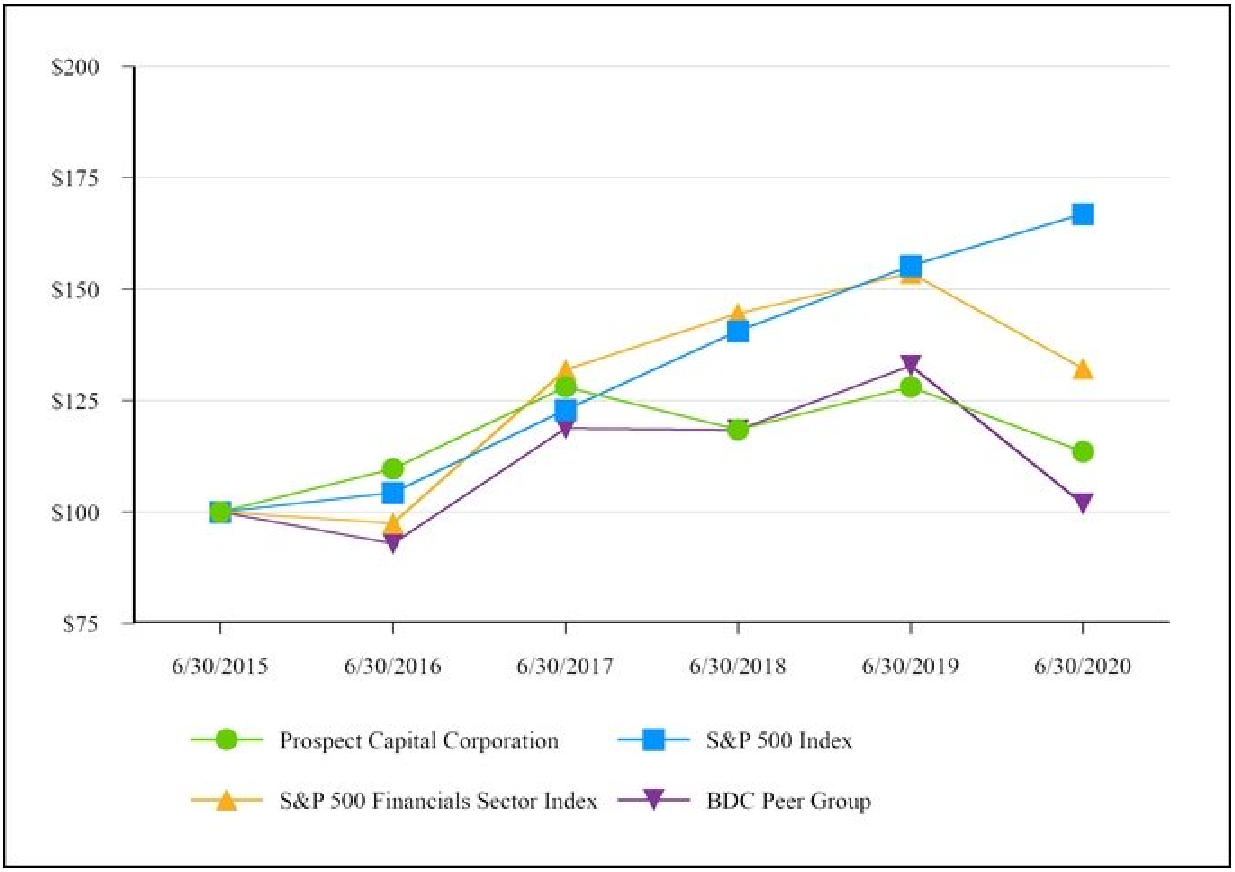
The following table summarizes the shares purchased by Prospect officers during the year ended June 30, 2020.

| Period | Total Number of Shares Purchased in Open Market | Average price paid per share | Total Number of Shares Purchased Through Dividend Reinvestment Plan |
|---|---|---|---|
| July 1, 2019 - July 31, 2019 | — | — | 7,466 |
| August 1, 2019 - August 31, 2019 | 341,309 | 6.39 | 7,503 |
| September 1, 2019 - September 30, 2019 | 237,857 | 6.34 | 7,590 |
| October 1, 2019 - October 31, 2019 | — | — | 7,722.00 |
| November 1, 2019 - November 30, 2019 | 10,000 | 6.45 | 7,898 |
| December 31, 2019 - December 31, 2019 | 4,250 | 6.54 | 7,857 |
| January 1, 2020 - January 31, 2020 | — | — | 8,022 |
| February 1, 2020 - February 28, 2020 | 8,000 | 6.31 | 8,137 |
| March 1, 2020 - March 31, 2020 | 29,011,730 | 4.61 | 11,665.00 |
| April 1, 2020 - April 30, 2020 | — | — | 1,087,695.00 |
| May 1, 2020 - May 30, 2020 | — | — | 934,583.00 |
| June 1, 2020 - June 30, 2020 | — | — | 849,769.00 |
| **Total** | **29,613,146** | | **2,945,907** |

**Stock Performance Graph**

The following graph compares a stockholder's cumulative total return for the last five fiscal years as if such amounts had been invested in: (i) our common stock; (ii) the stocks included in the S&P 500 Index; (iii) the stocks included in the S&P 500 Financials Sector Index; and (iv) a customized BDC Peer Group composed of Apollo Investment Corporation, Ares Capital Corporation, BlackRock Capital Investment Corporation, Gladstone Capital Corporation, and MVC Capital, Inc. The graph and other information furnished under the heading "Stock Performance Graph" shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference and shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under, or to the liabilities of Section 18 of, the Exchange Act.

The graph is based on historical stock prices and measures total stockholder return, which takes into account both changes in stock price and dividends. The total return assumes that dividends were reinvested daily and is based on a $100 investment on June 30, 2015. This stock performance graph is not necessarily indicative of future stock performance. Index performance is shown for illustrative purposes only and does not reflect any deduction for fees or expenses. It is not possible to invest directly in an unmanaged index.




**Fees and Expenses**

The following tables are intended to assist you in understanding the costs and expenses that an investor will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. These tables are based on our assets and common stock outstanding as of June 30, 2020, except that we assume that we have borrowed $1.08 billion under our credit facility, which is the maximum amount available under the credit facility with the current levels of other debt, in addition to our other indebtedness of $1.9 billion. Except where the context suggests otherwise, any reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses as an investor in the Company's common stock. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

| | |
|---|---|
| **Stockholder transaction expenses:** | |
| Sales load (as a percentage of offering price)(1) | - |
| Offering expenses borne by the Company (as a percentage of offering price)(2) | - |
| Dividend reinvestment plan expenses(3) | $15.00 |
| Total stockholder transaction expenses (as a percentage of offering price)(4) | - |
| **Annual expenses (as a percentage of net assets attributable to common stock):** | |
| Management fees(5) | 4.02% |
| Incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income) (6) | 2.23% |
| Total advisory fees | 6.25% |
| Total interest expense(7) | 4.77% |
| Acquired Fund Fees and Expenses(8) | 0.80% |
| Other expenses(9) | 1.06% |
| Total annual expenses(6)(9)(10) | 12.88% |

**Example**

The following table demonstrates the projected dollar amount of cumulative expenses we would pay out of net assets and that you would indirectly bear over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we have borrowed all $1.08 billion available under our line of credit, in addition to our other indebtedness of $1.9 billion and that our annual operating expenses would remain at the levels set forth in the table above and that we would pay the costs shown in the table above. We do not anticipate increasing the leverage percentage to a level higher than that which would be indicated after the borrowing of the entire available balance of the credit facility. Any future debt issuances would be dependent on future equity issuances and we do not anticipate any significant change in the borrowing costs as a percentage of net assets attributable to common stock.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5% annual return* | $ 106 | $ 302 | $ 476 | $ 831 |
| You would pay the following expenses on a $1,000 investment, assuming a 5% annual return** | $ 116 | $ 327 | $ 510 | $ 871 |

* Assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation.

** Assumes no unrealized capital depreciation or realized capital losses and 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gains incentive fee).

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The income incentive fee under our Investment Advisory Agreement with the Investment Adviser is unlikely to be material assuming a 5% annual return and is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our distributions to our common stockholders and our expenses would likely be higher. In addition, while the example assumes reinvestment of all dividends and other distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by 95% of the market price per share of our common stock at the close of trading on the date fixed by the Board for such distribution. See "Dividend Reinvestment and Direct Stock Purchase Plan" in Part I of this Annual Report for additional information regarding the Plan.

**This example and the expenses in the table above should not be considered a representation of our future expenses. Actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

(1) Will be included in any applicable prospectus supplement for an offering of our securities.
(2) Will be included in any applicable prospectus supplement for an offering of our securities.
(3) The expenses of the Plan are included in "other expenses." The Plan administrator's fees under the Plan are paid by us. There are no brokerage charges or other charges to stockholders who participate in reinvestment of dividends or other distributions under the Plan except that, if a participant elects by written notice to the Plan administrator to have the Plan administrator sell part or all of the shares held by the Plan administrator in the participant's account and remit the proceeds to the participant, the Plan administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commissions from the proceeds. See "Dividend Reinvestment and Direct Stock Repurchase Plan" in Part I of this Annual Report and in the related prospectus.
(4) Will be included in any applicable prospectus supplement for an offering of our securities.
(5) Our base management fee is 2% of our gross assets (which include any amount borrowed, *i.e.*, total assets without deduction for any liabilities, including any borrowed amounts for non-investment purposes, for which purpose we have not and have no intention of borrowing). Although we have no intent to borrow the entire amount available under our line of credit, assuming that we had total borrowings of $3.0 billion, the 2% management fee of gross assets would equal approximately 4.02% of net assets.
(6) Based on the incentive fee paid during our year ended June 30, 2020, all of which consisted of an income incentive fee. The capital gain incentive fee is paid without regard to pre-incentive fee income.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement (as defined herein), and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and
- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in our portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which may be asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate amortized cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

(7) As of June 30, 2020, we had $1.9 billion outstanding of Unsecured Notes in various maturities, ranging from July 15, 2022 to October 15 2043, and interest rates, ranging from 3.75% to 6.88%, some of which are convertible into shares of our common stock at various conversion rates.

(8) Our stockholders indirectly bear the expenses of underlying investment companies in which we invest. This amount includes the fees and expenses of investment companies in which we are invested in as of June 30, 2020. When applicable, fees and expenses are based on historic fees and expenses for the investment companies, and for those investment companies with little or no operating history fees and expenses are based on expected fees and expenses stated in the investment companies' prospectus or other similar communication without giving effect to any performance. Future fees and expenses for certain investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of our average net assets used in calculating this percentage was based on net assets of approximately $3.1 billion as of June 30, 2020. Amount reflects the estimated annual asset management fees incurred indirectly by us in connection with our investment in CLOs during the next 12 months, including asset management fees payable to the collateral managers of CLO equity tranches and incentive fees due to the collateral managers of CLO equity tranches. As a percent of our net assets, the CLO acquired fund fees are 0.80%. The 0.80% is based on 3.43% of fees for the entire CLO portfolio. The 3.43% is composed of 3.43% of collateral manager fees and 0% of incentive fees. The 3.43% of collateral manager fees are determined by multiplying 0.40% (collateral managers fees historically paid) by 8.53 (the leverage in such CLOs). However, such amounts are uncertain and difficult to predict. Future fees and expenses may be substantially higher or lower because certain fees and expenses are based on the performance of the CLOs, which may fluctuate over time. As a result of such investments, our stockholders may be required to pay two levels of fees in connection with their investment in our shares, including fees payable under our Investment Advisory Agreement, and fees charged to us on such investments.

(9) "Other expenses" are based on estimated amounts for the current fiscal year. The amount shown above represents expenses during our year ended June 30, 2020, which reflects all of our estimated recurring operating expenses (except fees and expenses reported in other items of this table) that are deducted from our operating income and reflected as expenses in our Statement of Operations. The estimate of our overhead expenses, including payments under the Administration Agreement is based on our projected allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations under the Administration Agreement. "Other expenses" does not include non-recurring expenses.

(10) On August 3, 2020, we entered into a Dealer Manager Agreement with Preferred Capital Securities, LLC, pursuant to which the Dealer Manager has agreed to serve as the Company's agent, principal distributor and exclusive dealer manager for the Company's offering of up to 40,000,000 shares of Preferred Stock, which has a $1,000,000,000 aggregate liquidation preference. Although we do not have Preferred Stock outstanding as of June 30, 2020, we are currently offering the Preferred Stock to prospective investors. The Preferred Stock has a 5.50% per annum dividend rate applicable to the Series A1 Preferred Stock and the Series M Preferred Stock. Future series of Preferred Stock may bear different annual dividend rates. If all 40,000,000 shares of Preferred Stock are sold, our expenses would be:

| | |
|---|---|
| **Annual expenses (as a percentage of net assets attributable to common stock):** | |
| Management fees (5) | 4.78% |
| **Incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income) (6)** | 2.31% |
| Total advisory fees | 7.09% |
| Total interest expenses (7) | 4.96% |
| Acquired Fund Fees and Expenses (8) | 0.80% |
| Other expenses (9) | 1.10% |
| Total annual expenses (6)(9) | 13.95% |
| Dividends on Preferred Stock | 1.87% |
| Total annual expenses after dividends on Preferred Stock | 15.82% |

Our prospectus supplement and accompanying prospectus relating to this offering contains additional information about the offering of our Preferred Stock, including applicable fees and expenses that an investor in that offering will bear directly or indirectly.

## Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and consolidated financial statements and notes thereto contained in "Item 8. Financial Statements and Supplementary Data" of this Annual Report. All amounts are in thousands except per share data and number of portfolio companies at year end.

| | Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| **Summary of Operations** | | | | | |
| Total investment income | $ 623,530 | $ 703,767 | $ 657,845 | $ 701,046 | $ 791,973 |
| Total operating expenses | 357,836 | 390,908 | 370,995 | 394,964 | 420,845 |
| Net investment income | 265,694 | 312,859 | 286,850 | 306,082 | 371,128 |
| Net Realized and Change in Unrealized Gains (Losses) from Investments | (279,216) | (159,885) | 20,607 | (46,165) | (267,990) |
| Net realized (losses) gains on extinguishment of debt | (2,702) | (8,487) | (7,594) | (7,011) | 224 |
| Net (decrease) increase in net assets resulting from operations | (16,224) | 144,487 | 299,863 | 252,906 | 103,362 |
| **Per Share Data** | | | | | |
| Net investment income(1) | $ 0.72 | $ 0.85 | $ 0.79 | $ 0.85 | $ 1.04 |
| Net (decrease) increase in net assets resulting from operations(1) | (0.04) | 0.39 | 0.83 | 0.70 | 0.29 |
| Dividends to stockholders | (0.72) | (0.72) | (0.77) | (1.00) | (1.00) |
| Net asset value at end of year | 8.18 | 9.01 | 9.35 | 9.32 | 9.62 |
| **Balance Sheet Data** | | | | | |
| Total assets(4) | $ 5,300,163 | $ 5,800,063 | $ 5,838,820 | $ 6,172,789 | $ 6,236,181 |
| Total debt outstanding(4) | 2,137,667 | 2,382,895 | 2,311,809 | 2,642,195 | 2,666,939 |
| Net assets | 3,055,861 | 3,306,275 | 3,407,047 | 3,354,952 | 3,435,917 |
| **Other Data** | | | | | |
| Investment purchases for the year | $ 753,522 | $ 656,668 | $ 1,707,294 | $ 1,489,470 | $ 979,102 |
| Investment sales and repayments for the year | $ 956,901 | $ 627,978 | $ 1,831,286 | $ 1,413,882 | $ 1,338,875 |
| Number of portfolio companies at year end | 121 | 135 | 135 | 121 | 125 |
| Total return based on market value(2) | (11.4%) | 8.2% | (7.4)% | 16.8% | 21.8% |
| Total return based on net asset value(2) | 2.8% | 7.2% | 12.4 % | 9.0% | 7.2% |
| Weighted average yield on debt portfolio at year end(3) | 11.4% | 13.1% | 13.0 % | 12.2% | 13.2% |
| Weighted average yield on total portfolio at year end | 9.7% | 10.6% | 10.5 % | 10.4% | 12.0% |

(1) Per share data is based on the weighted average number of common shares outstanding for the years presented (except for dividends to stockholders which is based on actual rate per share).

(2) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each year and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each year and assumes that dividends are reinvested in accordance with our dividend reinvestment plan.

(3) Excludes equity investments and non-performing loans.

(4) We have changed our method of presentation relating to debt issuance costs in accordance with ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30). Unamortized deferred financing costs of $40,526 previously reported as an asset on the Consolidated Statements of Assets and Liabilities as of June 30, 2016 have been reclassified as a direct deduction to the respective Unsecured Notes. See Critical Accounting Policies and Estimates for further discussion.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*(All figures in this item are in thousands except share, per share and other data.)*

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Annual Report. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking information that involves risks and uncertainties. Our actual results may differ significantly from any results expressed or implied by these forward-looking statements due to the factors discussed in Part I, “Item 1A. Risk Factors” and “Forward-Looking Statements” appearing elsewhere herein.

### Overview

The terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise.

Prospect is a financial services company that primarily lends to and invests in middle-market privately-held companies. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As a BDC, we have elected to be treated as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986 (the “Code”). We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004.

On May 15, 2007, we formed a wholly-owned subsidiary Prospect Capital Funding LLC (“PCF”), a Delaware limited liability company and a bankruptcy remote special purpose entity, which holds certain of our portfolio loan investments that are used as collateral for the revolving credit facility at PCF. Our wholly-owned subsidiary Prospect Small Business Lending, LLC (“PSBL”) was formed on January 27, 2014 and purchases small business whole loans on a recurring basis from online small business loan originators, including On Deck Capital, Inc. (“OnDeck”). On September 30, 2014, we formed a wholly-owned subsidiary Prospect Yield Corporation, LLC (“PYC”) and effective October 23, 2014, PYC holds a portion of our investments in Rated Secured Structured Notes (“RSSN”) and Subordinated Structured Notes (“SSN”) (collectively referred to as “collateralized loan obligations” or “CLOs”). Each of these subsidiaries have been consolidated since operations commenced.

We consolidate certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy. The following companies are included in our consolidated financial statements and are collectively referred to as the “Consolidated Holding Companies”: CP Holdings of Delaware LLC (“CP Holdings”); Credit Central Holdings of Delaware, LLC (“Credit Central Delaware”); Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC (“First Tower Delaware”); MITY Holdings of Delaware Inc. (“MITY Delaware”); Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc. (“NMMB Holdings”); NPH Property Holdings, LLC (“NPH”); Prospect Opportunity Holdings I, Inc. (“POHI”); SB Forging Company, Inc. (“SB Forging”); STI Holding, Inc.; UTP Holdings Group Inc. (“UTP Holdings”); Valley Electric Holdings I, Inc.(“Valley Holdings I”); and Valley Electric Holdings II, Inc. (“Valley Holdings II”).

We are externally managed by our investment adviser, Prospect Capital Management L.P. (“Prospect Capital Management” or the “Investment Adviser”). Prospect Administration LLC (“Prospect Administration”), a wholly-owned subsidiary of the Investment Adviser, provides administrative services and facilities necessary for us to operate.

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We invest primarily in senior and subordinated debt and equity of private companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have nine strategies that guide our origination of investment opportunities: (1) lending to companies controlled by private equity sponsors, (2) lending to companies not controlled by private equity sponsors, (3) purchasing controlling equity positions and lending to operating companies, (4) purchasing controlling equity positions and lending to financial services companies, (5) purchasing controlling equity positions and lending to real estate companies, (6) purchasing controlling equity positions and lending to aircraft leasing companies, (7) investing in structured credit, (8) investing in syndicated debt and (9) investing in consumer and small business loans and asset-backed securitizations. We may also invest in other strategies and opportunities from time to time that we view as attractive. We continue to evaluate other origination strategies in the ordinary course of business with no specific top-down allocation to any single origination strategy.

Lending to Companies Controlled by Private Equity Sponsors - We make agented loans to companies which are controlled by private equity sponsors. This debt can take the form of first lien, second lien, unitranche or unsecured loans. These loans typically have equity subordinate to our loan position. Historically, this strategy has comprised approximately 25%-50% of our portfolio.

Lending to Companies not Controlled by Private Equity Sponsors - We make loans to companies which are not controlled by private equity sponsors, such as companies that are controlled by the management team, the founder, a family or public shareholders. This origination strategy may have less competition to provide debt financing than the private-equity-sponsor origination strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. This origination strategy can result in investments with higher returns or lower leverage than the private-equity-sponsor origination strategy. Historically, this strategy has comprised less than 5% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Operating Companies - This strategy involves purchasing yield-producing debt and controlling equity positions in non-financial-services operating companies. We believe that we can provide enhanced certainty of closure and liquidity to sellers and we look for management to continue on in their current roles. This strategy has comprised approximately 5%-10% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Financial Services Companies - This strategy involves purchasing yield-producing debt and control equity investments in financial services companies, including consumer direct lending, sub-prime auto lending and other strategies. These investments are often structured in tax-efficient partnerships, enhancing returns. This strategy has comprised approximately 10%-15% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Real Estate Companies - We purchase debt and controlling equity positions in tax-efficient real estate investment trusts (“REIT” or “REITs”). The real estate investments of National Property REIT Corp. (“NPRC”) are in various classes of developed and occupied real estate properties that generate current yields, including multi-family properties, student housing, and self-storage. NPRC seeks to identify properties that have historically significant occupancy rates and recurring cash flow generation. NPRC generally co-invests with established and experienced property management teams that manage such properties after acquisition. Additionally, NPRC purchases loans originated by certain consumer loan facilitators. It purchases each loan in its entirety (i.e., a “whole loan”). The borrowers are consumers, and the loans are typically serviced by the facilitators of the loans. This investment strategy has comprised approximately 10%-20% of our business.

Purchasing Controlling Equity Positions and Lending to Aircraft Leasing Companies - We invest in debt as well as equity in companies with aircraft assets subject to commercial leases to airlines across the globe. We believe that these investments can present attractive return opportunities due to cash flow consistency from long-term leases coupled with hard asset residual value. We believe that these investment companies seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across a variety of aircraft types and vintages. This strategy historically has comprised less than 5% of our portfolio.

Investing in Structured Credit - We make investments in CLOs, often taking a significant position in the subordinated interests (equity) and debt of the CLOs. The underlying portfolio of each CLO investment is diversified across approximately 100 to 200 broadly syndicated loans and does not have direct exposure to real estate, mortgages, or consumer-based credit assets. The CLOs in which we invest are managed by established collateral management teams with many years of experience in the industry. This strategy has comprised approximately 10%-20% of our portfolio.

Investing in Syndicated Debt - On a primary or secondary basis, we purchase primarily senior and secured loans and high yield bonds that have been sold to a club or syndicate of buyers. These investments are often purchased with a long-term, buy-and-hold outlook, and we often look to provide significant input to the transaction by providing anchoring orders. This strategy has comprised approximately 10%-25% of our portfolio.

Investing in Consumer and Small Business Loans and Asset-Backed Securitizations - We purchase loans originated by certain consumer and small-and-medium-sized business (“SME”) loan platforms. We generally purchase each loan in its entirety (i.e., a “whole loan”) and we invest in asset-backed securitizations collateralized by consumer or small business loans. The borrowers are consumers and SMEs and the loans are typically serviced by the platforms of the loans. This investment strategy currently comprises 0% of our portfolio.

We invest primarily in first and second lien secured loans and unsecured debt, which in some cases includes an equity component. First and second lien secured loans generally are senior debt instruments that rank ahead of unsecured debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Our investments in CLOs are subordinated to senior loans and are generally unsecured. We invest in debt and equity positions of CLOs which are a form of securitization in which the cash flows of a portfolio of loans are pooled and passed on to different classes of owners in various tranches. Our CLO investments are derived from portfolios of corporate debt securities which are generally risk rated from BB to B.

We hold many of our control investments in a two-tier structure consisting of a holding company and one or more related operating companies for tax purposes. These holding companies serve various business purposes including concentration of management teams, optimization of third party borrowing costs, improvement of supplier, customer, and insurance terms, and enhancement of co-investments by the management teams. In these cases, our investment, which is generally equity in the holding company, the holding company's equity investment in the operating company and any debt from us directly to the operating company structure represents our total exposure for the investment. As of June 30, 2020, as shown in our *Consolidated Schedule of Investments*, the cost basis and fair value of our investments in controlled companies was $2,286,725 and $2,259,292, respectively. This structure gives rise to several of the risks described in our public documents and highlighted elsewhere in this Annual Report. We consolidate all wholly-owned and substantially wholly-owned holding companies formed by us for the purpose of holding our controlled investments in operating companies. There is no significant effect of consolidating these holding companies as they hold minimal assets other than their investments in the controlled operating companies. Investment company accounting prohibits the consolidation of any operating companies.

**Fourth Quarter Highlights**

*Investment Transactions*

We seek to be a long-term investor with our portfolio companies. During the three months ended June 30, 2020, we acquired $11,781 of new investments, completed follow-on investments in existing portfolio companies totaling approximately $23,460, funded $1,103 of revolver advances, and recorded PIK interest of $20,523, resulting in gross investment originations of $56,867. During the three months ended June 30, 2020, we received full repayments on investments totaling $2,996, received $66,861 in partial prepayments, and revolver paydowns of $2,525, resulting in net repayments of $72,382.

*Debt Issuances and Redemptions*

During the three months ended June 30, 2020, we repaid $1,384 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus.

During the three months ended June 30, 2020, we issued $9,054 aggregate principal amount of Prospect Capital InterNotes® with a stated and weighted average interest rate of 5.44%, to extend our borrowing base. The newly issued notes mature between April 15, 2025 and July 15, 2030 and generated net proceeds of $8,923.

On April 15, 2020, we repaid the outstanding principal amount of $127,711 of the 2020 Notes, plus interest.

*Equity Issuances*

On April 17, 2020, our Board of Directors approved amendments to our dividend reinvestment plan, effective May 21, 2020, that principally provide for the number of newly-issued shares of our common stock used to implement reinvestment of dividends and distributions to be determined by dividing the total dollar amount of the distribution payable to such stockholder by 95% of the market price per share of our common stock at the close of regular trading on the Nasdaq Global Select Market on the date fixed by the Board of Directors for such distribution.

On June 12, 2020, 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).

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. (together, the "Agents") 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. For the period from June 15, 2020 to June 22, 2020, we sold 1,158,222 shares of common stock below our then current net asset value per share under our common stock at-the-market program, resulting in cumulative net asset value dilution of approximately 0.1%.

On April 23, 2020, May 21, 2020, and June 18, 2020, we issued 1,538,432, 1,467,398, and 1,556,521 shares of our common stock in connection with the dividend reinvestment plan, respectively.

*Leverage*

The amount of leverage we intend to use in any period depends on a number of factors, including cash on-hand available for investing, the cost of financing and general economic and market conditions. Prior to the Small Business Credit Availability Act being signed into law, a BDC generally was not permitted to incur indebtedness unless immediately after such borrowing it has an asset coverage for total borrowings of at least 200%. The Small Business Credit Availability Act, signed into law on March 23, 2018, contains a provision that grants a BDC the option, subject to certain conditions and disclosure obligations, to reduce the asset coverage requirement to 150% (a 2:1 debt to equity ratio, as opposed to a 1:1 debt to equity ratio). On March 30, 2020, the Board approved, and on May 5, 2020, at a special meeting of stockholders, our stockholders approved, the application of the Company to reduce Asset Coverage to 150%, which became effective on May 6, 2020.

On April 8, 2020, in connection with the outbreak of the Wuhan Virus pandemic, the SEC issued an Order Under Sections 6(c), 17(d), 38(a) and 57(j) of the Investment Company Act of 1940 and Rule 17d-1 Thereunder Granting Exemptions from Specified Provisions of the Investment Company Act and Certain Rules Thereunder, the 1940 Act Release No. 33837 (Apr. 8, 2020) (the "April 2020 Order"), which provides exemptions from certain requirements of the 1940 Act. Section II of the April 2020 Order (i) affords BDC's greater flexibility in calculating asset coverage ratios for purposes of the 1940 Act asset coverage requirements, (ii) requires a BDC's board of directors, including a required majority of such board, as defined in Section 57(o) of the 1940 Act, to determine that the issuance or sale of covered senior securities is permitted by this April 2020 Order and is in the best interests of the BDC and its stockholders, (iii) requires prior disclosure on Form 8-K of an election to rely on Section II of the April 2020 Order (an "Election"), and (iv) includes certain limitations on new investments, among other requirements detailed in the April 2020 Order.

The Company's Board of Directors, including a required majority of the Board of Directors (as defined in section 57(o) of the 1940 Act), approved the Election on April 13, 2020. In approving the Election the Board of Directors considered, among other things, the conditions to rely on and be subject to the April 2020 Order and determined that the issuance and sale of the Company's senior securities is permitted by the April 2020 Order and is in the best interests of the Company and its stockholders. The Election permits us to use a modified formula to calculate our asset coverage ratios for purposes of the 1940 Act asset coverage requirements and, in doing so, permits us to rely in part on the fair value of our assets as of December 31, 2019. The overall effect of the Election is to make it easier for us to meet our applicable asset coverage ratios for purposes of the 1940 Act asset coverage requirements, as well as for purposes of covenants referencing the 1940 Act asset coverage requirements. The Election is effective through December 31, 2020 unless the Company withdraw it earlier.

**Investment Holdings**

At June 30, 2020, we have $5,232,328, or 171.3%, of our net assets invested in 121 long-term portfolio investments and CLOs.

Our annualized current yield was 11.4% and 13.1% as of June 30, 2020 and June 30, 2019, respectively, across all performing interest bearing investments, excluding equity investments and non-accrual loans. Our annualized current yield was 9.7% and 10.6% as of June 30, 2020 and June 30, 2019, respectively, across all investments. Monetization of equity positions that we hold and loans on non-accrual status are not included in this yield calculation. In many of our portfolio companies we hold equity positions, ranging from minority interests to majority stakes, which we expect over time to contribute to our investment returns. Some of these equity positions include features such as contractual minimum internal rates of returns, preferred distributions, flip structures and other features expected to generate additional investment returns, as well as contractual protections and preferences over junior equity, in addition to the yield and security offered by our cash flow and collateral debt protections.

We are a non-diversified company within the meaning of the 1940 Act. As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, "Control Investments" are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of 25% or more of the voting securities of an investee company. Under the 1940 Act, "Affiliate Investments" are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person. "Non-Control/Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments.

As of June 30, 2020, we own controlling interests in the following portfolio companies: CP Energy Services Inc. ("CP Energy"); Credit Central Loan Company, LLC ("Credit Central"); Echelon Transportation, LLC ("Echelon"); First Tower Finance Company LLC ("First Tower Finance"); Freedom Marine Solutions, LLC ("Freedom Marine"); InterDent, Inc. ("InterDent"); Kickapoo Ranch Pet Resort ("Kickapoo"); MITY, Inc. ("MITY"); NPRC; Nationwide Loan Company LLC ("Nationwide"); NMMB, Inc. ("NMMB"); Pacific World Corporation ("Pacific World"); R-V Industries, Inc. ("R-V"); Universal Turbine Parts, LLC ("UTP"); USES Corp. ("USES"); and Valley Electric Company, Inc. ("Valley Electric"). In June 2019, CP Energy purchased controlling interest of the common equity of Spartan Energy Holdings, Inc. ("Spartan Holdings"), which owns 100% of Spartan Energy Services, LLC ("Spartan"), a portfolio company of Prospect with $38,390 in senior secured term loans (the "Spartan Term Loans") due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, we report our investments in Spartan as control investments beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans.

As of June 30, 2020, we also own affiliated interests in Edmentum Ultimate Holdings, LLC (“Edmentum”); Nixon, Inc. (“Nixon”), PGX Holdings, Inc. (“PGX”), and Targus Cayman HoldCo Limited (“Targus”).

The following shows the composition of our investment portfolio by level of control as of June 30, 2020 and June 30, 2019:

| | June 30, 2020 | | | | June 30, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Level of Control | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio |
| Control Investments | $ 2,286,725 | 39.5% | $ 2,259,292 | 43.2% | $ 2,385,806 | 40.2% | $ 2,475,924 | 43.8% |
| Affiliate Investments | 163,484 | 2.8% | 187,537 | 3.6% | 177,616 | 3.0% | 76,682 | 1.4% |
| Non-Control/Non-Affiliate Investments | 3,332,509 | 57.7% | 2,785,499 | 53.2% | 3,368,880 | 56.8% | 3,100,947 | 54.8% |
| Total Investments | $ 5,782,718 | 100.0% | $ 5,232,328 | 100.0% | $ 5,932,302 | 100.0% | $ 5,653,553 | 100.0% |

The following shows the composition of our investment portfolio by type of investment as of June 30, 2020 and June 30, 2019:

| | June 30, 2020 | | | | June 30, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Type of Investment | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio |
| Revolving Line of Credit | $ 38,469 | 0.7% | $ 36,944 | 0.7% | $ 33,928 | 0.6% | $ 34,239 | 0.6% |
| Senior Secured Debt | 2,586,769 | 44.8% | 2,422,523 | 46.3% | 2,687,709 | 45.3% | 2,449,357 | 43.3% |
| Subordinated Secured Debt | 1,424,633 | 24.6% | 1,269,398 | 24.3% | 1,439,440 | 24.3% | 1,329,799 | 23.5% |
| Subordinated Unsecured Debt | 43,935 | 0.8% | 51,079 | 1.0% | 38,933 | 0.7% | 33,058 | 0.6% |
| Rated Secured Structured Notes | — | —% | — | —% | 44,774 | 0.8% | 46,851 | 0.8% |
| Subordinated Structured Notes | 1,089,079 | 18.8% | 708,961 | 13.5% | 1,103,751 | 18.4% | 850,694 | 15.1% |
| Preferred Stock | 250,020 | 4.3% | 14,430 | 0.3% | 101,094 | 1.7% | 84,294 | 1.5% |
| Common Stock | 140,986 | 2.4% | 394,832 | 7.5% | 288,731 | 4.9% | 427,085 | 7.6% |
| Membership Interest | 208,827 | 3.6% | 310,252 | 5.9% | 193,942 | 3.3% | 296,282 | 5.2% |
| Participating Interest(1) | — | —% | 23,909 | 0.5% | — | —% | 99,655 | 1.8% |
| Total Investments | $ 5,782,718 | 100.0% | $ 5,232,328 | 100.0% | $ 5,932,302 | 100.0% | $ 5,653,553 | 100.0% |

(1) Participating Interest includes our participating equity investments, such as net profits interests, net operating income interests, net revenue interests, and overriding royalty interests.

The following shows our investments in interest bearing securities by type of investment as of June 30, 2020 and June 30, 2019:

| | June 30, 2020 | | | | June 30, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Type of Investment | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio |
| First Lien | $ 2,615,252 | 50.5% | $ 2,450,928 | 54.7% | $ 2,713,478 | 50.7% | $ 2,475,437 | 52.2% |
| 1.5 Lien | 1,981 | —% | 1,981 | —% | — | —% | — | —% |
| Second Lien | 1,428,648 | 27.6% | 1,271,966 | 28.3% | 1,447,599 | 27.1% | 1,337,958 | 28.2% |
| Third Lien | 3,990 | 0.1% | 3,990 | 0.1% | — | —% | — | —% |
| Unsecured | 43,935 | 0.8% | 51,079 | 1.1% | 38,933 | 0.7% | 33,058 | 0.7% |
| Rated Secured Structured Notes | — | —% | — | —% | 44,774 | 0.9% | 46,851 | 1.0% |
| Subordinated Structured Notes | 1,089,079 | 21.0% | 708,961 | 15.8% | 1,103,751 | 20.6% | 850,694 | 17.9% |
| Total Interest Bearing Investments | $ 5,182,885 | 100.0% | $ 4,488,905 | 100.0% | $ 5,348,535 | 100.0% | $ 4,743,998 | 100.0% |

The following shows the composition of our investment portfolio by industry as of June 30, 2020 and June 30, 2019:

| | June 30, 2020 | | | | June 30, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **Industry** | **Cost** | **% of Portfolio** | **Fair Value** | **% of Portfolio** | **Cost** | **% of Portfolio** | **Fair Value** | **% of Portfolio** |
| Aerospace & Defense | $ 88,208 | 1.5% | $ 85,627 | 1.6% | $ 77,579 | 1.3% | $ 89,701 | 1.6% |
| Air Freight & Logistics | 12,500 | 0.2% | 10,755 | 0.2% | 12,500 | 0.2% | 12,233 | 0.2% |
| Auto Components | 26,776 | 0.5% | 24,867 | 0.5% | 25,450 | 0.4% | 25,450 | 0.5% |
| Building Products | — | —% | — | —% | 19,842 | 0.3% | 19,842 | 0.4% |
| Capital Markets | — | —% | — | —% | 25,084 | 0.4% | 25,222 | 0.4% |
| Chemicals | 31,837 | 0.6% | 31,891 | 0.6% | — | —% | — | —% |
| Commercial Services & Supplies | 368,577 | 6.4% | 294,277 | 5.6% | 376,456 | 6.3% | 296,672 | 5.2% |
| Communications Equipment | 59,638 | 1.0% | 50,837 | 1.0% | 50,503 | 0.9% | 48,760 | 0.9% |
| Construction & Engineering | 68,874 | 1.2% | 129,296 | 2.5% | 69,935 | 1.2% | 143,685 | 2.5% |
| Consumer Finance | 506,771 | 8.8% | 645,726 | 12.3% | 487,778 | 8.2% | 618,983 | 10.9% |
| Distributors | 278,331 | 4.8% | 175,931 | 3.4% | 299,906 | 5.1% | 190,137 | 3.4% |
| Diversified Consumer Services | 163,057 | 2.8% | 169,615 | 3.2% | 146,845 | 2.5% | 141,308 | 2.5% |
| Diversified Financial Services | 30,165 | 0.5% | 30,165 | 0.6% | — | —% | — | —% |
| Diversified Telecommunication Services | 57,098 | 1.0% | 55,311 | 1.1% | 36,234 | 0.6% | 36,234 | 0.6% |
| Electronic Equipment, Instruments & Components | — | —% | — | —% | — | —% | 2,239 | —% |
| Energy Equipment & Services | 266,618 | 4.6% | 82,236 | 1.6% | 261,663 | 4.4% | 153,865 | 2.7% |
| Entertainment | 50,601 | 0.9% | 49,017 | 0.9% | 36,221 | 0.6% | 36,327 | 0.6% |
| Equity Real Estate Investment Trusts (REITs) | 486,268 | 8.4% | 753,583 | 14.4% | 496,440 | 8.4% | 827,687 | 14.6% |
| Food Products | 24,853 | 0.4% | 25,000 | 0.5% | 34,729 | 0.6% | 34,729 | 0.6% |
| Health Care Equipment & Supplies | 7,474 | 0.1% | 5,606 | 0.1% | 41,142 | 0.7% | 41,154 | 0.7% |
| Health Care Providers & Services | 533,188 | 9.2% | 495,402 | 9.5% | 470,422 | 7.9% | 445,235 | 7.9% |
| Hotels, Restaurants & Leisure | 23,501 | 0.4% | 21,008 | 0.4% | 34,737 | 0.6% | 34,737 | 0.7% |
| Household Durables | 24,437 | 0.4% | 24,362 | 0.5% | 29,291 | 0.5% | 22,460 | 0.4% |
| Household Products | 15,915 | 0.3% | 16,066 | 0.3% | 24,688 | 0.4% | 24,688 | 0.4% |
| Insurance | 12,796 | 0.2% | 12,744 | 0.2% | 12,988 | 0.2% | 12,988 | 0.2% |
| Interactive Media & Services | 200,728 | 3.5% | 200,728 | 3.8% | 37,861 | 0.6% | 37,861 | 0.7% |
| Internet & Direct Marketing Retail | 15,706 | 0.3% | 16,440 | 0.3% | — | —% | — | —% |
| IT Services | 203,285 | 3.5% | 204,061 | 3.9% | 306,096 | 5.2% | 305,360 | 5.4% |
| Leisure Products | 24,519 | 0.4% | 24,319 | 0.5% | 32,869 | 0.6% | 32,868 | 0.6% |
| Machinery | 84,234 | 1.5% | 87,220 | 1.7% | 35,488 | 0.6% | 33,624 | 0.6% |
| Media | 117,524 | 2.0% | 100,592 | 1.9% | 138,362 | 2.3% | 141,467 | 2.5% |
| Online Lending | 45,950 | 0.8% | 45,950 | 0.9% | 272,949 | 4.6% | 176,778 | 3.1% |
| Paper & Forest Products | 15,788 | 0.3% | 15,788 | 0.3% | 11,361 | 0.2% | 11,500 | 0.2% |
| Personal Products | 246,702 | 4.3% | 59,907 | 1.1% | 237,969 | 4.0% | 112,427 | 2.0% |
| Professional Services | 104,164 | 1.8% | 106,542 | 2.0% | 188,098 | 3.2% | 190,178 | 3.4% |
| Real Estate Management & Development | 31,747 | 0.5% | 31,747 | 0.6% | 38,852 | 0.7% | 38,852 | 0.7% |
| Software | 75,208 | 1.3% | 73,745 | 1.4% | 64,723 | 1.1% | 64,729 | 1.1% |
| Technology Hardware, Storage & Peripherals | 12,415 | 0.2% | 12,318 | 0.2% | 12,400 | 0.2% | 12,400 | 0.2% |
| Textiles, Apparel & Luxury Goods | 205,874 | 3.6% | 221,227 | 4.2% | 231,106 | 3.9% | 242,981 | 4.3% |
| Tobacco | — | —% | — | —% | 14,419 | 0.2% | 14,500 | 0.4% |
| Trading Companies & Distributors | 65,450 | 1.1% | 26,599 | 0.5% | 63,213 | 1.1% | 28,043 | 0.5% |
| Transportation Infrastructure | 27,662 | 0.5% | 27,662 | 0.5% | 27,578 | 0.5% | 28,104 | 0.5% |
| Subtotal | $ 4,614,439 | 79.8% | $ 4,444,167 | 84.8% | $ 4,783,777 | 80.7% | $ 4,756,008 | 84.1% |
| Structured Finance (1) | $ 1,168,279 | 20.2% | $ 788,161 | 15.2% | $ 1,148,525 | 19.3% | $ 897,545 | 15.9% |
| Total Investments | $ 5,782,718 | 100.0% | $ 5,232,328 | 100.0% | $ 5,932,302 | 100.0% | $ 5,653,553 | 100.0% |

(1) Our RSSN and SSN investments do not have industry concentrations and as such have been separated in the tables above. As of June 30, 2020, Structured Finance includes $79,200 of senior secured debt investments held through our investment in NPRC and it's wholly-owned subsidiary.

**Portfolio Investment Activity**

Our origination efforts are focused primarily on secured lending to non-control investments to reduce the risk in the portfolio by investing primarily in first lien loans, though we also continue to close select junior debt and equity investments. For information regarding investment activity for the year ended June 30, 2018, see the Company's Form 10-K for the fiscal year ended June 30, 2019.

Our gross investment activity for the years ended June 30, 2020 and June 30, 2019 are presented below.

| | Year Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Investments made in new portfolio companies | $ 577,301 | $ 331,571 |
| Follow-on investments made in existing portfolio companies (1) | 235,013 | 312,482 |
| Revolver advances | 12,444 | 16,855 |
| PIK interest | 55,657 | 43,635 |
| **Total acquisitions** | $ 880,415 | $ 704,543 |
| | | |
| ***Acquisitions by portfolio composition*** | | |
| 1st Lien Term Loan | $ 667,282 | $ 291,984 |
| Subordinated Secured Debt | 161,527 | 344,553 |
| Rated Secured Structured Notes | 5,534 | 38,524 |
| Subordinated Structured Notes | 1,913 | 6,884 |
| Subordinated Unsecured Debt | 3,160 | 669 |
| Equity | 40,999 | 21,929 |
| ***Total acquisitions by portfolio composition*** | $ 880,415 | $ 704,543 |
| | | |
| Investments sold | $ 40,994 | $ 103,122 |
| Partial repayments (2) | 419,230 | 229,538 |
| Full repayments | 544,834 | 273,763 |
| Revolver paydowns | 8,719 | 21,555 |
| Total dispositions | $ 1,013,777 | $ 627,978 |
| | | |
| ***Dispositions by portfolio composition*** | | |
| 1st Lien Term Loan | $ 774,844 | $ 353,689 |
| Subordinated Secured Debt | 184,622 | 225,151 |
| Rated Secured Structured Notes | 50,237 | — |
| Subordinated Structured Notes | — | — |
| Subordinated Unsecured Debt | 565 | (285) |
| Equity | 3,509 | 49,423 |
| ***Total dispositions by portfolio composition*** | $ 1,013,777 | $ 627,978 |
| | | |
| ***Weighted average interest rates for new investments by portfolio composition(3)*** | | |
| 1st Lien Term Loan | 8.75% | 9.44% |
| Subordinated Secured Debt | 9.89% | 10.84% |
| Rated Secured Structured Notes | N/A | 12.31% |

(1) Includes follow-on investments in existing portfolio companies and refinancings, if any.

(2) Includes partial prepayments of principal, scheduled amortization payments, and refinancings, if any.

(3) Weighted average interest rates for new investments by portfolio composition is calculated with the current rate at the end of the period. In addition, Revolving Line of Credit and Delayed Draw Term Loans are excluded from the calculation.

**Investment Valuation**

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, management and the independent valuation firm look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. In determining the range of values for debt instruments where market quotations are not available, except CLOs and debt investments in controlling portfolio companies, management and the independent valuation firm estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow technique was then applied using the appropriate yield to maturity as the discount rate, to determine a range of values. In determining the range of values for debt investments of controlled companies and equity investments, the enterprise value was determined by applying a market approach such as using earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples, net income and/or book value multiples for similar guideline public companies and/or similar recent investment transactions and/or an income approach, such as the discounted cash flow technique. The enterprise value technique may also be used to value debt investments which are credit impaired. For stressed debt and equity investments, an asset recovery analysis was used.

In determining the range of values for our investments in CLOs, the independent valuation firm uses a discounted multi-path cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view as well as to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which are simulations used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows for the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market and certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the corresponding multi-path cash flow model.

With respect to our online consumer and SME 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 and SME loans, and our ability to grow our portfolio of consumer and SME loans, are directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending platforms from which we purchase consumer and SME loans. In addition, our ability to analyze the risk-return profile of consumer and SME loans is significantly dependent on the marketplace platforms' ability to effectively evaluate a borrower's credit profile and likelihood of default. 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.

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties, comparable multiples for recent sales of companies within the industry and discounted cash flow models for our investments in CLOs. The composite of all these various valuation techniques, applied to each investment, was a total valuation of $5,232,328.

Our portfolio companies are generally lower middle-market companies, outside of the financial sector, with less than $100,000 of annual EBITDA. We believe our investment portfolio has experienced less volatility than others because we believe there are more buy and hold investors who own these less liquid investments.

*Impact of the novel coronavirus (the "Wuhan Virus") pandemic*

During the six months ended June 30, 2020, our operating results were negatively impacted by the uncertainty surrounding the Wuhan Virus pandemic, which has caused severe disruptions in the global economy and negatively impacted the fair value and performance of our investment portfolio. The resulting changes in net unrealized depreciation on investments were largely due to widening credit spreads as market participants expected a higher yield on similar investments given the significant market volatility generated by the Wuhan Virus pandemic. To a lesser extent, the changes in net unrealized depreciation on investments for certain of our portfolio companies also reflected other factors such as specific industry concerns, uncertainty about the duration of business shutdowns and near-term liquidity needs. For additional information concerning the Wuhan Virus pandemic and its potential impact on our business and our operating results, see Part I, Item 1A. Risk Factors, "Risk Factors - The Wuhan Virus pandemic has caused severe disruptions in the global economy, which has had, and may continue to have, a negative impact on our portfolio companies and our business and operations."

*Control Company Investments*

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment. Equity positions in our portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results and market multiples. Several of our controlled companies discussed below experienced such changes and we recorded corresponding fluctuations in valuations during the year ended June 30, 2020.

*CP Energy Services Inc.*

Prospect owns 100% of the equity of CP Holdings, a Consolidated Holding Company. CP Holdings owns 99.8% of the equity of CP Energy, and the remaining equity is owned by CP Energy management. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Holdings, which owns 100% of Spartan, a portfolio company of Prospect with $38,390 in senior secured term loans due to us as of June 30, 2020. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrower and guarantor to Prospect for the Spartan Term Loans. On December 30, 2019, Wolf Energy LLC, Wolf Energy Services LLC, and AEH LLC (collectively referred to as "Wolf Energy"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. See Note 14 in our *Consolidated Financial Statements* for further discussion.

The fair value of our investment in CP Energy decreased to $69,885 as of June 30, 2020, which is a discount of $152,841 from its amortized cost, compared to a fair value of $138,931 as of June 30, 2019, representing a discount of $74,944 to its amortized cost. The increase in discount to amortized cost resulted from a decline in financial performance and corresponding valuation multiples as a result of headwinds in the oil and gas industry, primarily associated with the demand imbalance stemming from the novel coronavirus.

*First Tower Finance Company LLC*

Prospect owns 100% of the equity of First Tower Delaware, a consolidated holding company. First Tower Delaware owns 80.1% of First Tower Finance. First Tower Finance owns 100% of First Tower, LLC ("First Tower"), a multiline specialty finance company.

The fair value of our investment in First Tower increased to $508,465 as of June 30, 2020, representing a premium of $150,250 to its amortized cost basis compared to a fair value of $494,036 as of June 30, 2019, a premium of $135,479 to its amortized cost. The increase to the premium was driven by strong financial performance.

*InterDent, Inc.*

During the year ended June 30, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent and to appoint a new Board of Directors of InterDent, all the members of which are our Investment Adviser's professionals. As a result, Prospect's investment in InterDent is classified as a control investment.

The fair value of our investment in InterDent increased to $230,757 as of June 30, 2020, a discount of $36,296 to its amortized cost basis compared to a fair value of $224,876 as of June 30, 2019, a discount of $23,997 to its amortized cost. The increase in discount to amortized cost was driven by capitalized PIK income.

*National Property REIT Corp.*

NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. NPRC is held for purposes of investing, operating, financing, leasing, managing and selling a portfolio of real estate assets and engages in any and all other activities that may be necessary, incidental, or convenient to perform the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties, self-storage, and student housing properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity. Additionally, through its wholly-owned subsidiaries, NPRC invests in online consumer loans and RSSNs. As of June 30, 2020, we own 100% of the fully-diluted common equity of NPRC.

During the year ended June 30, 2020, we provided $19,309 of debt to NPRC and its wholly-owned subsidiaries to fund capital expenditures for existing real estate properties and provide working capital, and provided $79,200 of debt and $19,800 of equity to fund purchases of rated secured structured notes, expenses and structuring fees.

During the year ended June 30, 2020, we received partial repayments of $276,279 of our loans previously outstanding with NPRC and its wholly-owned subsidiary and $183,425 as a return of capital on our equity investment in NPRC.

The online consumer loan investments held by certain of NPRC's wholly-owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from $1 to $50, with fixed terms ranging from 24 to 84 months. As of June 30, 2020, the outstanding investment in online consumer loans by certain of NPRC's wholly-owned subsidiaries was comprised of 8,072 individual loans and residual interest in four securitizations, and had an aggregate fair value of $43,797. The average outstanding individual loan balance is approximately $4 and the loans mature on dates ranging from July 1, 2020 to April 19, 2025 with a weighted-average outstanding term of 19 months as of June 30, 2020. Fixed interest rates range from 6.0% to 36.0% with a weighted-average current interest rate of 22.2%. As of June 30, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to online consumer lending had a fair value of $45,950.

As of June 30, 2020, based on outstanding principal balance, 12.3% of the portfolio was invested in super prime loans (borrowers with a Fair Isaac Corporation ("FICO") score, of 720 or greater), 31.0% of the portfolio in prime loans (borrowers with a FICO score of 660 to 719) and 56.7% of the portfolio in near prime loans (borrowers with a FICO score of 580 to 659, a portion of which are considered sub-prime).

| Loan Type | Outstanding Principal Balance | Fair Value | Interest Rate Range | Weighted Average Interest Rate* |
|---|---|---|---|---|
| Super Prime | $ 3,517 | $ 3,401 | 6.0% - 24.1% | 12.5% |
| Prime | 8,841 | 8,296 | 6.0% - 36.0% | 17.9% |
| Near Prime | 16,156 | 15,400 | 6.0% - 36.0% | 26.7% |

*Weighted by outstanding principal balance of the online consumer loans.

The rated secured structured note investments held by certain of NPRC's wholly owned subsidiaries are subordinated debt interests in broadly syndicated loans managed by established collateral management teams with many years of experience in the industry. As of June 30, 2020, the outstanding investment in rated secured structured notes by certain of NPRC's wholly owned subsidiaries was comprised of 34 investments with a fair value of $189,221 and face value of $208,342. The average outstanding note is approximately $6,128 with a stated maturity date ranging from April 2026 to April 2029 and weighted-average stated maturity of 8 years as of June 30, 2020. Coupons range from three-month Libor ("3ML") plus 5.45% to 9.45% with a weighted-average coupon of 3ML + 7.16%. As of June 30, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to rated secured structured notes had a fair value of $79,200.

As of June 30, 2020, based on outstanding notional balance, 25% of the portfolio was invested in Single - B rated tranches and 75% of the portfolio in BB rated tranches.

As of June 30, 2020, our investment in NPRC and its wholly-owned subsidiaries had an amortized cost of $611,418 and a fair value of $878,733, including our investment in online consumer lending and rated secured structured notes as discussed above. The fair value of $753,583 related to NPRC's real estate portfolio was comprised of thirty-nine multi-families properties, eight student housing properties and three commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of June 30, 2020.

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|---|---|---|---|---|---|
| 1 | Filet of Chicken | Forest Park, GA | 10/24/2012 | $ 7,400 | $ — |
| 2 | Arlington Park Marietta, LLC | Marietta, GA | 5/8/2013 | 14,850 | — |
| 3 | Cordova Regency, LLC | Pensacola, FL | 11/15/2013 | 13,750 | 11,111 |
| 4 | Crestview at Oakleigh, LLC | Pensacola, FL | 11/15/2013 | 17,500 | 13,524 |
| 5 | Inverness Lakes, LLC | Mobile, AL | 11/15/2013 | 29,600 | 24,128 |
| 6 | Kings Mill Pensacola, LLC | Pensacola, FL | 11/15/2013 | 20,750 | 17,143 |
| 7 | Plantations at Pine Lake, LLC | Tallahassee, FL | 11/15/2013 | 18,000 | 13,765 |

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|---|---|---|---|---|---|
| 8 | Verandas at Rocky Ridge, LLC | Birmingham, AL | 11/15/2013 | 15,600 | 9,968 |
| 9 | Crestview at Cordova, LLC | Pensacola, FL | 1/17/2014 | 8,500 | 12,952 |
| 10 | Taco Bell, OK | Yukon, OK | 6/4/2014 | 1,719 | — |
| 11 | Taco Bell, MO | Marshall, MO | 6/4/2014 | 1,405 | — |
| 12 | Canterbury Green Apartments Holdings LLC | Fort Wayne, IN | 9/29/2014 | 85,500 | 85,456 |
| 13 | Abbie Lakes OH Partners, LLC | Canal Winchester, OH | 9/30/2014 | 12,600 | 15,586 |
| 14 | Kengary Way OH Partners, LLC | Reynoldsburg, OH | 9/30/2014 | 11,500 | 15,753 |
| 15 | Lakeview Trail OH Partners, LLC | Canal Winchester, OH | 9/30/2014 | 26,500 | 30,056 |
| 16 | Lakepoint OH Partners, LLC | Pickerington, OH | 9/30/2014 | 11,000 | 17,101 |
| 17 | Sunbury OH Partners, LLC | Columbus, OH | 9/30/2014 | 13,000 | 17,337 |
| 18 | Heatherbridge OH Partners, LLC | Blacklick, OH | 9/30/2014 | 18,416 | 24,815 |
| 19 | Jefferson Chase OH Partners, LLC | Blacklick, OH | 9/30/2014 | 13,551 | 19,282 |
| 20 | Goldenstrand OH Partners, LLC | Hilliard, OH | 10/29/2014 | 7,810 | 11,764 |
| 21 | SSIL I, LLC | Aurora, IL | 11/5/2015 | 34,500 | 26,246 |
| 22 | Vesper Tuscaloosa, LLC | Tuscaloosa, AL | 9/28/2016 | 54,500 | 43,076 |
| 23 | Vesper Iowa City, LLC | Iowa City, IA | 9/28/2016 | 32,750 | 24,825 |
| 24 | Vesper Corpus Christi, LLC | Corpus Christi, TX | 9/28/2016 | 14,250 | 10,800 |
| 25 | Vesper Campus Quarters, LLC | Corpus Christi, TX | 9/28/2016 | 18,350 | 14,175 |
| 26 | Vesper College Station, LLC | College Station, TX | 9/28/2016 | 41,500 | 32,058 |
| 27 | Vesper Kennesaw, LLC | Kennesaw, GA | 9/28/2016 | 57,900 | 51,183 |
| 28 | Vesper Statesboro, LLC | Statesboro, GA | 9/28/2016 | 7,500 | 7,480 |
| 29 | Vesper Manhattan KS, LLC | Manhattan, KS | 9/28/2016 | 23,250 | 14,679 |
| 30 | JSIP Union Place, LLC | Franklin, MA | 12/7/2016 | 64,750 | 51,800 |
| 31 | 9220 Old Lantern Way, LLC | Laurel, MD | 1/30/2017 | 187,250 | 153,580 |
| 32 | 7915 Baymeadows Circle Owner, LLC | Jacksonville, FL | 10/31/2017 | 95,700 | 76,560 |
| 33 | 8025 Baymeadows Circle Owner, LLC | Jacksonville, FL | 10/31/2017 | 15,300 | 12,240 |
| 34 | 23275 Riverside Drive Owner, LLC | Southfield, MI | 11/8/2017 | 52,000 | 44,044 |
| 35 | 23741 Pond Road Owner, LLC | Southfield, MI | 11/8/2017 | 16,500 | 14,185 |
| 36 | 150 Steeplechase Way Owner, LLC | Largo, MD | 1/10/2018 | 44,500 | 36,668 |
| 37 | Laurel Pointe Holdings, LLC | Forest Park, GA | 5/9/2018 | 33,005 | 26,400 |
| 38 | Bradford Ridge Holdings, LLC | Forest Park, GA | 5/9/2018 | 12,500 | 10,000 |
| 39 | Olentangy Commons Owner LLC | Columbus, OH | 6/1/2018 | 113,000 | 92,876 |
| 40 | Villages of Wildwood Holdings LLC | Fairfield, OH | 7/20/2018 | 46,500 | 39,525 |
| 41 | Falling Creek Holdings LLC | Richmond, VA | 8/8/2018 | 25,000 | 19,335 |
| 42 | Crown Pointe Passthrough LLC | Danbury, CT | 8/30/2018 | 108,500 | 89,400 |
| 43 | Ashwood Ridge Holdings LLC | Jonesboro, GA | 9/21/2018 | 9,600 | 7,300 |
| 44 | Lorring Owner LLC | Forestville, MD | 10/30/2018 | 58,521 | 47,680 |
| 45 | Hamptons Apartments Owner, LLC | Beachwood, OH | 1/9/2019 | 96,500 | 79,520 |
| 46 | 5224 Long Road Holdings, LLC | Orlando, FL | 6/28/2019 | 26,500 | 21,200 |
| 47 | Druid Hills Holdings LLC | Atlanta, GA | 7/30/2019 | 96,000 | 79,104 |
| 48 | Bel Canto NPRC Parcstone LLC | Fayetteville, NC | 10/15/2019 | 45,000 | 30,127 |
| 49 | Bel Canto NPRC Stone Ridge LLC | Fayetteville, NC | 10/15/2019 | 21,900 | 14,662 |
| 50 | Sterling Place Holdings LLC | Columbus, OH | 10/28/2019 | 41,500 | 34,196 |
| | | | | $ 1,843,477 | $ 1,544,665 |

During the year ended June 30, 2020, the valuation methodology for National Property REIT Corporation ("NPRC") and its wholly owned subsidiaries relating to the real estate portfolio changed to remove the Discounted Cash Flow Method. Management utilizes the Enterprise Value Waterfall (NAV Analysis) to value its investment in NPRC and its wholly owned subsidiaries relating to the real estate portfolio as this method is aligned with current industry practice and with Management's experience in buying and selling income producing real estate assets.

The fair value of our investment in NPRC decreased to $878,733 as of June 30, 2020, a premium of $267,315 from its amortized cost basis compared to a fair value of $1,004,465 as of June 30, 2019, representing a premium of $235,076. The increase in premium to amortized cost is primarily due to an increase in property values and change in methodology discussed above.

*Pacific World Corporation*

Prospect owns 100% of the preferred equity of Pacific World, which represents a 99.96% and 99.94% ownership interest of Pacific World as of June 30, 2020 and June 30, 2019, respectively. Pacific World is a supplier of nail and beauty care products to food, drug, and value retail channels worldwide, and is based in Irvine, California.

The fair value of our investment in Pacific World decreased to $59,907 as of June 30, 2020, a discount of $186,795 to its amortized cost basis, compared to a fair value of $112,427 as of June 30, 2019, representing discount of $125,542 to its amortized cost. The increase in discount to amortized cost resulted from a decline in financial performance.

*Valley Electric Company, Inc.*

Prospect owns 100% of the common stock of Valley Holdings I, a Consolidated Holding Company. Valley Holdings I owns 100% of Valley Holdings II, a Consolidated Holding Company. Valley Holdings II owns 94.99% of Valley Electric, with Valley Electric management owning the remaining 5.01% of the equity. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. ("Valley"), a leading provider of specialty electrical services in the state of Washington and among the top electrical contractors in the United States.

The fair value of our investment in Valley Electric decreased to $129,296 as of June 30, 2020, a premium of $60,422 to its amortized cost, compared to a fair value of $143,685 as of June 30, 2019, representing a $73,750 premium to its amortized cost. While Valley Electric's financial performance remains strong, the decrease in premium to amortized cost was driven by adverse market conditions and, to a lesser extent, a decline in profitability.

Our controlled investments, other than those discussed above, are valued at $129,488 below cost and did not experience significant changes in operating performance or value. This discount is primarily driven by our controlled investments in Freedom Marine, Universal Turbine Parts, and USES, which are valued at a discount to amortized cost of $31,541, $38,851, and $48,894, respectively. Overall, combined with those portfolio companies discussed above, our controlled investments at June 30, 2020 are valued at $27,433 below their amortized cost.

*Affiliate and Non-Control Company Investments*

We hold four affiliate investments at June 30, 2020 with a total fair value of $187,537, a premium of $24,053 from their combined amortized cost compared to a fair value of $76,682 as of June 30, 2019, representing a $100,934 discount to its amortized cost. The increase in the premium is primarily driven by our investment in United Sporting Companies, Inc. ("USC") and Edmentum. USC is valued at a discount to amortized cost of $98,512 and was transferred to a non-control/non-affiliate investment classification as of June 30, 2020. Edmentum's increase in premium was driven by higher comparable company trading multiples and market conditions.

With the non-control/non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is generally limited on the high side to each loan's par value, plus any prepayment premium that could be imposed. However, as of June 30, 2020, two of our non-control/ non-affiliate investments, Engine Group, Inc. ("Engine") and USC are valued at discounts to amortized cost of $32,706 and $98,512, respectively. As of June 30, 2020, our CLO investment portfolio is valued at a $380,118 discount to amortized cost. Excluding Engine, USC, and the CLO investment portfolio, non-control/non-affiliate investments at June 30, 2020 are valued at $35,674 below their amortized cost largely due to widening credit spreads as market participants expected a higher yield on similar investments given the significant market volatility generated by the Wuhan Virus pandemic. For more information on change in unrealized, see "Results of Operations - *Change in Unrealized Gains/Losses.*"

**Capitalization**

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt as of June 30, 2020 consists of: a Revolving Credit Facility availing us of the ability to borrow debt subject to borrowing base determinations; Convertible Notes which we issued in April 2017 (with a follow-on issuance in May 2018) and March 2019; Public Notes which we issued in March 2013, December 2015 (and from time to time through our 2024 Notes Follow-on Program), June 2018 (and from time to time through our 2028 Notes Follow-on Program), October 2018, and December 2018 (and from time to time through our 2029 Notes Follow-on Program); and Prospect Capital InterNotes® which we issue from time to time. As of June 30, 2020, our equity capital is comprised entirely of common equity.

The following table shows our outstanding debt as of June 30, 2020.

| | Principal Outstanding | Unamortized Discount & Debt Issuance Costs | Net Carrying Value | | Fair Value (1) | | Effective Interest Rate | |
|---|---|---|---|---|---|---|---|---|
| Revolving Credit Facility(2) | $ 237,536 | $ 9,145 | $ 237,536 | (3) | $ 237,536 | | 1ML+2.20% | (6) |
| | | | | | | | | |
| 2022 Notes | 258,240 | 3,615 | 254,625 | | 247,133 | (4) | 5.65% | (7) |
| 2025 Notes | 201,250 | 5,277 | 195,973 | | 194,279 | (4) | 6.63% | (7) |
| Convertible Notes | 459,490 | | 450,598 | | 441,412 | | | |
| | | | | | | | | |
| 6.375% 2024 Notes | 100,000 | 762 | 99,238 | | 100,771 | (4) | 6.64% | (7) |
| 2023 Notes | 320,000 | 2,426 | 317,574 | | 325,395 | (4) | 6.09% | (7) |
| 2024 Notes | 233,788 | 3,939 | 229,849 | | 229,580 | (4) | 6.76% | (7) |
| 2028 Notes | 70,761 | 2,142 | 68,619 | | 66,842 | (4) | 6.77% | (7) |
| 2029 Notes | 69,170 | 2,344 | 66,826 | | 67,233 | (4) | 7.38% | (7) |
| Public Notes | 793,719 | | 782,106 | | 789,821 | | | |
| | | | | | | | | |
| Prospect Capital InterNotes® | 680,229 | 12,802 | 667,427 | | 658,292 | (5) | 6.06% | (8) |
| **Total** | $ 2,170,974 | | $ 2,137,667 | | $ 2,127,061 | | | |

(1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2020.

(2) The maximum draw amount of the Revolving Credit facility as of June 30, 2020 is $1,077,500.

(3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See *Critical Accounting Policies and Estimates* for accounting policy details.

(4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.

(5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.

(6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.

(7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the 2028 Notes, and the 2029 Notes, the rate presented is a combined effective interest rate of their respective original Note issuances and Note Follow-on Programs.

(8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation which approximates level yield, are weighted against the average year-to-date principal balance.

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2020.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | $ 237,536 | $ — | $ — | $ 237,536 | $ — |
| Convertible Notes | 459,490 | — | 258,240 | 201,250 | — |
| Public Notes | 793,719 | — | 320,000 | 333,788 | 139,931 |
| Prospect Capital InterNotes® | 680,229 | — | — | 243,062 | 437,167 |
| Total Contractual Obligations | $ 2,170,974 | $ — | $ 578,240 | $ 1,015,636 | $ 577,098 |

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2019.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | $ 167,000 | $ — | $ — | $ 167,000 | $ — |
| Convertible Notes | 753,864 | 224,114 | — | 328,500 | 201,250 |
| Public Notes | 794,374 | — | — | 654,443 | 139,931 |
| Prospect Capital InterNotes® | 707,699 | 4,402 | 188,037 | 189,795 | 325,465 |
| Total Contractual Obligations | $ 2,422,937 | $ 228,516 | $ 188,037 | $ 1,339,738 | $ 666,646 |

We may from time to time seek to cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including secured debt, unsecured debt and/or debt securities convertible into common stock. Any such purchases or exchanges of outstanding debt would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors.

Historically, we have funded a portion of our cash needs through borrowings from banks, issuances of senior securities, including secured, unsecured and convertible debt securities, or issuances of common equity. For flexibility, we maintain a universal shelf registration statement that allows for the public offering and sale of our debt securities, common stock, preferred stock, subscription rights, and warrants and units to purchase such securities up to an indeterminate amount. We may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Each of our Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our "Unsecured Notes") are our general, unsecured obligations and rank equal in right of payment with all of our existing and future unsecured indebtedness and will be senior in right of payment to any of our subordinated indebtedness that may be issued in the future. The Unsecured Notes are effectively subordinated to our existing secured indebtedness, such as our credit facility, and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of any of our subsidiaries.

*Revolving Credit Facility*

On August 29, 2014, we renegotiated our previous credit facility and closed an expanded five and a half year revolving credit facility (the "2014 Facility"). The lenders had extended commitments of $885,000 under the 2014 Facility as of June 30, 2018. The 2014 Facility included an accordion feature which allowed commitments to be increased up to $1,500,000 in the aggregate. Interest on borrowings under the 2014 Facility was one-month LIBOR plus 225 basis points. Additionally, the lenders charged a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility was drawn or 100 basis points otherwise.

On August 1, 2018, we renegotiated the 2014 Facility and closed an expanded five and a half year revolving credit facility (the "2018 Facility"). The lenders have extended commitments of $1,132,500 as of June 30, 2019. The 2018 Facility included an accordion feature which allowed commitments to be increased up to $1,500,000 in the aggregate.

On September 9, 2019, we amended the 2018 Facility and closed an expanded revolving credit facility (the "2019 Facility" and collectively with the 2014 Facility and the 2018 Facility, the "Revolving Credit Facility"). The lenders had extended commitments of $1,077,500 as of June 30, 2020. The Revolving Credit Facility includes an accordion feature which allows commitments to be increased up to $1,500,000 in the aggregate. The Revolving Credit Facility Facility matures on September 9, 2024. It includes a revolving period that extends through September 9, 2023, followed by an additional one-year amortization period, with distributions allowed to Prospect 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.

The Revolving Credit Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The Revolving Credit Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the Revolving Credit Facility. The Revolving Credit Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2020, we were in compliance with the applicable covenants.

Interest on borrowings under the 2019 Facility is one-month LIBOR plus 220 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, 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 2019 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

For the years ended June 30, 2020, June 30, 2019, and June 30, 2018, the average stated interest rate (i.e., rate in effect plus the spread) and average outstanding borrowings for the Revolving Credit Facility were as follows:

| | **Year Ended June 30,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Average stated interest rate | 3.31% | 4.55% | 3.94% |
| Average outstanding balance | $222,758 | $225,310 | $48,628 |

As of June 30, 2020 and June 30, 2019, we had $545,496 and $684,212, respectively, available to us for borrowing under the Revolving Credit Facility, net of $237,536 and $167,000 outstanding borrowings as of the respective balance sheet dates. As of June 30, 2020, the investments, including cash and cash equivalents, used as collateral for the Revolving Credit Facility had an aggregate fair value of $1,515,469, which represents 28.7% of our total investments, including cash and cash equivalents. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and, as such, these investments are not available to our general creditors. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of $1,077,500. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred $10,904 of new fees and $1,473 were carried over for continuing participants from the previous facilities, all of which are being amortized over the term of the facility in accordance with ASC 470-50. As of June 30, 2020, $9,145 remains to be amortized and is reflected as deferred financing costs on the *Consolidated Statements of Assets and Liabilities*. During the year ended June 30, 2020, $397 of fees were expensed relating to credit providers in the 2014 Facility who did not commit to the 2019 Facility.

During the years ended June 30, 2020, 2019 and 2018, we recorded $21,850, $23,097 and $13,170, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

*Convertible Notes*

On April 16, 2012, we issued $130,000 aggregate principal amount of convertible notes that matured on October 15, 2017 (the "2017 Notes"). The 2017 Notes bore interest at a rate of 5.375% per year, payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2012. Total proceeds from the issuance of the 2017 Notes, net of underwriting discounts and offering costs, were $126,035. On March 28, 2016, we repurchased $500 aggregate principal amount of the 2017 Notes at a price of 98.25, including commissions. The transaction resulted in our recognizing a $9 gain for the period ended March 31, 2016. On April 6, 2017, we repurchased $78,766 aggregate principal amount of the 2017 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $1,786 loss during the three months ended June 30, 2017. On October 15, 2017, we repaid the outstanding principal amount of $50,734 of the 2017 Notes, plus interest. No gain or loss was realized on the transaction.

On August 14, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on March 15, 2018 (the “2018 Notes”). The 2018 Notes bore interest at a rate of 5.75% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2013. Total proceeds from the issuance of the 2018 Notes, net of underwriting discounts and offering costs, were $193,600. On April 6, 2017, we repurchased $114,581 aggregate principal amount of the 2018 Notes at a price of 103.5, including commissions. The transaction resulted in our recognizing a $4,700 loss during the three months ended June 30, 2017. On March 15, 2018, we repaid the outstanding principal amount of $85,419 of the 2018 Notes, plus interest. No gain or loss was realized on the transaction.

On December 21, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on January 15, 2019 (the “2019 Notes”). The 2019 Notes bore interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were $193,600. On May 30, 2018, we repurchased $98,353 aggregate principal amount of the 2019 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $2,383 loss during the three months ended June 30, 2018. On January 15, 2019, we repaid the outstanding principal amount of $101,647 of the 2019 Notes, plus interest. No gain or loss was realized on the transaction.

On April 11, 2014, we issued $400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were $387,500. On January 30, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain of $332, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance cost. During the three months ended December 31, 2018, we repurchased an additional $13,500 aggregate principal amount of the 2020 Notes at a price of 99.5, including commissions. As a result of this transaction, we recorded a loss of $41, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended March 31, 2019, we repurchased an additional $129,798 aggregate principal amount of the 2020 Notes at a weighted average price of 101.4, including commission. As a result of these transactions, we recorded a net loss of $2,787 during the three months ended March 31, 2019, in the amount of the difference between the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended June 30, 2019, we repurchased an additional $24,588 aggregate principal amount of the 2020 Notes at a weighted average price of $101.10, including commissions. As a result of these transactions, we recorded a net loss of $414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 then outstanding aggregate principal amount of the 2020 Notes (“June Tender Offer”). On July 27, 2019, $32,948 aggregate principal amount of the 2020 Notes, representing 14.7% of the previously outstanding 2020 Notes, were validly tendered and accepted. On August 12, 2019, we commenced a tender offer to purchase for cash up to $60,000 aggregate principal amount of the 2020 Notes (“August Tender Offer”). On September 10, 2019, $13,597 aggregate principal amount of the 2020 Notes, representing 7.1% of the previously outstanding 2020 Notes, were validly tendered and accepted. The June Tender Offer and August Tender Offer, resulted in our recognizing a loss of $668 during the three months ended September 30, 2019.

On September 24, 2019, we commenced a tender offer to purchase for cash up to $40,000 outstanding aggregate principal amount of the 2020 Notes (“2020 Notes September Tender Offer”). On October 23, 2019, $2,140 aggregate principal amount of the 2020 Notes, representing 1.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. On November 7, 2019, we commenced a tender offer to purchase for cash up to $10,000 aggregate principal amount of the 2020 Notes (“2020 Notes November Tender Offer”). On December 7, 2019, $392 aggregate principal amount of the 2020 Notes, representing 0.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes September Tender Offer and 2020 Notes November Tender Offer resulted in our recognizing a loss of $31 during the three months ended December 31, 2019.

On December 23, 2019, we commenced a tender offer to purchase for cash up to $10,000 aggregate principal amount of the 2020 Notes (“2020 Notes December Tender Offer”). On January 22, 2020, $2,215 aggregate principal amount of the 2020 Notes, representing 1.3% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes December Tender Offer resulted in our recognizing a loss of $14 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional $45,111 aggregate principal amount of the 2020 Notes at a weighted average price of 100.5 including commissions. As a result of this transaction, we recorded a loss of $220, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

On April 15, 2020, we repaid the outstanding principal amount of $127,711 of the 2020 Notes, plus interest. No gain or loss was realized on the transaction.

On April 11, 2017, we issued $225,000 aggregate principal amount of convertible notes that mature on July 15, 2022 (the "Original 2022 Notes"), unless previously converted or repurchased in accordance with their terms. The Original 2022 Notes bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2017. Total proceeds from the issuance of the Original 2022 Notes, net of underwriting discounts and offering costs, were $218,010. On May 18, 2018, we issued an additional $103,500 aggregate principal amount of convertible notes that mature on July 15, 2022 (the "Additional 2022 Notes", and together with the Original 2022 Notes, the "2022 Notes"), unless previously converted or repurchased in accordance with their terms. The Additional 2022 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2022 Notes and bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2018. Total proceeds from the issuance of the Additional 2022 Notes, net of underwriting discounts and offering costs, were $100,749.

On October 18, 2019, we repurchased $22,941 aggregate principal amount of the 2022 Notes at a price of 102.8 including commissions. As a result of this transaction, we recorded a loss of $1,072 in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. On November 7, 2019, we commenced a tender offer to purchase for cash up to $50,000 aggregate principal amount of the 2022 Notes ("2022 Notes November Tender Offer"). On December 7, 2019, $13,432 aggregate principal amount of the 2022 Notes, representing 4.4% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes November Tender Offer resulted in our recognizing a loss of $599, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs.

On December 23, 2019, we commenced a tender offer to purchase for cash up to $25,000 aggregate principal amount of the 2022 Notes ("2022 Notes December Tender Offer"). On January 22, 2020, $1,302 aggregate principal amount of the 2022 Notes, representing 0.5% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes December Tender Offer resulted in our recognizing a loss of $51 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional $32,585 aggregate principal amount of the 2022 Notes at a weighted average price of 89.1 including commissions. As a result of this transaction, we recorded a gain of $3,045, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. As of June 30, 2020, the outstanding aggregate principal amount of the 2022 Notes is $258,240.

On March 1, 2019, we issued $175,000 aggregate principal amount of senior convertible notes that mature on March 1, 2025 (the "2025 Notes"), unless previously converted or repurchased in accordance with their terms. We granted the underwriters a 13-day over-allotment option to purchase up to an additional $26,250 aggregate principal amount of the 2025 Notes. The underwriters fully exercised the over-allotment option on March 11, 20l9 and we issued $26,250 aggregate principal amount of 2025 Notes at settlement on March 13, 2019. The 2025 Notes bear interest at a rate of 6.375% per year, payable semi-annually on March 1 and September 1 each year, beginning September 1, 2019. Total proceeds from the issuance of the 2025 Notes, net of underwriting discounts and offering costs, were $198,674. As of June 30, 2020, the outstanding aggregate principal amount of the 2025 Notes is $201,250.

Certain key terms related to the convertible features for the 2020 Notes, the 2022 Notes and the 2025 Notes (collectively, the "Convertible Notes") are listed below.

| | | 2022 Notes | | 2025 Notes |
|---|---|---|---|---|
| Initial conversion rate(1) | | 100.2305 | | 110.7420 |
| Initial conversion price | $ | 9.98 | $ | 9.03 |
| Conversion rate at June 30, 2020(1)(2) | | 100.2305 | | 110.7420 |
| Conversion price at June 30, 2020(2)(3) | $ | 9.98 | $ | 9.03 |
| Last conversion price calculation date | | 4/11/2020 | | 3/1/2020 |
| Dividend threshold amount (per share)(4) | $ | 0.083330 | $ | 0.060000 |

(1) Conversion rates denominated in shares of common stock per $1 principal amount of the Convertible Notes converted.

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

(3) The conversion price will increase only if the current monthly dividends (per share) exceed the dividend threshold amount (per share).

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment. Current dividend rates are at or below the minimum dividend threshold amount for further conversion rate adjustments for all bonds.

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the notes surrendered for conversion representing accrued and unpaid interest to, but not including, the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the Convertible Notes.

No holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Convertible Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Convertible Notes through and including the maturity date.

In connection with the issuance of the Convertible Notes, we recorded a discount of $4,025 and debt issuance costs of $21,148 which are being amortized over the terms of the Convertible Notes. As of June 30, 2020, $3,263 of the original issue discount and $5,629 of the debt issuance costs remain to be amortized and is included as a reduction within Convertible Notes on the *Consolidated Statement of Assets and Liabilities*.

During the years ended June 30, 2020, 2019 and 2018, we recorded $37,661, $44,492 and $51,020, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

*Public Notes*

On March 15, 2013, we issued $250,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Original 2023 Notes”). The Original 2023 Notes bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2013. Total proceeds from the issuance of the Original 2023 Notes, net of underwriting discounts and offering costs, were $243,641. On June 20, 2018, we issued an additional $70,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Additional 2023 Notes”, and together with the Original 2023 Notes, the “2023 Notes”). The Additional 2023 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2023 Notes and bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the Additional 2023 Notes, net of underwriting discounts, were $69,403. As of June 30, 2020, the outstanding aggregate principal amount of the 2023 Notes is $320,000.

On April 7, 2014, we issued $300,000 aggregate principal amount of unsecured notes that mature on July 15, 2019 (the “5.00% 2019 Notes”). Included in the issuance is $45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were $295,998. On June 7, 2018, we commenced a tender offer to purchase for cash any and all of the $300,000 aggregate principal amount outstanding of the 5.00% 2019 Notes. On June 20, 2018, $146,464 aggregate principal amount of the 5.00% 2019 Notes, representing 48.8% of the previously outstanding 5.00% 2019 Notes, were validly tendered and accepted. The transaction resulted in our recognizing a $3,705 loss during the three months ended June 30, 2018. On September 26, 2018, we repurchased the remaining $153,536 aggregate principal amount of the 5.00% 2019 Notes at a price of 101.645, including commissions. The transaction resulted in our recognizing a loss of $2,874 during the year ended June 30, 2019.

On December 10, 2015, we issued $160,000 aggregate principal amount of unsecured notes that mature on June 15, 2024 (the “2024 Notes”). The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2016. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and offering costs, were $155,043. On June 16, 2016, we entered into an at-the-market (“ATM”) program with FBR Capital Markets & Co. through which we could sell, by means of ATM offerings, from time to time, up to $100,000 in aggregate principal amount of our existing 2024 Notes (“Initial 2024 Notes ATM”). Following the initial 2024 Notes ATM, the aggregate principal amount of the

2024 Notes issued was $199,281 for net proceeds of $193,253, after commissions and offering costs. On July 2, 2018, we entered into a second ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of the 2024 Notes ("Second 2024 Notes ATM", and together with the Initial 2024 Notes ATM, the "2024 Notes Follow on Program"). The 2024 Notes are listed on the New York Stock Exchange ("NYSE") and trade thereon under the ticker "PBB".

During the year ended June 30, 2019, we issued an additional $35,162 aggregate principal amount under the Second 2024 Notes ATM, for net proceeds of $34,855, after commissions and offering costs. On March 20, 2020, we commenced a tender offer to purchase for cash any and all of the $234,443 aggregate principal amount of the 2024 Notes ("2024 Notes March Tender Offer"). On March 31, 2020, $655 aggregate principal amount of the 2024 Notes, representing 0.3% of the previously outstanding 2024 Notes, were validly tendered and accepted. The 2024 Notes March Tender Offer, resulted in our recognizing a gain of $203 during the three months ended March 31, 2020. As of June 30, 2020, the outstanding aggregate principal amount of the 2024 Notes is $233,788.

On June 7, 2018, we issued $55,000 aggregate principal amount of unsecured notes that mature on June 15, 2028 (the "2028 Notes"). The 2028 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the 2028 Notes, net of underwriting discounts and offering costs were $53,119. On July 2, 2018, we entered into an ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2028 Notes ("2028 Notes ATM" or "2028 Notes Follow-on Program"). The 2028 Notes are listed on the NYSE and trade thereon under the ticker "PBY." During the year ended June 30, 2019, we issued an additional $15,761 aggregate principal amount under the 2028 Notes ATM, for net proceeds of $15,530, after commissions and offering costs. As of June 30, 2020, the outstanding aggregate principal amount of the 2028 Notes is $70,761.

On October 1, 2018, we issued $100,000 aggregate principal amount of unsecured notes that mature on January 15, 2024 (the "6.375% 2024 Notes"). The 6.375% 2024 Notes bear interest at a rate of 6.375% per year, payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2019. Total proceeds from the issuance of the 6.375% 2024 Notes, net of underwriting discounts and offering costs, were $98,985. As of June 30, 2020, the outstanding aggregate principal amount of the 6.375% 2024 Notes is $100,000.

On December 5, 2018, we issued $50,000 aggregate principal amount of unsecured notes that mature on June 15, 2029 (the "2029 Notes"). The 2029 Notes bear interest at a rate of 6.875% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning March 15, 2019. Total proceeds from the issuance of the 2029 Notes, net of underwriting discounts and offering costs, were $48,057. On February 9, 2019, we entered into an ATM program with B. Riley FBR, Inc., BB&T Capital Markets, and Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2029 Notes ("2029 Notes ATM" or "2029 Notes Follow-on Program"). The 2029 Notes are listed on the NYSE and trade thereon under the ticker "PBC." During the year ended June 30, 2019, we issued an additional $19,170 aggregate principal amount under the 2029 Notes ATM, for net proceeds of $18,523, after commissions and offering costs. As of June 30, 2020, the outstanding aggregate principal amount of the 2029 Notes is $69,170.

The 2023 Notes, the 2024 Notes, the 2028 Notes, the 6.375% 2024 Notes, and the 2029 Notes (collectively, the "Public Notes") are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes we recorded a discount of $4,112 and debt issuance costs of $16,226, which are being amortized over the term of the notes. As of June 30, 2020, $2,053 of the original issue discount and $9,560 of the debt issuance costs remain to be amortized and are included as a reduction within Public Notes on the *Consolidated Statement of Assets and Liabilities.*

During the years ended June 30, 2020, 2019 and 2018, we recorded $51,294, $47,931 and $44,269, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

*Prospect Capital InterNotes®*

On February 16, 2012, we entered into a selling agent agreement (the "Original Selling Agent Agreement") with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes®, which was increased to $1,500,000 in May 2014. On May 10, 2019, the Original Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "May 2019 Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $1,000,000 of Prospect Capital InterNotes®.

On September 16, 2019, the May 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "September 2019 Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes®. We sold approximately $1,700,000 in aggregate principal amount of Prospect Capital InterNotes® under the Original Selling Agent Agreement, May 2019 Selling Agent Agreement, and September 2019 Selling Agent Agreement (collectively the "Previous Selling Agent Agreements").

On February 13, 2020, the September 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $1,000,000 of Prospect Capital InterNotes® (collectively with the previously authorized selling agent agreements, the "InterNotes® Offerings"). Additional agents may be appointed by us from time to time in connection with the InterNotes® Offering and become parties to the Selling Agent Agreement. We have, from time to time, repurchased certain notes issued through the InterNotes® Offerings and, therefore, as of June 30, 2020, $680,229 aggregate principal amount of Prospect Capital InterNotes® were outstanding.

These notes are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding. Each series of notes will be issued by a separate trust. These notes bear interest at fixed interest rates and offer a variety of maturities no less than twelve months from the original date of issuance.

During the year ended June 30, 2020, we issued $233,988 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $230,117. These notes were issued with stated interest rates ranging from 3.75% to 6.00% with a weighted average interest rate of 4.34%. These notes will mature between July 15, 2024 and July 15, 2030. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2020.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|
| 5 | $ 113,064 | 3.75% - 5.50% | 4.19% | July 15, 2024 – July 15, 2025 |
| 7 | 45,075 | 4.00% - 5.75% | 4.27% | July 15, 2026 – July 15, 2027 |
| 10 | 75,849 | 3.75% - 6.00% | 4.60% | July 15, 2029 – July 15, 2030 |
| | $ 233,988 | | | |

During the year ended June 30, 2019, we issued $236,971 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $233,140. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2019.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|
| 5 | $ 119,426 | 5.00% - 5.75% | 5.43% | July 15, 2023 - June 15, 2024 |
| 7 | 54,880 | 5.25% - 6.00% | 5.80% | July 15, 2025 - June 15, 2026 |
| 8 | 385 | 5.75% | 5.75% | July 15, 2026 |
| 10 | 62,280 | 5.50% - 6.25% | 6.02% | July 15, 2028 - June 15, 2029 |
| | $ 236,971 | | | |

During the year ended June 30, 2020, we redeemed, prior to maturity, $255,822 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 5.06% in order to replace shorter maturity debt with longer-term debt. During the year ended June 30, 2020, we repaid $5,636 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2020 was $2,470. The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2020.

| Tenor at Origination (in years) | Principal Amount | | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|---|
| 5 | $ | 218,240 | 3.75% - 5.75% | 4.81% | September 15, 2023 – July 15, 2025 |
| 7 | | 104,529 | 4.00% - 6.00% | 5.11% | July 15, 2024 – July 15, 2027 |
| 8 | | 24,325 | 4.50% - 5.75% | 4.67% | August 15, 2025 – July 15, 2026 |
| 10 | | 159,802 | 3.75% - 6.25% | 5.32% | January 15, 2024 – July 15, 2030 |
| 12 | | 2,978 | 6.00% | 6.00% | November 15, 2025 – December 15, 2025 |
| 15 | | 16,851 | 5.75% - 6.00% | 5.79% | May 15, 2028 – November 15, 2028 |
| 18 | | 18,741 | 4.50% - 6.25% | 5.58% | December 15, 2030 – August 15, 2031 |
| 20 | | 3,847 | 5.75% - 6.00% | 5.89% | November 15, 2032 – October 15, 2033 |
| 25 | | 30,710 | 6.25% - 6.50% | 6.39% | August 15, 2038 – May 15, 2039 |
| 30 | | 100,206 | 5.50% - 6.75% | 6.25% | November 15, 2042 – October 15, 2043 |
| | $ | 680,229 | | | |

During the year ended June 30, 2019, we redeemed, prior to maturity, $279,841 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.91% in order to replace shorter maturity debt with longer-term debt. During the year ended June 30, 2019, we repaid $10,355 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2019 was $2,047.

The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2019.

| Tenor at Origination (in years) | Principal Amount | | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|---|
| 5 | $ | 283,450 | 4.00% – 5.75% | 5.10% | January 15, 2021 - June 15, 2024 |
| 5.5 | | 1,399 | 4.25% | 4.25% | July 15, 2020 |
| 6.5 | | 34,745 | 5.10% – 5.25% | 5.24% | January 15, 2022 - May 15, 2022 |
| 7.0 | | 83,731 | 4.00% – 6.00% | 5.56% | January 15, 2020 - June 15, 2026 |
| 7.5 | | 1,996 | 5.75% | 5.75% | February 15, 2021 |
| 8.0 | | 24,500 | 4.50% – 5.75% | 4.67% | August 15, 2025 - July 15, 2026 |
| 10 | | 99,529 | 5.50% – 7.00% | 6.09% | March 15, 2022 - June 15, 2029 |
| 12.0 | | 2,978 | 6.00% | 6.00% | November 15, 2025 - December 15, 2025 |
| 15 | | 17,077 | 5.25% – 6.00% | 5.35% | May 15, 2028 - November 15, 2028 |
| 18 | | 19,306 | 4.13% – 6.25% | 5.58% | December 15, 2030 - August 15, 2031 |
| 20 | | 3,887 | 5.75% - 6.00% | 5.90% | November 15, 2032 - October 15, 2033 |
| 25 | | 31,855 | 6.25% – 6.50% | 6.39% | August 15, 2038 - May 15, 2039 |
| 30 | | 103,246 | 5.50% – 6.75% | 6.24% | November 15, 2042 - October 15, 2043 |
| | $ | 707,699 | | | |

In connection with the issuance of Prospect Capital InterNotes®, we incurred $28,878 of fees which are being amortized over the term of the notes, of which $12,802 remains to be amortized and is included as a reduction within Prospect Capital InterNotes® on the *Consolidated Statement of Assets and Liabilities* as of June 30, 2020.

During the years ended June 30, 2020, 2019, and 2018, we recorded $37,563, $41,711 and $46,580, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

**Net Asset Value**

During the year ended June 30, 2020, our net asset value decreased by $250,414 or $0.83 per share. The decrease was primarily attributable to an increase in net realized and net change in unrealized losses of $281,918, or $0.76 per weighted average share. The decrease was also attributable to $0.07 of dilution per share related to common stock issuances primarily through our dividend reinvestment program. Our net investment income of $265,694, or $0.72 per weighted average share, we fully offset by dividends to stockholders of $265,277, or $0.72 per weighted average share, resulting in no impact to net asset value per share for the year ended June 30, 2020. The following table shows the calculation of net asset value per share as of June 30, 2020 and June 30, 2019.

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Net assets | $ 3,055,861 | $ 3,306,275 |
| Shares of common stock issued and outstanding | 373,538,499 | 367,131,025 |
| Net asset value per share | $ 8.18 | $ 9.01 |

**Results of Operations**

For information regarding results of operations for the year ended June 30, 2018, see the Company's Form 10-K for the fiscal year ended June 30, 2019.

Operating results for the years ended June 30, 2020 and 2019 were as follows:

| | Years ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Investment Income | $ 623,530 | $ 703,767 |
| Operating Expenses | 357,836 | 390,908 |
| Net Investment Income | 265,694 | 312,859 |
| Net Realized (Losses) Gains from Investments | (7,574) | 14,684 |
| Net Change in Unrealized (Losses) from Investments | (271,642) | (174,569) |
| Net Realized Losses on Extinguishment of Debt | (2,702) | (8,487) |
| **Net (Decrease) Increase in Net Assets Resulting from Operations** | $ (16,224) | $ 144,487 |

While we seek to maximize gains and minimize losses, our investments in portfolio companies can expose our capital to risks greater than those we may anticipate. These companies typically do not issue securities rated investment grade, and have limited resources, limited operating history, and concentrated product lines or customers. These are generally private companies with limited operating information available and are likely to depend on a small core of management talents. Changes in any of these factors can have a significant impact on the value of the portfolio company.

*Investment Income*

We generate revenue in the form of interest income on the debt securities that we own, dividend income on any common or preferred stock that we own, and fees generated from the structuring of new deals. Our investments, if in the form of debt securities, will typically have a term of one to ten years and bear interest at a fixed or floating rate. To the extent achievable, we will seek to collateralize our investments by obtaining security interests in our portfolio companies' assets. We also may acquire minority or majority equity interests in our portfolio companies, which may pay cash or in-kind dividends on a recurring or otherwise negotiated basis. In addition, we may generate revenue in other forms including prepayment penalties and possibly consulting fees. Any such fees generated in connection with our investments are recognized as earned.

Investment income consists of interest income, including accretion of loan origination fees and prepayment penalty fees, dividend income and other income, including settlement of net profits interests, overriding royalty interests and structuring fees.

The following table describes the various components of investment income and the related levels of debt investments:

| | Year Ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| Interest income | $ | 554,376 | $ | 624,116 |
| Dividend income | | 11,444 | | 36,029 |
| Other income | | 57,710 | | 43,622 |
| Total investment income | $ | 623,530 | $ | 703,767 |
| | | | | |
| Average debt principal of performing interest bearing investments(1) | $ | 5,254,455 | $ | 5,516,876 |
| Weighted average interest rate earned on performing interest bearing investments(1) | | 10.55% | | 11.31% |
| Average debt principal of all interest bearing investments(2) | $ | 5,879,597 | $ | 6,065,492 |
| Weighted average interest rate earned on all interest bearing investments(2) | | 9.43% | | 10.29% |

(1) Excludes equity investments and non-accrual loans.
(2) Excludes equity investments.

Average interest income producing assets decreased from $5,516,876 for the year ended June 30, 2019 to $5,254,455 for the year ended June 30, 2020. The decrease is primarily due to repayments. The average interest earned on interest bearing performing assets decreased from 11.31% for the year ended June 30, 2019 to 10.55% for the year ended June 30, 2020. The decrease is primarily due to an increase in foregone interest due to non-accrual investments, a decline in LIBOR and reduced returns from our structured credit investments.

Investment income is also generated from dividends and other income which is less predictable than interest income. The following table describes dividend income earned for the years ended June 30, 2020 and June 30, 2019, respectively:

| | Year Ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **Dividend income** | | | | |
| National Property REIT Corp. | $ | — | $ | 21,000 |
| Valley Electric Company, Inc. | | 7,538 | | 12,962 |
| NMMB, Inc. | | 2,797 | | — |
| Targus Cayman HoldCo Limited | | — | | 659 |
| Other, net | | 1,109 | | 1,408 |
| **Total dividend income** | $ | 11,444 | $ | 36,029 |

Other income is comprised of structuring fees, advisory fees, royalty interests, settlement of net profits interests and settlement of residual profits interests. The following table describes other income earned for the years ended June 30, 2020 and June 30, 2019, respectively:

| | Year Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| **Structuring, advisory and amendment fees** | | |
| CCPI Inc. | $ — | $ 1,301 |
| National Property REIT Corp. | 14,454 | 14,743 |
| Town & Country Holdings, Inc. | — | 2,100 |
| PeopleConnect Intermediate, LLC | 5,170 | — |
| Ahead Data Blue, LLC | 1,400 | — |
| Other, net | 4,562 | 5,408 |
| Total structuring, advisory and amendment fees | $ 25,586 | $ 23,552 |
| **Royalty and net revenue interests** | | |
| National Property REIT Corp. | 30,891 | 18,963 |
| Other, net | 710 | 531 |
| Total royalty and net revenue interests | 31,601 | 19,494 |
| **Administrative agent fees** | | |
| Other, net | 523 | 576 |
| Total administrative agent fees | 523 | 576 |
| **Total other income** | $ 57,710 | $ 43,622 |

*Operating Expenses*

Our primary operating expenses consist of investment advisory fees (base management and income incentive fees), borrowing costs, legal and professional fees, overhead-related expenses and other operating expenses. These expenses include our allocable portion of overhead under the Administration Agreement with Prospect Administration under which Prospect Administration provides administrative services and facilities for us. Our investment advisory fees compensate the Investment Adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions.

The following table describes the various components of our operating expenses:

| | Years ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Base management fee | $ 108,910 | $ 121,833 |
| Income incentive fee | 68,057 | 78,215 |
| Interest and credit facility expenses | 148,368 | 157,231 |
| Allocation of overhead from Prospect Administration | 18,247 | 14,837 |
| Audit, compliance and tax related fees | 4,028 | 5,014 |
| Directors’ fees | 453 | 457 |
| Other general and administrative expenses | 9,773 | 13,321 |
| Total Operating Expenses | $ 357,836 | $ 390,908 |

Total gross base management fee was $108,910 and $121,943 for the years ended June 30, 2020 and 2019, respectively. Decreases in total gross base management fees are directly related to corresponding decrease in average total assets. Included in the gross base management fee for the year ended June 30, 2019 is a $2,757 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser, for which we incurred $64 in accrued interest on those past due amounts. The interest on the amount owed to the Investment Adviser was calculated using the average of 1-month LIBOR rates from September 2010 through the date of payment. The Investment Adviser has entered into a servicing agreement with certain institutions who purchased loans with us, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. We are given a credit for these payments as a reduction of the base management fee payable by us to the Investment Adviser. We received payments of $110 from these institutions for the year ended June 30, 2019. No such payments were received for the year ended June 30, 2020. We were given a credit for these payments as a reduction of base management fee payable by us to the Investment Adviser resulting in net base management fees of $108,910 and $121,833 for the years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, we incurred $68,057 and $78,215 of income incentive fees. Decreases in income incentive fees are driven by corresponding movements in pre-incentive fee net investment income, which was $333,751, and $391,074 for the years ended June 30, 2020, and 2019, respectively. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement. Income incentive fee for the three months ended June 30, 2020 includes a $1,306 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser.

During the years ended June 30, 2020 and 2019, we incurred $148,368 and $157,231, respectively, of interest and credit facility expenses related to our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our "Notes"). These expenses are related directly to the leveraging capacity put into place for each of those periods and the levels of indebtedness actually undertaken in those periods.

The table below describes the various expenses of our Notes and the related indicators of leveraging capacity and indebtedness during these years.

| | Year Ended June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Interest on borrowings | $ 126,501 | $ 135,800 |
| Amortization of deferred financing costs | 8,580 | 10,837 |
| Accretion of discount on Public Notes | 1,042 | 667 |
| Facility commitment fees | 12,245 | 9,927 |
| Total interest and credit facility expenses | $ 148,368 | $ 157,231 |
| | | |
| Average principal debt outstanding | $ 2,314,174 | $ 2,511,764 |
| Annualized weighted average stated interest rate on borrowings(1) | 5.47% | 5.41% |
| Annualized weighted average interest rate on borrowings(2) | 6.41% | 6.26% |

(1) Includes only the stated interest expense.

(2) Includes the stated interest expense, amortization of deferred financing costs, accretion of discount on Public Notes and commitment fees on the undrawn portion of our Revolving Credit Facility.

Interest expense decreased from $157,231 year ended June 30, 2019 to $148,368 for the year ended June 30, 2020. The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) increased from 5.41% for the year ended June 30, 2019 to 5.47% for the year ended June 30, 2020 primarily due to issuances of Public Notes and the 2025 Notes during the second half of the prior year at higher rates, partially offset by repurchases and maturity of our Convertible Notes and increased utilization of our Revolving Credit Facility, which bears a lower rate than our remaining debt.

The allocation of net overhead expense from Prospect Administration was $18,247 and $14,837 for the years ended June 30, 2020 and 2019, respectively. Prospect Administration received estimated payments of $1,530 and $607 directly from our portfolio companies and certain funds managed by the Investment Adviser for legal services during the years ended June 30, 2020 and 2019, respectively. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by this amount.

Total operating expenses, excluding investment advisory fees, interest and credit facility expenses, and allocation of overhead from Prospect Administration ("Other Operating Expenses"), net of any expense reimbursements, were $14,254 and $18,792 for the years ended June 30, 2020 and 2019, respectively. The decrease of $4,538 during the year ended June 30, 2020 was primarily attributable to a decrease in legal fees due to a reimbursement from litigation proceeds of previously expensed legal fees, in addition to a decrease in audit, compliance and tax related fees.

*Net Investment Income*

Net investment income represents the difference between investment income and operating expenses. Net investment income was $265,694 and $312,859 for the years ended June 30, 2020 and 2019, respectively. The decrease of $47,165 during the year ended June 30, 2020 compared to the year ended June 30, 2019 was primarily due to a decrease of $69,740, and $24,585 in interest income and dividend income, respectively, partially offset by a $14,088 increase in other income. The year over year decrease was partially offset by a $33,072 decrease in operating expenses, which was primarily attributable to a $23,081 decrease in advisory fees.

Refer to above *Investment Income* and *Operating Expenses* discussions for further detail.

*Net Realized (Losses) Gains*

The following table details net realized gains (losses) from investments for the years ended June 30, 2020 and June 30, 2019:

| | Years Ended June 30, | |
|---|---|---|
| **Portfolio Company** | **2020** | **2019** |
| CCPI, Inc. | $ 2,366 | $ 12,241 |
| SB Forging Company II, Inc. | — | 2,204 |
| Rated Secured Structured Note Portfolio | 1,885 | — |
| New Century Transportation, Inc. | 449 | 1,000 |
| Voya CLO 2012-2, Ltd. | (450) | — |
| PeopleConnect Holdings, LLC | (522) | — |
| Maverick Healthcare Equity, LLC | — | (1,252) |
| Madison Park Funding XI, Ltd. | (1,949) | — |
| Easy Gardener | (9,719) | — |
| Other, net | 366 | 491 |
| Net realized (losses) gains | $ (7,574) | $ 14,684 |

The following table details net realized gains (losses) on extinguishment of debt for the years ended June 30, 2020 and June 30, 2019:

| | Years Ended June 30, | |
|---|---|---|
| **Debt Extinguished** | **2020** | **2019** |
| 2022 Notes | $ 1,323 | $ — |
| 2020 Notes | (933) | (3,242) |
| Prospect Capital InterNotes® | (2,470) | (2,047) |
| 5.00% 2019 Notes | — | (2,874) |
| Other, net | (622) | (324) |
| Net realized (losses) | $ (2,702) | $ (8,487) |

*Change in Unrealized (Losses) Gains*

The following table details net change in unrealized (losses) gains for our portfolio for the for the years ended June 30, 2020 and June 30, 2019:

| | Years ended June 30, | |
|---|---|---|
| | **2020[(1)]** | **2019** |
| Control investments | $ (117,552) | $ 5,105 |
| Affiliate investments | 67,077 | (35,449) |
| Non-control/non-affiliate investments | (221,167) | (144,225) |
| Net change in unrealized (losses) gains | $ (271,642) | $ (174,569) |

(1) For the year ended June 30, 2020, the fair value of our investments was negatively impacted by the uncertainty surrounding the impact of the Wuhan Virus pandemic. For more information, see "Investment Valuation".

The following table reflects net change in unrealized gains (losses) on investments for the year ended June 30, 2020:

| | Net Change in Unrealized Gains (Losses) |
|---|---|
| National Property REIT Corp. | $ 32,238 |
| First Tower Finance Company LLC | 14,769 |
| Edmentum Ultimate Holdings, LLC | 11,006 |
| United Sporting Companies, Inc. | 9,713 |
| NMMB, Inc. | 7,575 |
| Easy Gardener Products, Inc. | 7,488 |
| USES Corp. | 6,050 |
| Targus Cayman HoldCo Limited | 5,576 |
| Securus Technologies Holdings, Inc. | (7,058) |
| Credit Central Loan Company, LLC | (8,623) |
| InterDent, Inc. | (12,299) |
| Valley Electric Company, Inc. | (13,327) |
| Echelon Transportation, LLC | (14,704) |
| Other, net | (15,958) |
| Engine Group, Inc. | (27,873) |
| Pacific World Corporation | (61,254) |
| CP Energy Services Inc. | (77,900) |
| Subordinated Structured Notes | (127,061) |
| Net change in unrealized (losses) | $ (271,642) |

The following table reflects net change in unrealized gains (losses) on investments for year ended June 30, 2019:

| | Net Change in Unrealized Gains (Losses) |
|---|---|
| Valley Electric Company, Inc. | $ 87,367 |
| First Tower Finance Company LLC | 46,681 |
| NMMB, Inc. | 10,948 |
| National Property REIT Corp. | 7,087 |
| Edmentum Ultimate Holdings, LLC | 5,006 |
| CCPI Inc. | (6,058) |
| InterDent, Inc. | (8,918) |
| Credit Central Loan Company, LLC | (10,341) |
| MITY, Inc. | (16,851) |
| CP Energy Services Inc. | (18,729) |
| Universal Turbine Parts, LLC | (27,506) |
| Other, net | (31,004) |
| United Sporting Companies, Inc. | (39,940) |
| Pacific World Corporation | (61,987) |
| Subordinated Structured Notes | (110,324) |
| Net change in unrealized (losses) | $ (174,569) |

**Financial Condition, Liquidity and Capital Resources**

For the years ended June 30, 2020 and 2019, our operating activities provided $429,438 and $223,838 of cash, respectively. There were no investing activities for the years ended June 30, 2020 and 2019. Financing activities used $491,975 and $200,498 of cash during the years ended June 30, 2020 and 2019, respectively, which included dividend payments of $239,954 and $245,096, respectively.

Our primary uses of funds have been to continue to invest in portfolio companies, through both debt and equity investments, repay outstanding borrowings and to make cash distributions to holders of our common stock.

Our primary sources of funds have historically been issuances of debt and equity. More recently, we have and may continue to fund a portion of our cash needs through repayments and opportunistic sales of our existing investment portfolio. We may also securitize a portion of our investments in unsecured or senior secured loans or other assets. Our objective is to put in place such borrowings in order to enable us to expand our portfolio. During the year ended June 30, 2020, we borrowed $1,245,000 and we made repayments totaling $1,174,464 under the Revolving Credit Facility. As of June 30, 2020, our outstanding balance on the Revolving Credit Facility was $237,536.As of June 30, 2020, we had, net of unamortized discount and debt issuance costs, $450,598 outstanding on the Convertible Notes, $782,106 outstanding on the Public Notes, and $667,427 outstanding on the Prospect Capital InterNotes® (See “Capitalization” above).

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of June 30, 2020 and June 30, 2019, we had $41,487 and $23,375, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. The fair value of our undrawn committed revolvers and delayed draw term loans was zero as of June 30, 2020 and June 30, 2019.

We have guaranteed $2,487 in standby letters of credit issued through a financial intermediary and $2,624 of equipment lease obligations on behalf of InterDent, Inc. (“InterDent”) as of June 30, 2020. Under these arrangements, we would be required to make payments to the financial intermediary or equipment lease provider, respectively, if InterDent was to default on their related payment obligations. As of June 30, 2020, we have not recorded a liability on the statement of assets and liabilities for these guarantees as the likelihood of default on the standby letters of credit or equipment lease is deemed to be remote.

On February 13, 2020, we filed a registration statement on Form N-2 (File No. 333-236415) that was effective upon filing pursuant to Rule 462(e) under the Securities Act as permitted under the Small Business Credit Availability Act. The registration statement permits us to issue, through one or more transactions, an indeterminate amount of securities, consisting of common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities.

Our stockholders’ equity accounts as of June 30, 2020 and June 30, 2019 reflect cumulative shares issued, net of shares repurchased, as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters, our dividend reinvestment plan and in connection with the acquisition of certain controlled portfolio companies. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

As part of our Repurchase Program, we delivered a notice with our annual proxy mailing on September 19, 2019. We did not repurchase any shares of our common stock for the years ended June 30, 2020 and June 30, 2019.

**Off-Balance Sheet Arrangements**

As of June 30, 2020, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than those which originate from 1) the investment advisory and management agreement and the administration agreement and 2) the portfolio companies.

**Recent Developments**

On July 15, 2020, H.I.G ECI Merger Sub, Inc. fully repaid the $43,792 Senior Secured Term Loan A and the $29,900 Senior Secured Term Loan B receivable to us at par.

On July 15, 2020, we issued $48,214 of First Lien Senior Secured Notes and $1,786 of Delayed Draw Term Loan (“DDTL”) commitments to Eze Castle Integration, Inc. (“ECI”). Our DDTL commitment was unfunded at close. ECI is a provider of managed services and technology solutions.

On July 23, 2020, we commenced a cash tender offer (the “Tender Offer”) to purchase up to $100,000 aggregate principal amount of our 2022 Notes, of which $258,240 aggregate principal amount was then outstanding. The Tender Offer expired at 12:00 midnight, New York City time, on August 20, 2020 (one minute after 11:59 p.m., New York City time, on August 19, 2020). As of the expiration date, $29,420 aggregate principal amount of the 2022 Notes, representing 11.4% of the previously outstanding 2022 Notes, were validly tendered and accepted. Following the settlement of the Tender Offer on August 24, 2020, approximately $228,820 aggregate principal amount of the 2022 Notes remain outstanding.

On August 3, 2020, we entered into a Dealer Manager Agreement with Preferred Capital Securities, LLC (the "Dealer Manager") (the "Dealer Manager Agreement"), pursuant to which the Dealer Manager has agreed to serve as the Company's agent, principal distributor and exclusive dealer manager for the Company's offering of up to 40,000,000 shares, par value $0.001 per share, of preferred stock, with a $1,000,000,000 aggregate liquidation preference (the "Preferred Stock"). The Preferred Stock will be issued in multiple series, including the 5.50% Series A1 Preferred Stock ("Series A1 Preferred Stock"), the 5.50% Series M1 Preferred Stock ("Series M1 Preferred Stock"), and the 5.50% Series M2 Preferred Stock ("Series M2 Preferred Stock", and together with the Series M1 Preferred Stock, the "Series M 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 shall not exceed 40,000,000 shares. The Preferred Stock may be convertible by the holder of the Preferred Stock ("Holder Optional Conversion") at any time prior to the listing of the Preferred Stock on a national securities exchange, subject to certain conditions, including a conversion fee and our election to settle conversions in cash or shares of our common stock or a combination thereof. Prior to the five year anniversary of the date on which a share of Preferred Stock is issued, our election to settle all or a portion of any Holder Optional Conversion in cash is subject to certain limitations and restrictions. Subject to certain limitations, including a two year restriction that is subject to certain limited exceptions, a share of Preferred Stock may also be converted at our option at any time or from time to time, for cash or shares of our common stock upon not less than 30 calendar days nor more than 90 calendar days written notice to the holder prior to the date fixed for conversion thereof (however, settlement in cash is subject to a five year restriction). Subject to certain limitations, including a five year restriction that is subject to certain exceptions, a share of Preferred Stock may also be redeemed by us at our option, at any time or from time to time, for cash 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. In connection with such offering, on August 3, 2020, we filed an amendment to our charter with the State Department of Assessments and Taxation of Maryland ("SDAT") to increase our authorized shares of common stock from 1,000,000,000 shares of common stock to 2,000,000,000 shares of common stock and filed Articles Supplementary with the SDAT, reclassifying and designating 120,000,000 shares of the Company's authorized and unissued shares of common stock into shares of Preferred Stock as "Convertible Preferred Stock."

On August 6, 2020, we made a new $21,500 First Lien Term Loan investment in First Brands Group, LLC, an after-market automotive repair parts supplier. On August 19, 2020, we made a follow-on $5,850 First Lien Term Loan investment in First Brands Group, LLC.

During the period of July 29, 2020 through August 14, 2020, we provided $14,740 of Senior Secured Term Loan A funding to National Property REIT Corp. ("NPRC") and its wholly-owned subsidiaries to provide working capital and support real estate capital expenditures and provided $22,000 of Senior Secured Term Loan C investments to fund operating expenses. On July 31, 2020, we received partial repayments of $5,035 of our Senior Secured Term Loan B outstanding with NPRC and its wholly-owned subsidiaries.

During the period from July 1, 2020 through August 26, 2020, we issued $26,192 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $25,794.

On August 26, 2020, we announced the declaration of monthly base dividends in the following amounts and with the following dates:

- $0.06 per share for September 2020 to holders of record on September 30, 2020 with a payment date of October 22, 2020.
- $0.06 per share for October 2020 to holders of record on October 30, 2020 with a payment date of November 19, 2020.

**Critical Accounting Policies and Estimates**

*Basis of Presentation and Consolidation*

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") pursuant to the requirements for reporting on Form 10-K, ASC 946, *Financial Services—Investment Companies* ("ASC 946"), and Articles 3, 6 and 12 of Regulation S-X. Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Our consolidated financial statements include the accounts of Prospect, PCF, PSBL, PYC, and the Consolidated Holding Companies. All intercompany balances and transactions have been eliminated in consolidation. The financial results of our non-substantially wholly-owned holding companies and operating portfolio company investments are not consolidated in the financial statements. Any operating companies owned by the Consolidated Holding Companies are not consolidated.

*Reclassifications*

Certain reclassifications have been made in the presentation of prior consolidated financial statements and accompanying notes to conform to the presentation as of and for the year ended June 30, 2020.

*Use of Estimates*

The preparation of the consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income, expenses, and gains and losses during the reported period. Changes in the economic environment, financial markets, creditworthiness of the issuers of our investment portfolio and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

*Investment Classification*

We are a non-diversified company within the meaning of the 1940 Act. As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, "Control Investments" are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of more than 25% of the voting securities of an investee company. Under the 1940 Act, "Affiliate Investments" are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person. "Non-Control/Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments.

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). As of June 30, 2020 and June 30, 2019, our qualifying assets as a percentage of total assets, stood at 74.44% and 73.85%, respectively.

*Investment Transactions*

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. In accordance with ASC 325-40, *Beneficial Interest in Securitized Financial Assets*, investments in CLOs are periodically assessed for other-than-temporary impairment ("OTTI"). When the Company determines that a CLO has OTTI, the amortized cost basis of the CLO is written down to its fair value as of the date of the determination based on events and information evaluated and that write-down is recognized as a realized loss. Amounts for investments traded but not yet settled are reported in Due to Broker or Due from Broker, in the *Consolidated Statements of Assets and Liabilities*.

*Foreign Currency*

Foreign currency amounts are translated into US Dollars (USD) on the following basis:

i. fair value of investment securities, other assets and liabilities—at the spot exchange rate on the last business day of the period; and

ii. purchases and sales of investment securities, income and expenses—at the rates of exchange prevailing on the respective dates of such investment transactions, income or expenses.

We do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held or disposed of during the period. Such fluctuations are included within the net realized and net change in unrealized gains or losses from investments in the *Consolidated Statements of Operations.*

*Investment Risks*

Our investments are subject to a variety of risks. Those risks include the following:

*Market Risk*

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument.

*Credit Risk*

Credit risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

*Liquidity Risk*

Liquidity risk represents the possibility that we may not be able to rapidly adjust the size of our investment positions in times of high volatility and financial stress at a reasonable price.

*Interest Rate Risk*

Interest rate risk represents a change in interest rates, which could result in an adverse change in the fair value of an interest-bearing financial instrument.

*Prepayment Risk*

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making us less likely to fully earn all of the expected income of that security and reinvesting in a lower yielding instrument.

*Structured Credit Related Risk*

CLO investments may be riskier and less transparent to us than direct investments in underlying companies. CLOs typically will have no significant assets other than their underlying senior secured loans. Therefore, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans.

*Online Small-and-Medium-Sized Business Lending Risk*

With respect to our online small-and-medium-sized business ("SME") lending initiative, we invest primarily in marketplace loans through marketplace lending platforms (e.g. OnDeck). We do not conduct loan origination activities ourselves. Therefore, our ability to purchase SME loans, and our ability to grow our portfolio of SME 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 SME loans. In addition, our ability to analyze the risk-return profile of SME loans is significantly dependent on the marketplace platforms' ability to effectively evaluate a borrower's credit profile and likelihood of default. 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.

*Foreign Currency*

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

*Investment Valuation*

To value our investments, we follow the guidance of ASC 820, Fair Value Measurement ("ASC 820"), that defines fair value, establishes a framework for measuring fair value in conformity with GAAP, and requires disclosures about fair value measurements. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

*Level 1*: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

*Level 2*: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

*Level 3*: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Our Board of Directors has established procedures for the valuation of our investment portfolio. These procedures are detailed below.

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below.

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors.

2. The independent valuation firms prepare independent valuations for each investment based on their own independent assessments and issue their report.

3. The Audit Committee of our Board of Directors reviews and discusses with the independent valuation firms the valuation reports, and then makes a recommendation to the Board of Directors of the value for each investment.

4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield technique, enterprise value ("EV") technique, net asset value technique, asset recovery technique, discounted cash flow technique, or a combination of techniques, as appropriate. The yield technique uses loan spreads for loans and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV technique, the EV of a portfolio company is first determined and allocated over the portfolio company's securities in order of their preference relative to one another (i.e., "waterfall" allocation). To determine the EV, we typically use a market (multiples) valuation approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent merger and acquisitions transactions, and/or a discounted cash flow technique. The net asset value technique, an income approach, is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The asset recovery technique is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company's assets. The discounted cash flow technique converts future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The fair value measurement is based on the net present value indicated by current market expectations about those future amounts.

In applying these methodologies, additional factors that we consider in valuing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

Our investments in CLOs are classified as Level 3 fair value measured securities under ASC 820 and are valued using a discounted multi-path cash flow model. The CLO structures are analyzed to identify the risk exposures and to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which is a simulation used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows from the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market as well as certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the multi-path cash flows. 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. The main risk factors are default risk, prepayment risk, interest rate risk, downgrade risk, and credit spread risk.

*Valuation of Other Financial Assets and Financial Liabilities*

ASC 825, *Financial Instruments*, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the "Fair Value Option"). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 in the accompanying *Consolidated Financial Statements* for the disclosure of the fair value of our outstanding debt and the market observable inputs used in determining fair value.

*Convertible Notes*

We have recorded the Convertible Notes at their contractual amounts. We have determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under ASC 815, *Derivatives and Hedging*. See Note 5 in the accompanying *Consolidated Financial Statements* for further discussion.

*Revenue Recognition*

Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Loan origination fees, original issue discount, and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable, and adjusted only for material amendments or prepayments. Upon a prepayment of a loan, prepayment premiums, original issue discount, or market discounts are recorded as interest income.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans are either applied to the cost basis or interest income, depending upon management's judgment of the collectibility of the loan receivable. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, is likely to remain current and future principal and interest collections when due are probable. Interest received and applied against cost while a loan is on non-accrual, and PIK interest capitalized but not recognized while on non-accrual, is recognized prospectively on the effective yield basis through maturity of the loan when placed back on accrual status, to the extent deemed collectible by management. As of June 30, 2020, approximately 0.9% of our total assets at fair value are in non-accrual status.

Some of our loans and other investments may have contractual payment-in-kind ("PIK") interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, we capitalize the accrued interest (reflecting such amounts in the basis as additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point that we believe PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. We do not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if we believe that PIK is expected to be realized.

Interest income from investments in Subordinated Structured Notes (typically preferred shares, income notes or subordinated notes of CLO funds) and "equity" class of security of securitized trust is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financial Assets*. We monitor the expected cash inflows from our CLO and securitized trust equity investments, including the expected residual payments, and the effective yield is determined and updated periodically.

Dividend income is recorded on the ex-dividend date.

Other income generally includes amendment fees, commitment fees, administrative agent fees and structuring fees which are recorded when earned. Excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 in the accompanying *Consolidated Financial Statements* for further discussion.

*Federal and State Income Taxes*

We have elected to be treated as a RIC and intend to continue to comply with the requirements of the Code applicable to regulated investment companies. We are required to distribute at least 90% of our investment company taxable income and intend to distribute (or retain through a deemed distribution) all of our investment company taxable income and net capital gain to stockholders; therefore, we have made no provision for income taxes. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital.

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. As of June 30, 2020, we do not expect to have any excise tax due for the 2020 calendar year. Thus, we have not accrued any excise tax for this period.

If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate income tax rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our stockholders our accumulated earnings and profits attributable to non-RIC years. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of five years.

We follow ASC 740, *Income Taxes* ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of June 30, 2020, we did not record any unrecognized tax benefits or liabilities. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our federal tax returns for the tax years ended August 31, 2017 and thereafter remain subject to examination by the Internal Revenue Service.

*Dividends and Distributions*

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a monthly dividend or distribution is approved by our Board of Directors quarterly and is generally based upon our management's estimate of our future taxable earnings. Net realized capital gains, if any, are distributed at least annually.

*Financing Costs*

We record origination expenses related to our Revolving Credit Facility and the Unsecured Notes as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation for our Revolving Credit Facility. The same methodology is used to approximate the effective yield method for our Prospect Capital InterNotes® and our 2024, 2028, and 2029 Notes Follow-on Programs. The effective interest method is used to amortize deferred financing costs for our remaining Unsecured Notes over the respective expected life or maturity. In the event that we modify or extinguish our debt before maturity, we follow the guidance in ASC 470-50, *Modification and Extinguishments* ("ASC 470-50"). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

Unamortized deferred financing costs are presented as a direct deduction to the respective Unsecured Notes (see Notes 5, 6, and 7 in the accompanying *Consolidated Financial Statements* for further discussion).

We may record registration expenses related to shelf filings as prepaid expenses. These expenses consist principally of SEC registration fees, legal fees and accounting fees incurred. These prepaid expenses are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed. As of June 30, 2020 and June 30, 2019, there are no prepaid expenses related to registration expenses and all amounts incurred have been expensed.

*Guarantees and Indemnification Agreements*

We follow ASC 460, *Guarantees* ("ASC 460"). ASC 460 elaborates on the disclosure requirements of a guarantor in its interim and annual consolidated financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees.

*Per Share Information*

Net increase or decrease in net assets resulting from operations per share is calculated using the weighted average number of common shares outstanding for the period presented. In accordance with ASC 946, convertible securities are not considered in the calculation of net asset value per share.

*Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, related to the subsequent measurement of accretable yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact, if any, of adopting this ASU on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted upon issuance of this ASU. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

In May 2020, the SEC adopted rule amendments that will impact the requirement of investment companies, including BDCs, to disclose the financial statements of certain of their portfolio companies or certain acquired funds (the "Final Rules"). The Final Rules adopted a new definition of "significant subsidiary" set forth in Rule 1-02(w)(2) of Regulation S-X under the Securities Act. Rules 3-09 and 4-08(g) of Regulation S-X require investment companies to include separate financial statements or summary financial information, respectively, in such investment company's periodic reports for any portfolio company that meets the definition of "significant subsidiary." The Final Rules adopt a new definition of "significant subsidiary" applicable only to investment companies that (i) modifies the investment test and the income test, and (ii) eliminates the asset test currently in the definition of "significant subsidiary" in Rule 1-02(w) of Regulation S-X. The new Rule 1-02(w)(2) of Regulation S-X is intended to more accurately capture those portfolio companies that are more likely to materially impact the financial condition of an investment company. The Final Rules will be effective on January 1, 2021, but voluntary compliance is permitted in advance of the effective date. We evaluated the impact of adopting the Final Rules on our consolidated financial statements and because the new definition of "significant subsidiary" contained therein is specific to investment companies, we elected to early adopt the Final Rules for our year ended June 30, 2020. Refer to Note 3. Portfolio Investments - *Unconsolidated Significant Subsidiaries* for disclosure.

*Tax Cuts and Jobs Act*

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax and Jobs Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies. However, our portfolio companies may or may not make certain elections under the Tax Act that could materially increase their taxable earnings and profits. Any such increase in the earnings and profits of a portfolio company may result in the characterization of certain distributions sourced from sale proceeds as dividend income, which may increase our distributable taxable income.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

We are subject to financial market risks, including changes in interest rates and equity price risk. Uncertainty with respect to the economic effects of the Wuhan Virus outbreak has introduced significant volatility in the financial markets, and the effects of this volatility could materially impact our market risks, including those listed below. For additional information concerning the Wuhan Virus pandemic and its potential impact on our business and our operating results, see Part I, Item 1A. Risk Factors, "Risks Relating to Our Operations as a Business Development Company - The Wuhan Virus pandemic has caused severe disruptions in the global economy, which has had, and may continue to have, a negative impact on our portfolio companies and our business and operations."

Interest rate sensitivity refers to the change in our earnings that may result from changes in the level of interest rates impacting some of the loans in our portfolio which have floating interest rates. Additionally, because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. See Part I, Item 1A. Risk Factors, "Risks Relating to Our Business—Changes in interest rates may affect our cost of capital and net investment income."

Our debt investments may be based on floating rates or fixed rates. For our floating rate loans the rates are determined from the LIBOR, EURO Interbank Offer Rate, the Federal Funds Rate or the Prime Rate. The floating interest rate loans may be subject to a LIBOR floor. Our loans typically have durations of one, three or six months after which they reset to current market interest rates. As of June 30, 2020, 85.9% of the interest earning investments in our portfolio, at fair value, bore interest at floating rates.

We also have a revolving credit facility that is based on floating LIBOR rates. Interest on borrowings under the revolving credit facility is one-month LIBOR plus 220 basis points with no minimum LIBOR floor and there is $237,536 outstanding as of June 30, 2020. The Convertible Notes, Public Notes and remaining Prospect Capital InterNotes® bear interest at fixed rates.

The following table shows the approximate annual impact on net investment income of base rate changes in interest rates (considering interest rate flows for floating rate instruments, excluding our investments in Subordinated Structured Notes) to our loan portfolio and outstanding debt as of June 30, 2020, assuming no changes in our investment and borrowing structure:

| **(in thousands)**<br>**Basis Point Change** | **Interest Income** | **Interest Expense** | **Net Investment Income** | **Net Investment Income (1)** |
|---|---|---|---|---|
| Up 300 basis points | $ 61,338 | $ 7 | $ 61,331 | $ 49,065 |
| Up 200 basis points | 33,800 | 5 | 33,795 | 27,036 |
| Up 100 basis points | 10,972 | 2 | 10,970 | 8,776 |
| Down 100 basis points | (2,910) | — | (2,910) | (2,328) |
| Down 200 basis points | (2,988) | — | (2,988) | (2,390) |

(1) Includes the impact of income incentive fees. See Note 13 in the accompanying *Consolidated Financial Statements* for more information on income incentive fees.

As of June 30, 2020, one, three and six month LIBOR were 0.16%, 0.30% and 0.37% respectively.

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the year ended June 30, 2020, we did not engage in hedging activities.

## Item 8. Financial Statements

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

## Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Prospect Capital Corporation
New York, New York

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of assets and liabilities of Prospect Capital Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2020 and 2019, and the results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated August 26, 2020 expressed an unqualified opinion thereon.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our procedures included confirmation of securities owned as of June 30, 2020 and 2019 by correspondence with the custodians, brokers and portfolio companies, or by other appropriate auditing procedures where replies were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Valuation of Investments*

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated investments at fair value were $5,232 million at June 30, 2020. Investments were valued in accordance with ASC 820, *Fair Value Measurement*

("ASC 820"), which defines the fair value of investments as the price received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted. The Company's investment portfolio is primarily comprised of privately held equity and debt instruments, all of which have been determined to be level 3 investments. Per ASC 820, level 3 investments utilize inputs that are unobservable and significant to the entire fair value measurement. The fair value of investments in equity and debt instruments is determined on a quarterly basis by the Board of Directors based on input from third-party valuation firms, management and the Audit Committee. The third-party valuation firms prepare independent valuations with a range of values for each investment based on their independent assessments.

We identified the valuation of investments as a critical audit matter. The principal considerations for our determination are: (i) the number of illiquid investment types in which the Company invests, including portfolio companies, collateralized loan obligations ("CLO") and real estate properties, (ii) the use of various complex models to value these investments, and (iii) the use of significant unobservable inputs and assumptions in the valuation models. Auditing these complex models and management's assumptions involved a high degree of auditor judgment and specialized skills and knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of management's fair value estimates of investments by assessing management's and the third-party valuation firms' assumptions used for each investment type, testing the accuracy and relevance of significant underlying data and validating the mathematical accuracy of the fair value estimates. Significant underlying data testing includes:

    - Portfolio companies - (i) assessing the reasonableness and accuracy of underlying data used by obtaining audited, interim and forecasted financial statements from portfolio companies containing revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") amounts, (ii) testing the reasonableness of EBITDA adjustments, (iii) testing the accuracy of the capital structure for control investments and (iv) recalculating the reasonableness of the contractual cash flows associated with non-control investments in accordance with the terms defined in the respective credit agreement.

    - CLO - assessing the reasonableness and accuracy of the call date assumption by independently obtaining and verifying historical call dates and recalculating the projected call dates for a sample of investments.

    - Real estate properties - assessing the reasonableness and accuracy of property net operating income through confirmations and audited financial statements obtained from underlying property managers.

- Utilizing personnel with specialized knowledge and skill in valuation to assist in performing the following procedures for a selection of investments: (i) assessing the appropriateness of valuation models, such as the market or income approach for portfolio companies, including discounted cash flow models for portfolio companies and CLOs or net asset value ("NAV") analysis for real estate properties, (ii) evaluating whether assumptions used were reasonable including (a) historical or forecasted revenue or EBITDA multiples, discount rates, and market yields for portfolio companies (b) assumptions such as, but not limited to default rate, prepayment rate, recovery rate, and reinvestment spread for CLOs, and (c) capitalization rates for real estate properties, (iii) recalculating the fair value estimates for accuracy for portfolio companies and real estate properties, and (iv) performing independent fair value calculations for CLOs from independently derived assumptions.

***CLO Interest Income Recognition***

The Company's interest income derived from CLOs listed as structured credit securities was $111 million for the year ended June 30, 2020. As described in Note 2 to the consolidated financial statements, interest income from investments in the "equity" class of securities of CLO funds is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows. For each CLO security, the estimate of future cash flow is generated using third-party cash flow models, modeled with the terms of the CLO and its structure, and assumptions. The estimated future cash flows are used to estimate the effective yield that is applied to determine CLO interest income. Management of the Company monitors the expected cash inflows from the Company's CLO equity investments, including the expected residual payments. The effective yield is determined and updated quarterly.

We identified CLO interest income recognition as a critical audit matter. The principal considerations for our determination are the high degree of subjectivity and complexity in management's judgments relating to the various assumptions used in the future cash flow models, which are then used to allocate interest income to the "equity" class of the CLO. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- On a sample basis, testing CLO interest income through: (i) recalculating management's accretable yield and resulting income from respective cash flow runs, and (ii) testing of management's assumptions by recalculating and independently corroborating management provided inputs and outputs for significant assumptions, including but not limited to call dates, CLO manager specific default rate, prepayment rate, recovery rate and reinvestment term, in accordance with management's policy, to external sources and confirmations received directly from the underlying collateral managers.

- On a sample basis, evaluating the reasonableness of CLO projected cash flows against actual cash collections, where applicable. Evaluating significant variances, if any, to determine whether the methodology and assumptions utilized were appropriate.

- Utilizing personnel with specialized skill and knowledge in valuation to assist in evaluating the reasonableness and appropriateness of management's significant assumptions used to estimate projected future cash flows from CLOs, including but not limited to default rate, discount rate, prepayment rate, recovery rate, and reinvestment term and spread.

/s/ BDO USA, LLP

BDO USA, LLP

We have served as the Company's auditor since 2005.

New York, New York
August 26, 2020

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**
**(in thousands, except share and per share data)**

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| **Assets** | | |
| Investments at fair value: | | |
| Control investments (amortized cost of $2,286,725 and $2,385,806, respectively) | $ 2,259,292 | $ 2,475,924 |
| Affiliate investments (amortized cost of $163,484 and $177,616, respectively) | 187,537 | 76,682 |
| Non-control/non-affiliate investments (amortized cost of $3,332,509 and $3,368,880, respectively) | 2,785,499 | 3,100,947 |
| Total investments at fair value (amortized cost of $5,782,718 and $5,932,302, respectively) | 5,232,328 | 5,653,553 |
| Cash | 44,561 | 107,098 |
| Receivables for: | | |
| Interest, net | 11,712 | 26,504 |
| Other | 106 | 3,326 |
| Prepaid expenses | 1,248 | 1,053 |
| Due from broker | 1,063 | — |
| Due from Affiliate | — | — |
| Deferred financing costs on Revolving Credit Facility (Note 4) | 9,145 | 8,529 |
| **Total Assets** | 5,300,163 | 5,800,063 |
| | | |
| **Liabilities** | | |
| Revolving Credit Facility (Notes 4 and 8) | 237,536 | 167,000 |
| Convertible Notes (less unamortized discount and debt issuance costs of $8,892 and $13,867, respectively) (Notes 5 and 8) | 450,598 | 739,997 |
| Public Notes (less unamortized discount and debt issuance costs of $12,802 and $13,826, respectively) (Notes 6 and 8) | 782,106 | 780,548 |
| Prospect Capital InterNotes® (less unamortized debt issuance costs of $11,613 and $12,349, respectively) (Notes 7 and 8) | 667,427 | 695,350 |
| Due to Prospect Capital Management (Note 13) | 42,481 | 46,525 |
| Interest payable | 29,066 | 34,104 |
| Dividends payable | 22,412 | 22,028 |
| Due to Prospect Administration (Note 13) | 7,000 | 1,885 |
| Accrued expenses | 3,648 | 5,414 |
| Due to broker | 1 | — |
| Other liabilities | 2,027 | 937 |
| **Total Liabilities** | 2,244,302 | 2,493,788 |
| Commitments and Contingencies (Note 3) | | |
| **Net Assets** | $ 3,055,861 | $ 3,306,275 |
| | | |
| **Components of Net Assets** | | |
| Common stock, par value $0.001 per share (1,000,000,000 common shares authorized; 373,538,499 and 367,131,025 issued and outstanding, respectively) (Note 9) | $ 374 | $ 367 |
| Paid-in capital in excess of par (Note 9) | 4,070,874 | 4,039,872 |
| Total distributable earnings (loss) | (1,015,387) | (733,964) |
| **Net Assets** | $ 3,055,861 | $ 3,306,275 |
| **Net Asset Value Per Share (Note 16)** | $ 8.18 | $ 9.01 |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(in thousands, except share and per share data)**

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Investment Income** | | | |
| Interest income: | | | |
| Control investments | $ 200,948 | $ 211,212 | $ 195,487 |
| Affiliate investments | 12,649 | 943 | 553 |
| Non-control/non-affiliate investments | 229,963 | 271,907 | 285,473 |
| Structured credit securities | 110,816 | 140,054 | 125,499 |
| Total interest income | 554,376 | 624,116 | 607,012 |
| Dividend income: | | | |
| Control investments | 10,335 | 34,127 | 11,279 |
| Affiliate investments | — | 659 | — |
| Non-control/non-affiliate investments | 1,109 | 1,243 | 1,767 |
| Total dividend income | 11,444 | 36,029 | 13,046 |
| Other income: | | | |
| Control investments | 47,311 | 36,011 | 15,080 |
| Affiliate investments | 38 | — | — |
| Non-control/non-affiliate investments | 10,361 | 7,611 | 22,707 |
| Total other income (Note 10) | 57,710 | 43,622 | 37,787 |
| **Total Investment Income** | 623,530 | 703,767 | 657,845 |
| **Operating Expenses** | | | |
| Base management fee (Note 13) | 108,910 | 121,833 | 118,046 |
| Income incentive fee (Note 13) | 68,057 | 78,215 | 71,713 |
| Interest and credit facility expenses | 148,368 | 157,231 | 155,039 |
| Allocation of overhead from Prospect Administration (Note 13) | 18,247 | 14,837 | 10,031 |
| Audit, compliance and tax related fees | 4,028 | 5,014 | 5,539 |
| Directors' fees | 453 | 457 | 450 |
| Other general and administrative expenses | 9,773 | 13,321 | 10,177 |
| **Total Operating Expenses** | 357,836 | 390,908 | 370,995 |
| **Net Investment Income** | 265,694 | 312,859 | 286,850 |
| **Net Realized and Change in Unrealized (Losses) Gains from Investments** | | | |
| Net realized (losses) gains | | | |
| Control investments | — | 14,309 | 13 |
| Affiliate investments | — | — | (13,351) |
| Non-control/non-affiliate investments | (7,574) | 375 | (5,126) |
| Net realized (losses) gains | (7,574) | 14,684 | (18,464) |
| Net change in unrealized (losses) gains | | | |
| Control investments | (117,552) | 5,105 | 55,670 |
| Affiliate investments | 67,077 | (35,449) | 25,671 |
| Non-control/non-affiliate investments | (221,167) | (144,225) | (42,270) |
| Net change in unrealized (losses) gains | (271,642) | (174,569) | 39,071 |
| **Net Realized and Change in Unrealized (Losses) Gains from Investments** | (279,216) | (159,885) | 20,607 |
| Net realized losses on extinguishment of debt | (2,702) | (8,487) | (7,594) |
| **Net (Decrease) Increase in Net Assets Resulting from Operations** | $ (16,224) | $ 144,487 | $ 299,863 |
| Net (decrease) increase in net assets resulting from operations per share | $ (0.04) | $ 0.39 | $ 0.83 |
| Dividends declared per share | $ (0.72) | $ (0.72) | $ (0.77) |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**
**(in thousands, except share data)**

| | Common Stock | | | | |
|---|---|---|---|---|---|
| | Shares | Par | Paid-in capital in excess of par | Distributable earnings (loss) | Total Net Assets |
| **Balance as of June 30, 2017** | 360,076,933 | $ 360 | $ 3,991,317 | $ (636,725) | $ 3,354,952 |
| Net Increase in Net Assets Resulting from Operations: | | | | | |
| Net investment income | | | | 286,850 | 286,850 |
| Net realized losses | | | | (26,058) | (26,058) |
| Net change in net unrealized gains | | | | 39,071 | 39,071 |
| Distributions to Stockholders: | | | | | — |
| Distributions from earnings | | | | (277,224) | (277,224) |
| Value of shares issued through reinvestment of dividends | 4,333,005 | 4 | 29,452 | | 29,456 |
| Tax reclassifications of net assets (Note 12) | | | 772 | (772) | — |
| Total increase for the year ended June 30, 2018 | 4,333,005 | 4 | 30,224 | 21,867 | 52,095 |
| **Balance as of June 30, 2018** | 364,409,938 | $ 364 | $ 4,021,541 | $ (614,858) | $ 3,407,047 |
| Net Increase in Net Assets Resulting from Operations: | | | | | |
| Net investment income | | | | 312,859 | 312,859 |
| Net realized losses | | | | 6,197 | 6,197 |
| Net change in net unrealized gains | | | | (174,569) | (174,569) |
| Distributions to Stockholders: | | | | | — |
| Distributions from earnings | | | | (263,624) | (263,624) |
| Value of shares issued through reinvestment of dividends | 2,721,087 | 3 | 18,362 | | 18,365 |
| Tax reclassifications of net assets (Note 12) | | | (31) | 31 | — |
| Total increase (decrease) for the year ended June 30, 2019 | 2,721,087 | 3 | 18,331 | (119,106) | (100,772) |
| **Balance as of June 30, 2019** | 367,131,025 | $ 367 | $ 4,039,872 | $ (733,964) | $ 3,306,275 |
| Net Decrease in Net Assets Resulting from Operations: | | | | | |
| Net investment income | | | | 265,694 | 265,694 |
| Net realized losses | | | | (10,276) | (10,276) |
| Net change in net unrealized losses | | | | (271,642) | (271,642) |
| Distributions to Stockholders: | | | | | — |
| Distributions from earnings | | | | (265,277) | (265,277) |
| Issuance of common stock, net of offering and underwriting costs | 1,158,222 | 1 | 6,145 | | 6,146 |
| Value of shares issued through reinvestment of dividends | 5,249,252 | 6 | 24,935 | | 24,941 |
| Tax reclassifications of net assets (Note 12) | | | (78) | 78 | — |
| Total increase (decrease) for the year ended June 30, 2020 | 6,407,474 | 7 | 31,002 | (281,423) | (250,414) |
| **Balance as of June 30, 2020** | 373,538,499 | $ 374 | $ 4,070,874 | $ (1,015,387) | $ 3,055,861 |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands, except share data)**

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Operating Activities** | | | |
| Net (decrease) increase in net assets resulting from operations | $ (16,224) | $ 144,487 | $ 299,863 |
| Net realized losses on extinguishment of debt | 2,702 | 8,487 | 7,594 |
| Net realized losses (gains) on investments | 7,574 | (14,684) | 18,464 |
| Net change in unrealized losses (gains) on investments | 271,642 | 174,569 | (39,071) |
| Amortization of discounts, net | 4,436 | (9,595) | 31,005 |
| Accretion of discount on Public Notes (Note 6) | 1,042 | 667 | 226 |
| Amortization of deferred financing costs | 8,580 | 10,837 | 12,063 |
| Payment-in-kind interest | (55,657) | (43,635) | (9,404) |
| Structuring fees | (10,148) | (4,240) | (13,959) |
| Change in operating assets and liabilities: | | | |
| Payments for purchases of investments | (753,522) | (656,668) | (1,707,294) |
| Proceeds from sale of investments and collection of investment principal | 956,901 | 627,978 | 1,831,286 |
| Increase (decrease) in due to broker | 1 | (6,159) | (44,212) |
| (Decrease) increase in due to Prospect Capital Management | (4,044) | (2,520) | 796 |
| (Increase) decrease in due from broker | (1,063) | 3,029 | (3,029) |
| Decrease (increase) in interest receivable, net | 14,792 | (6,721) | (10,224) |
| (Decrease) in interest payable | (5,038) | 363 | (4,889) |
| (Decrease) increase in accrued expenses | (1,766) | (12) | 1,046 |
| Increase (decrease) in other liabilities | 1,090 | (578) | (581) |
| Decrease (increase) in other receivables | 3,220 | (1,459) | (943) |
| (Increase) in due from affiliate | — | 88 | (74) |
| (Increase) decrease in prepaid expenses | (195) | (69) | 141 |
| Increase (decrease) in due to Prospect Administration | 5,115 | (327) | 302 |
| **Net Cash Provided by Operating Activities** | 429,438 | 223,838 | 369,106 |
| **Financing Activities** | | | |
| Borrowings under Revolving Credit Facility (Note 4) | 1,245,000 | 1,178,154 | 810,000 |
| Principal payments under Revolving Credit Facility (Note 4) | (1,174,464) | (1,048,154) | (773,000) |
| Issuances of Public Notes, net of original issue discount (Note 6) | — | 220,092 | 125,000 |
| Repurchase of Public Notes (Note 6) | (446) | (153,536) | (146,464) |
| Redemptions of Convertible Notes (Note 5) | (292,890) | (271,258) | (234,506) |
| Issuance of Convertible Notes (Note 5) | — | 201,250 | 103,500 |
| Issuances of Prospect Capital InterNotes® (Note 7) | 233,988 | 236,971 | 76,297 |
| Redemptions of Prospect Capital InterNotes®, net (Note 7) | (261,458) | (290,196) | (295,867) |
| Financing costs paid | (7,897) | (28,725) | (12,480) |
| Proceeds from issuance of common stock, net of underwriting costs | 6,146 | — | — |
| Dividends paid | (239,954) | (245,096) | (255,911) |
| **Net Cash Used in Financing Activities** | (491,975) | (200,498) | (603,431) |
| | | | |
| **Net (Decrease) increase in Cash** | (62,537) | 23,340 | (234,325) |
| Cash at beginning of year | 107,098 | 83,758 | 318,083 |
| **Cash at End of year** | $ 44,561 | $ 107,098 | $ 83,758 |
| **Supplemental Disclosures** | | | |
| Cash paid for interest | $ 143,785 | $ 145,364 | $ 147,639 |
| Purchases of investments settled net of proceeds from sale of investments | $ 61,086 | $ — | $ — |
| **Non-Cash Financing Activities** | | | |
| Value of shares issued through reinvestment of dividends | $ 24,941 | $ 18,365 | $ 29,456 |
| **Cost basis of investments written off as worthless** | $ 12,139 | $ 371 | $ 20,316 |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULES OF INVESTMENTS**
**(in thousands, except share data)**

| | | | | | | | June 30, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Control Investments (greater than 25.00% voting control)(46)** | | | | | | | | | | | |
| CP Energy Services Inc. (20) | Energy Equipment & Services | Senior Secured Term Loan | 10/1/2017 | 12.00% (3ML+ 11.00%) | 1.00 | 12/29/2022 | $ 36,744 | $ 36,744 | $ 36,744 | 1.2% | (10)(45) |
| | | Senior Secured Term Loan A to Spartan Energy Services, LLC | 10/20/2014 | 9.00% (1ML+ 8.00%) | 1.00 | 12/31/2022 | 13,156 | 13,156 | 13,156 | 0.4% | (10) |
| | | Senior Secured Term Loan B to Spartan Energy Services, LLC | 10/20/2014 | 15.00% PIK (1ML+ 14.00%) | 1.00 | 12/31/2022 | 25,234 | 23,360 | 5,555 | 0.1% | (9)(10) |
| | | Series B Convertible Preferred Stock (790 shares) | 10/30/2015 | | — | N/A | — | 63,225 | 14,430 | 0.5% | (16) |
| | | Common Stock (102,924 shares) | 8/2/2013 | | — | N/A | — | 86,241 | — | —% | (16) |
| | | | | | | | | **222,726** | **69,885** | **2.2%** | |
| Credit Central Loan Company, LLC (21) | Consumer Finance | Subordinated Term Loan | 12/28/2012 | 10.00% plus 10.00% PIK | — | 6/26/2024 | 62,859 | 59,870 | 62,859 | 2.1% | (14)(45) |
| | | Class A Units (14,867,312 units) | 12/28/2012 | | — | N/A | — | 19,331 | 12,826 | 0.4% | (14)(16) |
| | | Net Revenues Interest (25% of Net Revenues) | 1/28/2015 | | — | N/A | — | — | — | —% | (14)(16) |
| | | | | | | | | **79,201** | **75,685** | **2.5%** | |
| Echelon Transportation, LLC | Aerospace & Defense | Senior Secured Term Loan | 3/31/2014 | 11.75% (1ML+ 9.75%) plus 2.25% PIK | 2.00 | 3/31/2022 | 45,072 | 45,072 | 45,072 | 1.4% | (10)(45) |
| | | Senior Secured Term Loan | 12/9/2016 | 11.00% (1ML+ 9.00%) plus 1.00% PIK | 2.00 | 12/7/2024 | 20,399 | 20,399 | 20,399 | 0.7% | (10)(45) |
| | | Membership Interest (100%) | 3/31/2014 | | — | N/A | — | 22,737 | 20,156 | 0.7% | (16) |
| | | | | | | | | **88,208** | **85,627** | **2.8%** | |
| First Tower Finance Company LLC (23) | Consumer Finance | Subordinated Term Loan to First Tower, LLC | 6/24/2014 | 10.00% plus 10.50% PIK | — | 6/24/2024 | 277,069 | 277,069 | 277,069 | 9.0% | (14)(45) |
| | | Class A Units (95,709,910 units) | 6/14/2012 | | — | N/A | — | 81,146 | 231,396 | 7.6% | (14)(16) |
| | | | | | | | | **358,215** | **508,465** | **16.6%** | |
| Freedom Marine Solutions, LLC (24) | Energy Equipment & Services | Membership Interest (100%) | 11/9/2006 | | — | N/A | — | 43,892 | 12,351 | 0.4% | (16) |
| | | | | | | | | **43,892** | **12,351** | **0.4%** | |
| InterDent, Inc. (29) | Health Care Providers & Services | Senior Secured Term Loan A/B | 8/1/2018 | 7.05% (1ML+ 5.05%) | 2.00 | 9/5/2020 | 14,249 | 14,249 | 14,249 | 0.5% | (10)(45) |
| | | Senior Secured Term Loan A | 8/3/2012 | 6.25% (1ML+ 5.50%) | 0.75 | 9/5/2020 | 79,242 | 79,242 | 79,242 | 2.6% | (10)(45) |
| | | Senior Secured Term Loan B | 8/3/2012 | 10.00% PIK | — | 9/5/2020 | 128,443 | 128,443 | 128,443 | 4.2% | (45) |
| | | Senior Secured Term Loan C | 3/22/2018 | 18.00% PIK | — | 9/5/2020 | 48,929 | 35,767 | 8,823 | 0.3% | (9) |
| | | Senior Secured Term Loan D | 9/19/2018 | 1.00% PIK | — | 9/5/2020 | 9,458 | 9,351 | — | —% | (9) |
| | | Common Stock (99,900 shares) | 5/3/2019 | | — | N/A | — | 1 | — | —% | (16) |
| | | | | | | | | **267,053** | **230,757** | **7.6%** | |
| Kickapoo Ranch Pet Resort | Diversified Consumer Services | Membership Interest (100%) | 8/26/2019 | | — | N/A | — | 2,378 | 3,286 | 0.1% | (16) |
| | | | | | | | | **2,378** | **3,286** | **0.1%** | |

See notes to consolidated financial statements.

**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2020 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Control Investments (greater than 25.00% voting control)(46)** | | | | | | | | | | | |
| MITY, Inc. (25) | Commercial Services & Supplies | Senior Secured Note A | 9/19/2013 | 10.00% (3ML+ 7.00%) | 3.00 | 4/30/2025 | $ 26,250 | $ 26,250 | $ 26,250 | 0.9% | (10) |
| | | Senior Secured Note B | 6/23/2014 | 10.00% (3ML+ 7.00%) plus 10.00% PIK | 3.00 | 4/30/2025 | 33,008 | 33,008 | 25,655 | 0.8% | (10)(45) |
| | | Subordinated Unsecured Note to Broda Enterprises ULC | 9/19/2013 | 10.00% | — | 1/1/2028 | 7,200 | 6,350 | — | —% | (14) |
| | | Common Stock (42,053 shares) | 9/19/2013 | | — | N/A | — | 6,849 | — | —% | (16) |
| | | | | | | | | **72,457** | **51,905** | **1.7%** | |
| National Property REIT Corp. (26) | Equity Real Estate Investment Trusts (REITs) / Online Lending / Structured Finance | Senior Secured Term Loan A | 12/31/2018 | 4.44% (3ML+ 1.44%) plus 3.53% PIK | 3.00 | 12/31/2023 | 302,633 | 302,633 | 302,633 | 9.9% | (10)(45) |
| | | Senior Secured Term Loan B | 12/31/2018 | 5.00% (3ML+ 2.00%) plus 5.50% PIK | 3.00 | 12/31/2023 | 45,950 | 45,950 | 45,950 | 1.5% | (10)(45) |
| | | Senior Secured Term Loan C | 10/31/2019 | 11.00% (3ML+ 10.00%) plus 2.25% PIK | 1.00 | 12/31/2023 | 79,200 | 79,200 | 79,200 | 2.6% | (10)(45) |
| | | Senior Secured Term Loan D | 6/19/2020 | 3.50% (3ML+ 0.50%) plus 2.50% PIK | 3.00 | 12/31/2023 | 183,425 | 183,425 | 183,425 | 6.0% | (10)(45) |
| | | Residual Profit Interest | 12/31/2018 | | — | N/A | — | — | 21,461 | 0.7% | (37) |
| | | Common Stock (3,254,594 shares) | 12/31/2013 | | — | N/A | — | 210 | 246,064 | 8.1% | |
| | | | | | | | | **611,418** | **878,733** | **28.8%** | |
| Nationwide Loan Company LLC (27) | Consumer Finance | Senior Subordinated Term Loan to Nationwide Acceptance LLC | 6/18/2014 | 10.00% plus 10.00% PIK | — | 6/18/2021 | 20,087 | 20,087 | 20,087 | 0.6% | (14)(45) |
| | | Class A Units (38,550,460 units) | 1/31/2013 | | — | N/A | — | 20,462 | 17,151 | 0.6% | (14)(16) |
| | | | | | | | | **40,549** | **37,238** | **1.2%** | |
| NMMB, Inc. (28) | Media | Delayed Draw Term Loan - $10,000 Commitment | 3/25/2020 | 10.50% (3ML+ 8.50%) | 2.00 | 12/30/2024 | — | — | — | —% | (10)(15) |
| | | Senior Secured Note | 12/30/2019 | 10.50% (3ML+ 8.50%) | 2.00 | 12/30/2024 | 5,025 | 5,025 | 5,025 | 0.2% | (3)(10) |
| | | Common Stock (21,419 shares) | 12/30/2019 | | — | N/A | — | 12,869 | 28,643 | 0.9% | |
| | | | | | | | | **17,894** | **33,668** | **1.1%** | |
| Pacific World Corporation (39) | Personal Products | Revolving Line of Credit - $26,000 Commitment | 9/26/2014 | 8.25% (1ML+ 7.25%) | 1.00 | 9/26/2020 | 20,825 | 20,825 | 20,825 | 0.7% | (10)(15) |
| | | Senior Secured Term Loan A | 12/31/2014 | 6.25% PIK (1ML+ 5.25%) | 1.00 | 9/26/2020 | 39,082 | 39,082 | 39,082 | 1.3% | (10)(45) |
| | | Convertible Preferred Equity (247,330 shares) | 6/15/2018 | | — | N/A | — | 186,795 | — | —% | (16) |
| | | Common Stock (6,778,414 shares) | 9/29/2017 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | **246,702** | **59,907** | **2.0%** | |
| R-V Industries, Inc. | Machinery | Senior Subordinated Note | 6/12/2013 | 10.00% (3ML+ 9.00%) | 1.00 | 3/31/2022 | 28,622 | 28,622 | 28,622 | 0.9% | (3)(10) |
| | | Common Stock (745,107 shares) | 6/26/2007 | | — | N/A | — | 6,867 | 9,943 | 0.3% | (16) |
| | | | | | | | | **35,489** | **38,565** | **1.2%** | |
| Universal Turbine Parts, LLC (34) | Trading Companies & Distributors | Delayed Draw Term Loan - $5,000 Commitment | 2/28/2019 | 10.25% (1ML+ 7.75%) | 2.50 | 7/22/2021 | 2,887 | 2,887 | 2,887 | 0.1% | (10)(15) |
| | | Senior Secured Term Loan A | 7/22/2016 | 6.75% (3ML+ 5.75%) | 1.00 | 7/22/2021 | 30,063 | 30,063 | 23,712 | 0.8% | (10) |
| | | Senior Secured Term Loan B | 7/22/2016 | 12.75% PIK (3ML+ 11.75%) | 1.00 | 7/22/2021 | 42,941 | 32,500 | — | —% | (9)(10) |
| | | Common Stock (10,000 units) | 12/10/2018 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | **65,450** | **26,599** | **0.9%** | |
| USES Corp. (30) | Commercial Services & Supplies | Senior Secured Term Loan A | 3/31/2014 | 9.00% PIK | — | 7/29/2022 | 50,327 | 30,651 | 17,325 | 0.6% | (9) |
| | | Senior Secured Term Loan B | 3/31/2014 | 15.50% PIK | — | 7/29/2022 | 66,283 | 35,568 | — | —% | (9) |
| | | Common Stock (268,962 shares) | 6/15/2016 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | **66,219** | **17,325** | **0.6%** | |

## PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
## (in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2020<br>Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Control Investments (greater than 25.00% voting control)(46)** | | | | | | | | | | | |
| Valley Electric Company, Inc. (31) | Construction & Engineering | Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. | 12/31/2012 | 8.00% (3ML+ 5.00%) plus 2.50% PIK | 3.00 | 12/31/2024 | $ 10,430 | $ 10,430 | $ 10,430 | 0.3% | (3)(10)(45) |
| | | Senior Secured Note | 6/24/2014 | 8.00% plus 10.00% PIK | — | 6/23/2024 | 33,301 | 33,301 | 33,301 | 1.1% | (45) |
| | | Consolidated Revenue Interest (2.0%) | 6/22/2018 | | — | N/A | — | — | 2,448 | 0.1% | (12) |
| | | Common Stock (50,000 shares) | 12/31/2012 | | — | N/A | — | 25,143 | 83,117 | 2.7% | |
| | | | | | | | | **68,874** | **129,296** | **4.2%** | |
| | | | | | | **Total Control Investments (Level 3)** | | **$ 2,286,725** | **$ 2,259,292** | **73.9%** | |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)**
**(in thousands, except share data)**

| | | | | | | | June 30, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Portfolio Company** | **Industry** | **Investments(1)(44)** | **Acquisition Date(50)** | **Coupon/Yield** | **Floor** | **Legal Maturity** | **Principal Value** | **Amortized Cost** | **Fair Value(2)** | **% of Net Assets** | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Affiliate Investments (5.00% to 24.99% voting control)(47)** | | | | | | | | | | | |
| Edmentum Ultimate Holdings, LLC (22) | Diversified Consumer Services | Second Lien Revolving Credit Facility to Edmentum, Inc. - $7,834 Commitment | 6/9/2015 | 5.00% PIK | — | 12/9/2021 | $ 8,539 | $ 9,986 | $ 8,539 | 0.2% | (15)(45) |
| | | Unsecured Senior PIK Note | 6/9/2015 | 8.50% PIK | — | 12/9/2021 | 8,920 | 8,920 | 8,920 | 0.3% | (45) |
| | | Unsecured Junior PIK Note | 6/9/2015 | 10.00% PIK | — | 12/9/2021 | 43,048 | 28,665 | 42,159 | 1.4% | (45) |
| | | Class A Units (370,964 units) | 6/9/2015 | | — | N/A | — | 6,577 | — | —% | (16) |
| | | | | | | | | **54,148** | **59,618** | **1.9%** | |
| Nixon, Inc. (38) | Textiles, Apparel & Luxury Goods | Common Stock (857 units) | 5/12/2017 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | **—** | **—** | **—%** | |
| PGX Holdings, Inc. | Diversified Consumer Services | 1.5 Lien Term Loan | 5/27/2020 | 11.50% PIK (3ML+ 10.50%) | 1.00 | 3/29/2024 | 1,981 | 1,981 | 1,981 | 0.1% | (10)(45) |
| | | Second Lien Term Loan | 9/29/2014 | 15.75% PIK (1ML+ 14.75%) | 1.00 | 9/29/2024 | 104,550 | 104,550 | 98,873 | 3.2% | (10)(45) |
| | | Common Stock (28,961,715 shares) | 5/27/2020 | | — | N/A | — | — | 5,857 | 0.2% | (16) |
| | | | | | | | | **106,531** | **106,711** | **3.5%** | |
| Targus Cayman HoldCo Limited (33) | Textiles, Apparel & Luxury Goods | Common Stock (7,383,395 shares) | 2/12/2016 | | — | N/A | — | 2,805 | 21,208 | 0.7% | (16) |
| | | | | | | | | **2,805** | **21,208** | **0.7%** | |
| | | | | | | **Total Affiliate Investments (Level 3)** | | **$ 163,484** | **$ 187,537** | **6.1%** | |

See notes to consolidated financial statements.

**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2020 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| 8th Avenue Food & Provisions, Inc. | Food Products | Second Lien Term Loan | 10/10/2018 | 7.93% (1ML+ 7.75%) | — | 10/1/2026 | $ 25,000 | $ 24,853 | $ 25,000 | 0.8% | (3)(8)(10) |
| | | | | | | | | **24,853** | **25,000** | **0.8%** | |
| ACE Cash Express, Inc. | Consumer Finance | Senior Secured Note | 12/15/2017 | 12.00% | — | 12/15/2022 | 30,000 | 28,806 | 24,338 | 0.8% | (8)(14) |
| | | | | | | | | **28,806** | **24,338** | **0.8%** | |
| Ahead Data Blue, LLC | IT Services | Second Lien Term Loan | 12/13/2019 | 10.00% (3ML+ 8.50%) | 1.50 | 11/8/2025 | 70,000 | 70,000 | 70,000 | 2.3% | (3)(10) |
| | | | | | | | | **70,000** | **70,000** | **2.3%** | |
| AmeriLife Holdings, LLC | Insurance | Second Lien Term Loan | 4/2/2020 | 9.50% (3ML+ 8.50%) | 1.00 | 3/18/2028 | 10,000 | 9,806 | 9,806 | 0.3% | (8)(10) |
| | | | | | | | | **9,806** | **9,806** | **0.3%** | |
| Apidos CLO XI | Structured Finance | Subordinated Structured Note | 12/6/2012 | Residual Interest, current yield 8.74% | — | 10/17/2030 | 40,500 | 32,650 | 25,211 | 0.8% | (5)(14) |
| | | | | | | | | **32,650** | **25,211** | **0.8%** | |
| Apidos CLO XII | Structured Finance | Subordinated Structured Note | 3/15/2013 | Residual Interest, current yield 14.25% | — | 4/15/2031 | 52,202 | 38,099 | 29,275 | 1.0% | (5)(14) |
| | | | | | | | | **38,099** | **29,275** | **1.0%** | |
| Apidos CLO XV | Structured Finance | Subordinated Structured Note | 9/13/2013 | Residual Interest, current yield 12.38% | — | 4/21/2031 | 48,515 | 39,270 | 27,793 | 0.9% | (5)(14) |
| | | | | | | | | **39,270** | **27,793** | **0.9%** | |
| Apidos CLO XXII | Structured Finance | Subordinated Structured Note | 9/16/2015 | Residual Interest, current yield 15.58% | — | 4/21/2031 | 35,855 | 30,035 | 24,192 | 0.8% | (5)(14) |
| | | | | | | | | **30,035** | **24,192** | **0.8%** | |
| Ark-La-Tex Wireline Services, LLC | Energy Equipment & Services | Escrow Receivable | 4/8/2014 | | — | N/A | — | — | — | —% | |
| | | | | | | | | **—** | **—** | **—%** | |
| Atlantis Health Care Group (Puerto Rico), Inc. | Health Care Providers & Services | Revolving Line of Credit - $3,000 Commitment | 2/21/2013 | 10.75% (3ML+ 8.75%) | 2.00 | 4/30/2021 | — | — | — | —% | (10)(15) |
| | | Senior Secured Term Loan | 2/21/2013 | 10.75% (3ML+ 8.75%) | 2.00 | 4/30/2021 | 71,409 | 71,409 | 71,409 | 2.3% | (3)(10) |
| | | | | | | | | **71,409** | **71,409** | **2.3%** | |
| Barings CLO 2018-III | Structured Finance | Subordinated Structured Note | 10/9/2014 | Residual Interest, current yield 3.93% | — | 7/20/2029 | 83,098 | 48,464 | 30,106 | 1.0% | (5)(14) |
| | | | | | | | | **48,464** | **30,106** | **1.0%** | |
| Broder Bros., Co. | Textiles, Apparel & Luxury Goods | Senior Secured Note | 12/4/2017 | 9.75% (3ML+ 8.50%) | 1.25 | 12/2/2022 | 166,307 | 166,307 | 164,656 | 5.4% | (3)(10) |
| | | | | | | | | **166,307** | **164,656** | **5.4%** | |
| Brookside Mill CLO Ltd. | Structured Finance | Subordinated Structured Note | 4/25/2013 | Residual Interest, current yield 0.00% | — | 1/17/2028 | 36,300 | 17,033 | 11,920 | 0.4% | (5)(14)(17) |
| | | | | | | | | **17,033** | **11,920** | **0.4%** | |
| California Street CLO IX Ltd. | Structured Finance | Subordinated Structured Note | 4/19/2012 | Residual Interest, current yield 6.69% | — | 7/16/2032 | 58,915 | 40,994 | 27,579 | 0.9% | (5)(14) |
| | | | | | | | | **40,994** | **27,579** | **0.9%** | |
| Candle-Lite Company, LLC | Household Products | Senior Secured Term Loan A | 1/23/2018 | 6.75% (3ML+ 5.50%) | 1.25 | 1/23/2023 | 11,937 | 11,937 | 11,937 | 0.4% | (3)(10) |
| | | Senior Secured Term Loan B | 1/23/2018 | 10.75% (3ML+ 9.50%) | 1.25 | 1/23/2023 | 12,500 | 12,500 | 12,425 | 0.4% | (3)(10) |
| | | | | | | | | **24,437** | **24,362** | **0.8%** | |
| Capstone Logistics Acquisition, Inc. | Commercial Services & Supplies | Second Lien Term Loan | 10/7/2014 | 9.32% (6ML+ 8.25%) | 1.00 | 10/7/2022 | 98,982 | 98,790 | 98,982 | 3.2% | (3)(8)(10) |
| | | | | | | | | **98,790** | **98,982** | **3.2%** | |
| Carlyle C17 CLO Limited | Structured Finance | Subordinated Structured Note | 1/24/2013 | Residual Interest, current yield 20.31% | — | 4/30/2031 | 24,870 | 15,391 | 13,009 | 0.4% | (5)(14) |
| | | | | | | | | **15,391** | **13,009** | **0.4%** | |

**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2020 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Carlyle Global Market Strategies CLO 2014-4-R, Ltd. | Structured Finance | Subordinated Structured Note | 4/7/2017 | Residual Interest, current yield 17.05% | — | 7/15/2030 | $ 25,534 | $ 18,656 | $ 15,534 | 0.5% | (5)(14) |
| | | | | | | | | **18,656** | **15,534** | **0.5%** | |
| Carlyle Global Market Strategies CLO 2016-3, Ltd. | Structured Finance | Subordinated Structured Note | 8/9/2016 | Residual Interest, current yield 12.42% | — | 10/22/2029 | 32,200 | 33,536 | 25,358 | 0.8% | (5)(14) |
| | | | | | | | | **33,536** | **25,358** | **0.8%** | |
| CCS-CMGC Holdings, Inc. | Health Care Providers & Services | First Lien Term Loan | 5/23/2019 | 6.57% (6ML+ 5.50%) | — | 10/1/2025 | 6,010 | 5,929 | 5,929 | 0.2% | (3)(8)(10) |
| | | First Lien Term Loan | 5/23/2019 | 6.26% (3ML+ 5.50%) | — | 10/1/2025 | 3,615 | 3,566 | 3,566 | 0.1% | (3)(8)(10) |
| | | Second Lien Term Loan | 10/12/2018 | 9.76% (3ML+ 9.00%) | — | 10/1/2026 | 37,000 | 36,443 | 36,443 | 1.2% | (3)(8)(10) |
| | | | | | | | | **45,938** | **45,938** | **1.5%** | |
| Cent CLO 21 Limited | Structured Finance | Subordinated Structured Note | 5/15/2014 | Residual Interest, current yield 7.80% | — | 7/29/2030 | 49,552 | 38,806 | 26,006 | 0.9% | (5)(14) |
| | | | | | | | | **38,806** | **26,006** | **0.9%** | |
| CIFC Funding 2013-III-R, Ltd. | Structured Finance | Subordinated Structured Note | 8/2/2013 | Residual Interest, current yield 10.23% | — | 4/24/2031 | 44,100 | 29,717 | 21,373 | 0.7% | (5)(14) |
| | | | | | | | | **29,717** | **21,373** | **0.7%** | |
| CIFC Funding 2013-IV, Ltd. | Structured Finance | Subordinated Structured Note | 10/22/2013 | Residual Interest, current yield 13.44% | — | 4/28/2031 | 45,500 | 33,090 | 27,518 | 0.9% | (5)(14) |
| | | | | | | | | **33,090** | **27,518** | **0.9%** | |
| CIFC Funding 2014-IV-R, Ltd. | Structured Finance | Subordinated Structured Note | 8/5/2014 | Residual Interest, current yield 9.49% | — | 10/17/2030 | 44,467 | 31,238 | 22,711 | 0.7% | (5)(14) |
| | | | | | | | | **31,238** | **22,711** | **0.7%** | |
| CIFC Funding 2016-I, Ltd. | Structured Finance | Subordinated Structured Note | 12/9/2016 | Residual Interest, current yield 9.57% | — | 10/21/2031 | 34,000 | 30,096 | 26,209 | 0.9% | (5)(14) |
| | | | | | | | | **30,096** | **26,209** | **0.9%** | |
| Cinedigm DC Holdings, LLC | Entertainment | Senior Secured Term Loan | 2/28/2013 | 11.00% (3ML+ 9.00%) plus 2.50% PIK | 2.00 | 3/31/2021 | 12,107 | 12,057 | 12,107 | 0.4% | (10)(45) |
| | | | | | | | | **12,057** | **12,107** | **0.4%** | |
| Class Valuation, LLC | Real Estate Management & Development | Senior Secured Term Loan | 3/12/2018 | 9.75% (3ML+ 8.25%) | 1.50 | 3/10/2023 | 31,747 | 31,747 | 31,747 | 1.0% | (3)(10) |
| | | | | | | | | **31,747** | **31,747** | **1.0%** | |
| Collections Acquisition Company, Inc. | Diversified Financial Services | Senior Secured Term Loan | 12/3/2019 | 10.15% (3ML+ 7.65%) | 2.50 | 6/3/2024 | 30,165 | 30,165 | 30,165 | 1.0% | (3)(10) |
| | | | | | | | | **30,165** | **30,165** | **1.0%** | |
| Columbia Cent CLO 27 Limited | Structured Finance | Subordinated Structured Note | 12/18/2013 | Residual Interest, current yield 7.78% | — | 10/25/2028 | 40,275 | 23,099 | 18,356 | 0.6% | (5)(14) |
| | | | | | | | | **23,099** | **18,356** | **0.6%** | |
| Coverall North America, Inc. | Commercial Services & Supplies | Senior Secured Term Loan A | 11/2/2015 | 7.00% (3ML+ 6.00%) | 1.00 | 5/3/2021 | 2,622 | 2,622 | 2,622 | 0.1% | (3)(10) |
| | | Senior Secured Term Loan B | 11/2/2015 | 12.00% (3ML+ 11.00%) | 1.00 | 5/3/2021 | 22,750 | 22,750 | 22,750 | 0.7% | (3)(10) |
| | | | | | | | | **25,372** | **25,372** | **0.8%** | |
| CP VI Bella Midco | IT Services | Second Lien Term Loan | 2/26/2018 | 6.93% (1ML+ 6.75%) | — | 12/29/2025 | 15,750 | 15,711 | 15,750 | 0.5% | (3)(8)(10) |
| | | | | | | | | **15,711** | **15,750** | **0.5%** | |
| Digital Room, LLC | Commercial Services & Supplies | First Lien Term Loan | 5/29/2019 | 6.07% (6ML+ 5.00%) | — | 5/21/2026 | 9,900 | 9,785 | 9,359 | 0.3% | (3)(8)(10) |
| | | Second Lien Term Loan | 5/30/2019 | 10.07% (6ML+ 9.00%) | — | 5/21/2027 | 70,000 | 70,000 | 66,761 | 2.2% | (3)(8)(10) |
| | | | | | | | | **79,785** | **76,120** | **2.5%** | |

**(in thousands, except share data)**

| | | | | | | | June 30, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Portfolio Company** | **Industry** | **Investments(1)(44)** | **Acquisition Date(50)** | **Coupon/Yield** | **Floor** | **Legal Maturity** | **Principal Value** | **Amortized Cost** | **Fair Value(2)** | **% of Net Assets** | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Dunn Paper, Inc. | Paper & Forest Products | First Lien Term Loan | 11/27/2019 | 5.75% (1ML+ 4.75%) | 1.00 | 8/26/2022 | $ 4,488 | $ 4,393 | $ 4,393 | 0.1% | (3)(8)(10) |
| | | Second Lien Term Loan | 10/7/2016 | 9.75% (1ML+ 8.75%) | 1.00 | 8/26/2023 | 11,500 | 11,395 | 11,395 | 0.4% | (3)(8)(10) |
| | | | | | | | | **15,788** | **15,788** | **0.5%** | |
| Easy Gardener Products, Inc. | Household Durables | Third Lien Term Loan | 6/11/2020 | 10.31% (3ML+ 10.00%) | 0.25 | 9/30/2024 | 3,990 | 3,990 | 3,990 | 0.2% | (10) |
| | | Class A Units of EZG Holdings, LLC (200 units) | 6/11/2020 | | — | N/A | — | 313 | 781 | —% | (16) |
| | | Class B Units of EZG Holdings, LLC (12,525 units) | 6/11/2020 | | — | N/A | — | 1,688 | 3,072 | 0.1% | (16) |
| | | | | | | | | **5,991** | **7,843** | **0.3%** | |
| EDSCO Holding Company LLC | Machinery | Senior Secured Term Loan | 1/10/2020 | 7.50% (1ML+ 6.00%) | 1.50 | 1/10/2025 | 19,875 | 19,875 | 19,875 | 0.7% | (3)(10) |
| | | | | | | | | **19,875** | **19,875** | **0.7%** | |
| Engine Group, Inc. (7) | Media | Senior Secured Term Loan | 9/25/2017 | 6.00% (1ML+ 5.00%) | 1.00 | 9/15/2022 | 4,220 | 4,220 | 3,760 | 0.1% | (8)(9)(10) |
| | | Second Lien Term Loan | 9/25/2017 | 10.00% (1ML+ 9.00%) | 1.00 | 9/15/2023 | 35,000 | 35,000 | 2,754 | 0.1% | (8)(9)(10) |
| | | | | | | | | **39,220** | **6,514** | **0.2%** | |
| EXC Holdings III Corp | Technology Hardware, Storage & Peripherals | Second Lien Term Loan | 12/5/2017 | 8.94% (3ML+ 7.50%) | 1.00 | 12/1/2025 | 12,500 | 12,415 | 12,318 | 0.4% | (3)(8)(10) |
| | | | | | | | | **12,415** | **12,318** | **0.4%** | |
| Galaxy XV CLO, Ltd. | Structured Finance | Subordinated Structured Note | 2/13/2013 | Residual Interest, current yield 11.47% | — | 10/15/2030 | 50,525 | 35,451 | 24,637 | 0.8% | (5)(14) |
| | | | | | | | | **35,451** | **24,637** | **0.8%** | |
| Galaxy XXVII CLO, Ltd. | Structured Finance | Subordinated Structured Note | 9/30/2013 | Residual Interest, current yield 10.18% | — | 5/16/2031 | 24,575 | 16,647 | 11,093 | 0.4% | (5)(14) |
| | | | | | | | | **16,647** | **11,093** | **0.4%** | |
| Galaxy XXVIII CLO, Ltd. | Structured Finance | Subordinated Structured Note | 5/30/2014 | Residual Interest, current yield 9.89% | — | 7/15/2031 | 39,905 | 28,584 | 16,973 | 0.6% | (5)(14) |
| | | | | | | | | **28,584** | **16,973** | **0.6%** | |
| GEON Performance Solutions, LLC | Chemicals | Revolving Line of Credit - $3,621 Commitment | 12/12/2019 | 7.88% (1ML+ 6.25%) | 1.63 | 10/25/2024 | 769 | 769 | 767 | —% | (10)(15) |
| | | First Lien Term Loan | 12/12/2019 | 7.88% (1ML+ 6.25%) | 1.63 | 10/25/2024 | 31,223 | 31,068 | 31,124 | 1.0% | (3)(10) |
| | | | | | | | | **31,837** | **31,891** | **1.0%** | |
| Global Tel*Link Corporation | Diversified Telecommunication Services | First Lien Term Loan | 8/20/2019 | 4.43% (1ML+ 4.25%) | — | 11/29/2025 | 9,893 | 9,538 | 9,237 | 0.3% | (3)(8)(10) |
| | | Second Lien Term Loan | 12/4/2018 | 8.43% (1ML+ 8.25%) | — | 11/29/2026 | 40,170 | 39,394 | 37,908 | 1.2% | (3)(8)(10) |
| | | | | | | | | **48,932** | **47,145** | **1.5%** | |
| GlobalTranz Enterprises, Inc. | Air Freight & Logistics | Second Lien Term Loan | 5/15/2019 | 8.43% (1ML+ 8.25%) | — | 5/15/2027 | 12,500 | 12,500 | 10,755 | 0.4% | (3)(8)(10) |
| | | | | | | | | **12,500** | **10,755** | **0.4%** | |
| H.I.G. ECI Merger Sub, Inc. | IT Services | Senior Secured Term Loan A | 5/31/2018 | 7.00% (3ML+ 5.50%) | 1.50 | 5/31/2023 | 43,792 | 43,792 | 44,230 | 1.4% | (3)(10) |
| | | Senior Secured Term Loan B | 5/31/2018 | 12.00% (3ML+ 10.50%) | 1.50 | 5/31/2023 | 29,900 | 29,900 | 30,199 | 1.0% | (3)(10) |
| | | | | | | | | **73,692** | **74,429** | **2.4%** | |
| Halcyon Loan Advisors Funding 2012-1 Ltd. | Structured Finance | Subordinated Structured Note | 8/7/2012 | Residual Interest, current yield 0.00% | — | 8/15/2023 | 23,187 | 3,736 | — | —% | (5)(14)(17) |
| | | | | | | | | **3,736** | **—** | **—%** | |
| Halcyon Loan Advisors Funding 2013-1 Ltd. | Structured Finance | Subordinated Structured Note | 3/8/2013 | Residual Interest, current yield 0.00% | — | 4/15/2025 | 40,400 | 19,984 | — | —% | (5)(14)(17) |
| | | | | | | | | **19,984** | **—** | **—%** | |

(in thousands, except share data)

| | | | | | | | June 30, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Halcyon Loan Advisors Funding 2014-1 Ltd. | Structured Finance | Subordinated Structured Note | 2/7/2014 | Residual Interest, current yield 0.00% | — | 4/20/2026 | $ 24,500 | $ 11,822 | $ — | —% | (5)(14)(17) |
| | | | | | | | | **11,822** | **—** | **—%** | |
| Halcyon Loan Advisors Funding 2014-2 Ltd. | Structured Finance | Subordinated Structured Note | 4/14/2014 | Residual Interest, current yield 0.00% | — | 4/28/2025 | 41,164 | 21,322 | — | —% | (5)(14)(17) |
| | | | | | | | | **21,322** | **—** | **—%** | |
| Halcyon Loan Advisors Funding 2015-3 Ltd. | Structured Finance | Subordinated Structured Note | 7/23/2015 | Residual Interest, current yield 0.00% | — | 10/18/2027 | 39,597 | 29,716 | 16,694 | 0.5% | (5)(14)(17) |
| | | | | | | | | **29,716** | **16,694** | **0.5%** | |
| Halyard MD OpCo, LLC | Media | First Lien Term Loan | 8/6/2018 | 10.00% (3ML+ 8.00%) | 2.00 | 8/6/2023 | 10,415 | 10,415 | 10,415 | 0.3% | (3)(10) |
| | | | | | | | | **10,415** | **10,415** | **0.3%** | |
| HarbourView CLO VII-R, Ltd. | Structured Finance | Subordinated Structured Note | 6/5/2015 | Residual Interest, current yield 0.00% | — | 7/18/2031 | 19,025 | 12,817 | 5,814 | 0.2% | (5)(14)(17) |
| | | | | | | | | **12,817** | **5,814** | **0.2%** | |
| Help/Systems Holdings, Inc. | Software | First Lien Term Loan | 11/29/2019 | 5.75% (1ML+ 4.75%) | 1.00 | 11/19/2026 | 8,500 | 8,425 | 8,425 | 0.3% | (3)(8)(10) |
| | | Second Lien Term Loan | 11/22/2019 | 9.00% (1ML+ 8.00%) | 1.00 | 11/19/2027 | 17,500 | 17,184 | 17,184 | 0.6% | (3)(8)(10) |
| | | | | | | | | **25,609** | **25,609** | **0.9%** | |
| Inpatient Care Management Company, LLC | Health Care Providers & Services | Senior Secured Term Loan | 6/8/2016 | 9.00% (3ML+ 8.00%) | 1.00 | 6/8/2021 | 14,930 | 14,930 | 14,746 | 0.5% | (3)(10) |
| | | | | | | | | **14,930** | **14,746** | **0.5%** | |
| Jefferson Mill CLO Ltd. | Structured Finance | Subordinated Structured Note | 6/26/2015 | Residual Interest, current yield 9.08% | — | 10/20/2031 | 23,594 | 19,252 | 11,962 | 0.4% | (5)(14) |
| | | | | | | | | **19,252** | **11,962** | **0.4%** | |
| K&N Parent, Inc. | Auto Components | First Lien Term Loan | 3/3/2020 | 5.82% (6ML+ 4.75%) | 1.00 | 10/20/2023 | 1,434 | 1,244 | 1,373 | —% | (3)(8)(10) |
| | | Second Lien Term Loan | 10/28/2016 | 9.82% (6ML+ 8.75%) | 1.00 | 10/21/2024 | 25,887 | 25,532 | 23,494 | 0.8% | (3)(8)(10) |
| | | | | | | | | **26,776** | **24,867** | **0.8%** | |
| Keystone Acquisition Corp. (36) | Health Care Providers & Services | Second Lien Term Loan | 5/18/2017 | 10.25% (3ML+ 9.25%) | 1.00 | 5/1/2025 | 50,000 | 50,000 | 49,435 | 1.6% | (3)(8)(10) |
| | | | | | | | | **50,000** | **49,435** | **1.6%** | |
| LCM XIV Ltd. | Structured Finance | Subordinated Structured Note | 6/25/2013 | Residual Interest, current yield 10.41% | — | 7/21/2031 | 49,934 | 28,237 | 18,634 | 0.6% | (5)(14) |
| | | | | | | | | **28,237** | **18,634** | **0.6%** | |
| Legility, LLC | Professional Services | First Lien Term Loan | 2/28/2020 | 7.00% (3ML+ 6.00%) | 1.00 | 12/17/2025 | 774 | 759 | 764 | —% | (3)(8)(10) |
| | | First Lien Term Loan | 2/28/2020 | 7.00% (6ML+ 6.00%) | 1.00 | 12/17/2025 | 19,101 | 18,739 | 18,860 | 0.6% | (3)(8)(10) |
| | | | | | | | | **19,498** | **19,624** | **0.6%** | |
| LGC US FINCO, LLC | Machinery | First Lien Term Loan | 1/24/2020 | 7.50% (1ML+ 6.50%) | 1.00 | 12/20/2025 | 29,700 | 28,870 | 28,780 | 0.9% | (3)(8)(10) |
| | | | | | | | | **28,870** | **28,780** | **0.9%** | |
| Maverick Healthcare Equity, LLC | Health Care Providers & Services | Preferred Units (1,250,000 units) | 10/31/2007 | | — | N/A | — | — | — | —% | (16) |
| | | Class A Common Units (1,250,000 units) | 10/31/2007 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | **—** | **—** | **—%** | |

# PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
# CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
# (in thousands, except share data)

| | | | | | | | June 30, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Medusind Acquisition, Inc. (42) | Health Care Providers & Services | First Lien Term Loan | 9/30/2019 | 9.25% (3ML+ 8.00%) | 1.00 | 4/8/2024 | $ 24,387 | $ 24,074 | $ 23,800 | 0.8% | (3)(10)(45) |
| | | | | | | | | **24,074** | **23,800** | **0.8%** | |
| Mountain View CLO 2013-I Ltd. | Structured Finance | Subordinated Structured Note | 4/17/2013 | Residual Interest, current yield 2.19% | — | 10/15/2030 | 43,650 | 28,479 | 14,794 | 0.5% | (5)(14) |
| | | | | | | | | **28,479** | **14,794** | **0.5%** | |
| Mountain View CLO IX Ltd. | Structured Finance | Subordinated Structured Note | 5/13/2015 | Residual Interest, current yield 14.53% | — | 7/15/2031 | 47,830 | 29,046 | 25,909 | 0.8% | (5)(14) |
| | | | | | | | | **29,046** | **25,909** | **0.8%** | |
| Octagon Investment Partners XV, Ltd. | Structured Finance | Subordinated Structured Note | 1/24/2013 | Residual Interest, current yield 9.72% | — | 7/19/2030 | 42,064 | 32,798 | 23,572 | 0.8% | (5)(14) |
| | | | | | | | | **32,798** | **23,572** | **0.8%** | |
| Octagon Investment Partners 18-R Ltd. | Structured Finance | Subordinated Structured Note | 8/12/2015 | Residual Interest, current yield 13.38% | — | 4/16/2031 | 46,016 | 25,700 | 19,111 | 0.6% | (5)(14) |
| | | | | | | | | **25,700** | **19,111** | **0.6%** | |
| Pearl Intermediate Parent LLC | Health Care Providers & Services | Second Lien Term Loan | 2/28/2018 | 6.43% (1ML+ 6.25%) | — | 2/15/2026 | 5,000 | 4,982 | 4,943 | 0.2% | (3)(8)(10) |
| | | | | | | | | **4,982** | **4,943** | **0.2%** | |
| PeopleConnect Holdings, LLC (11) | Interactive Media & Services | Revolving Line of Credit - $8,918 Commitment | 1/22/2020 | 10.00% (1ML+ 8.25%) | 1.75 | 1/22/2025 | — | — | — | —% | (10)(15) |
| | | Delayed Draw Term Loan - $5,000 Commitment | 1/22/2020 | 10.00% (3ML+ 8.25%) | 1.75 | 1/22/2021 | — | — | — | —% | (10)(15) |
| | | Senior Secured Term Loan | 1/22/2020 | 10.00% (3ML+ 8.25%) | 1.75 | 1/22/2025 | 200,728 | 200,728 | 200,728 | 6.6% | (3)(10) |
| | | | | | | | | **200,728** | **200,728** | **6.6%** | |
| PG Dental Holdings New Jersey, LLC | Health Care Providers & Services | Delayed Draw Term Loan - $5,000 Commitment | 5/31/2019 | 10.00% (3ML+ 7.25%) | 2.75 | 5/31/2024 | 2,500 | 2,500 | 2,477 | 0.1% | (3)(10)(15) |
| | | Senior Secured Term Loan | 5/31/2019 | 10.00% (3ML+ 7.25%) | 2.75 | 5/31/2024 | 22,300 | 22,300 | 22,095 | 0.7% | (3)(10) |
| | | | | | | | | **24,800** | **24,572** | **0.8%** | |
| PlayPower, Inc. | Leisure Products | First Lien Term Loan | 5/16/2019 | 5.81% (3ML+ 5.50%) | — | 5/10/2026 | 6,341 | 6,286 | 6,087 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,286** | **6,087** | **0.2%** | |
| Research Now Group, Inc. & Survey Sampling International LLC | Professional Services | First Lien Term Loan | 1/5/2018 | 6.50% (3ML+ 5.50%) | 1.00 | 12/20/2024 | 9,750 | 9,412 | 9,651 | 0.4% | (3)(8)(10) |
| | | Second Lien Term Loan | 1/5/2018 | 10.50% (3ML+ 9.50%) | 1.00 | 12/20/2025 | 50,000 | 47,617 | 50,000 | 1.6% | (3)(8)(10) |
| | | | | | | | | **57,029** | **59,651** | **2.0%** | |
| RGIS Services, LLC | Commercial Services & Supplies | Senior Secured Term Loan | 6/25/2020 | 8.50% (3ML+ 7.50%) | 1.00 | 6/25/2025 | 8,678 | 8,678 | 8,678 | 0.3% | (8)(10) |
| | | Membership Interest (4.34%) | 6/25/2020 | | — | N/A | — | 10,303 | 9,233 | 0.3% | (16) |
| | | | | | | | | **18,981** | **17,911** | **0.6%** | |
| RME Group Holding Company | Media | Senior Secured Term Loan A | 5/4/2017 | 7.00% (3ML+ 6.00%) | 1.00 | 5/4/2022 | 27,646 | 27,646 | 27,646 | 0.9% | (3)(10) |
| | | Senior Secured Term Loan B | 5/4/2017 | 12.00% (3ML+ 11.00%) | 1.00 | 5/4/2022 | 22,349 | 22,349 | 22,349 | 0.7% | (3)(10) |
| | | | | | | | | **49,995** | **49,995** | **1.6%** | |
| Rocket Software, Inc. | Software | Second Lien Term Loan | 12/7/2018 | 9.01% (3ML+ 8.25%) | — | 11/27/2026 | 50,000 | 49,599 | 48,136 | 1.6% | (3)(8)(10) |
| | | | | | | | | **49,599** | **48,136** | **1.6%** | |
| Romark WM-R Ltd. | Structured Finance | Subordinated Structured Note | 4/11/2014 | Residual Interest, current yield 8.32% | — | 4/21/2031 | 27,725 | 22,967 | 14,374 | 0.5% | (5)(14) |
| | | | | | | | | **22,967** | **14,374** | **0.5%** | |

(in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2020 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Rosa Mexicano | Hotels, Restaurants & Leisure | Revolving Line of Credit - $500 Commitment | 3/29/2018 | 2.75% (3ML+ 1.50%) plus 6.00% PIK | 1.25 | 3/29/2023 | $ 502 | $ 502 | $ 449 | —% | (10)(15)(45) |
| | | Senior Secured Term Loan | 3/29/2018 | 2.75% (3ML+ 1.50%) plus 6.00% PIK | 1.25 | 3/29/2023 | 22,999 | 22,999 | 20,559 | 0.7% | (10)(45) |
| | | | | | | | | **23,501** | **21,008** | **0.7%** | |
| Securus Technologies Holdings, Inc. | Communications Equipment | First Lien Term Loan | 9/3/2019 | 5.50% (1ML+ 4.50%) | 1.00 | 11/1/2024 | 9,898 | 9,105 | 8,671 | 0.3% | (8)(10) |
| | | Second Lien Term Loan | 11/3/2017 | 9.25% (3ML+ 8.25%) | 1.00 | 11/1/2025 | 50,662 | 50,533 | 42,166 | 1.4% | (3)(8)(10) |
| | | | | | | | | **59,638** | **50,837** | **1.7%** | |
| SEOTownCenter, Inc. | IT Services | Senior Secured Term Loan A | 4/10/2018 | 9.50% (3ML+ 7.50%) | 2.00 | 4/7/2023 | 24,763 | 24,763 | 24,763 | 0.8% | (3)(10)(45) |
| | | Senior Secured Term Loan B | 4/10/2018 | 14.50% (3ML+ 12.50%) | 2.00 | 4/7/2023 | 19,119 | 19,119 | 19,119 | 0.6% | (3)(10)(45) |
| | | | | | | | | **43,882** | **43,882** | **1.4%** | |
| Shutterfly, Inc. | Internet & Direct Marketing Retail | First Lien Term Loan | 12/9/2019 | 7.00% (3ML+ 6.00%) | 1.00 | 9/25/2026 | 17,419 | 15,706 | 16,440 | 0.5% | (3)(8)(10) |
| | | | | | | | | **15,706** | **16,440** | **0.5%** | |
| Sorenson Communications, LLC | Diversified Telecommunication Services | First Lien Term Loan | 5/8/2019 | 6.81% (3ML+ 6.50%) | — | 4/29/2024 | 8,227 | 8,166 | 8,166 | 0.3% | (3)(8)(10) |
| | | | | | | | | **8,166** | **8,166** | **0.3%** | |
| Spectrum Holdings III Corp | Health Care Equipment & Supplies | Second Lien Term Loan | 2/13/2018 | 8.07% (6ML+ 7.00%) | 1.00 | 1/31/2026 | 7,500 | 7,474 | 5,606 | 0.2% | (3)(8)(10) |
| | | | | | | | | **7,474** | **5,606** | **0.2%** | |
| Staples, Inc. | Distributors | First Lien Term Loan | 12/3/2019 | 5.69% (3ML+ 5.00%) | — | 4/16/2026 | 8,955 | 8,873 | 8,135 | 0.3% | (3)(8)(10) |
| | | | | | | | | **8,873** | **8,135** | **0.3%** | |
| Strategic Materials | Household Durables | Second Lien Term Loan | 11/1/2017 | 8.75% (3ML+ 7.75%) | 1.00 | 11/1/2025 | 7,000 | 6,953 | 5,223 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,953** | **5,223** | **0.2%** | |
| Stryker Energy, LLC | Energy Equipment & Services | Overriding Royalty Interests | 12/4/2006 | | — | N/A | — | — | — | —% | (13) |
| | | | | | | | | **—** | **—** | **—%** | |
| Sudbury Mill CLO Ltd. | Structured Finance | Subordinated Structured Note | 11/14/2013 | Residual Interest, current yield 0.00% | — | 1/19/2026 | 28,200 | 13,875 | 2,632 | 0.1% | (5)(14)(17) |
| | | | | | | | | **13,875** | **2,632** | **0.1%** | |
| Symphony CLO XIV, Ltd. | Structured Finance | Subordinated Structured Note | 5/6/2014 | Residual Interest, current yield 0.00% | — | 7/14/2026 | 49,250 | 29,171 | 13,608 | 0.4% | (5)(14)(17) |
| | | | | | | | | **29,171** | **13,608** | **0.4%** | |
| Symphony CLO XV, Ltd. | Structured Finance | Subordinated Structured Note | 10/17/2014 | Residual Interest, current yield 3.91% | — | 1/19/2032 | 63,831 | 43,104 | 20,287 | 0.7% | (5)(14) |
| | | | | | | | | **43,104** | **20,287** | **0.7%** | |
| TGP HOLDINGS III LLC | Household Durables | Second Lien Term Loan | 10/3/2017 | 9.50% (3ML+ 8.50%) | 1.00 | 9/25/2025 | 3,000 | 2,971 | 3,000 | 0.1% | (8)(10) |
| | | | | | | | | **2,971** | **3,000** | **0.1%** | |
| The Octave Music Group, Inc. (f/k/a Touchtunes Interactive Networks, Inc.) | Entertainment | First Lien Term Loan | 3/6/2020 | 6.25% (3ML+ 5.25%) plus 0.75% PIK | 1.00 | 5/29/2025 | 38,912 | 38,544 | 36,910 | 1.2% | (8)(10)(45) |
| | | | | | | | | **38,544** | **36,910** | **1.2%** | |
| Town & Country Holdings, Inc. | Distributors | First Lien Term Loan | 1/26/2018 | 8.81% (3ML+ 8.50%) | — | 1/26/2023 | 163,980 | 163,980 | 160,830 | 5.3% | (3)(10)(45) |
| | | | | | | | | **163,980** | **160,830** | **5.3%** | |

# PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
# CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
# (in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(44) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2020 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Transplace Holdings, Inc. | Transportation Infrastructure | Second Lien Term Loan | 10/16/2017 | 9.82% (6ML+ 8.75%) | 1.00 | 10/6/2025 | $ 28,104 | $ 27,662 | $ 27,662 | 0.9% | (3)(8)(10) |
| | | | | | | | | **27,662** | **27,662** | **0.9%** | |
| United Sporting Companies, Inc. (18) | Distributors | Second Lien Term Loan | 9/28/2012 | 12.75% (1ML+ 11.00%) plus 2.00% PIK | 1.75 | 11/16/2019 | 147,470 | 105,478 | 6,966 | 0.2% | (9)(10) |
| | | | | | | | | **105,478** | **6,966** | **0.2%** | |
| Universal Fiber Systems, LLC | Textiles, Apparel & Luxury Goods | Second Lien Term Loan | 10/16/2015 | 10.50% (1ML+ 9.50%) | 1.00 | 10/2/2022 | 37,000 | 36,762 | 35,363 | 1.2% | (3)(8)(10) |
| | | | | | | | | **36,762** | **35,363** | **1.2%** | |
| Upstream Newco, Inc. | Health Care Providers & Services | First Lien Term Loan | 12/2/2019 | 4.68% (1ML+ 4.50%) | — | 11/20/2026 | 8,229 | 8,192 | 7,802 | 0.3% | (3)(8)(10) |
| | | Second Lien Term Loan | 12/2/2019 | 9.57% (6ML+ 8.50%) | — | 11/20/2027 | 22,000 | 21,810 | 22,000 | 0.7% | (3)(8)(10) |
| | | | | | | | | **30,002** | **29,802** | **1.0%** | |
| USG Intermediate, LLC | Leisure Products | Revolving Line of Credit - $1,000 Commitment | 4/15/2015 | 10.25% (1ML+ 9.25%) | 1.00 | 8/24/2020 | 1,000 | 1,000 | 1,000 | —% | (10)(15) |
| | | Senior Secured Term Loan B | 4/15/2015 | 12.75% (1ML+ 11.75%) | 1.00 | 8/24/2022 | 17,232 | 17,232 | 17,232 | 0.6% | (3)(10) |
| | | Equity | 4/15/2015 | | — | N/A | — | 1 | — | —% | (16) |
| | | | | | | | | **18,233** | **18,232** | **0.6%** | |
| Venio LLC | Professional Services | Second Lien Term Loan | 2/19/2014 | 4.00% plus 10.00% PIK (3ML + 7.50%) | 2.50 | 2/19/2020 | 27,637 | 27,637 | 27,267 | 0.9% | (10)(45) |
| | | | | | | | | **27,637** | **27,267** | **0.9%** | |
| Versant Health Holdco, Inc. (f/k/a Wink Holdco, Inc.) | Insurance | Second Lien Term Loan | 12/12/2017 | 7.75% (3ML+ 6.75%) | 1.00 | 12/1/2025 | 3,000 | 2,990 | 2,938 | 0.1% | (3)(8)(10) |
| | | | | | | | | **2,990** | **2,938** | **0.1%** | |
| Voya CLO 2012-4, Ltd. | Structured Finance | Subordinated Structured Note | 11/5/2012 | Residual Interest, current yield 7.00% | — | 10/15/2030 | 40,613 | 29,996 | 22,509 | 0.7% | (5)(14) |
| | | | | | | | | **29,996** | **22,509** | **0.7%** | |
| Voya CLO 2014-1, Ltd. | Structured Finance | Subordinated Structured Note | 2/5/2014 | Residual Interest, current yield 4.39% | — | 4/18/2031 | 40,773 | 30,303 | 17,668 | 0.6% | (5)(14) |
| | | | | | | | | **30,303** | **17,668** | **0.6%** | |
| Voya CLO 2016-3, Ltd. | Structured Finance | Subordinated Structured Note | 9/30/2016 | Residual Interest, current yield 8.35% | — | 10/20/2031 | 28,100 | 26,253 | 18,680 | 0.6% | (5)(14) |
| | | | | | | | | **26,253** | **18,680** | **0.6%** | |
| Voya CLO 2017-3, Ltd. | Structured Finance | Subordinated Structured Note | 6/13/2017 | Residual Interest, current yield 9.24% | — | 7/22/2030 | 44,885 | 49,645 | 37,860 | 1.2% | (5)(14) |
| | | | | | | | | **49,645** | **37,860** | **1.2%** | |
| VT Topco, Inc. | Commercial Services & Supplies | Second Lien Term Loan | 8/23/2018 | 7.18% (1ML+ 7.00%) | — | 8/17/2026 | 7,000 | 6,973 | 6,662 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,973** | **6,662** | **0.2%** | |
| | | | | | | | **Total Non-Control/Non-Affiliate Investments (Level 3)** | **$ 3,332,509** | **$ 2,785,499** | **91.2%** | |
| | | | | | | | **Total Portfolio Investments (Level 3)** | **$ 5,782,718** | **$ 5,232,328** | **171.3%** | |

See notes to consolidated financial statements.

(in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | |
| **Control Investments (greater than 25.00% voting control)(48)** | | | | | | | | | | |
| CP Energy Services Inc. (20) | Energy Equipment & Services | Senior Secured Term Loan | 10/1/2017 | 13.60% (3ML + 11.00%) | 1.00 | 12/29/2022 | $ 35,048 | $ 35,048 | $ 35,048 | 1.1% (10) |
| | | Senior Secured Term Loan A to Spartan Energy Services, LLC | 10/20/2014 | 10.44% (1ML + 8.00%) | 1.00 | 12/2/2019 | 13,156 | 13,156 | 13,156 | 0.4% (10) |
| | | Senior Secured Term Loan B to Spartan Energy Services, LLC | 10/20/2014 | 16.44% PIK (1ML + 14.00%) | 1.00 | 12/2/2019 | 21,243 | 21,243 | 21,243 | 0.6% (10)(45) |
| | | Series B Convertible Preferred Stock (790 shares) | 10/30/2015 | 16.00% | — | N/A | — | 63,225 | 63,225 | 1.9% (16) |
| | | Common Stock (102,924 shares) | 8/2/2013 | | — | N/A | — | 81,203 | 6,259 | 0.2% (16) |
| | | | | | | | | **213,875** | **138,931** | **4.2%** |
| Credit Central Loan Company, LLC(21) | Consumer Finance | Subordinated Term Loan | 12/28/2012 | 10.00% plus 10.00% PIK | — | 6/26/2024 | 55,899 | 52,579 | 55,899 | 1.7% (14)(45) |
| | | Class A Units | 12/28/2012 | | — | N/A | — | 13,731 | 15,518 | 0.5% (14)(16) |
| | | Net Revenues Interest (25% of Net Revenues) | 1/28/2015 | | — | N/A | — | — | — | —% (14)(16) |
| | | | | | | | | **66,310** | **71,417** | **2.2%** |
| Echelon Transportation, LLC | Aerospace & Defense | Senior Secured Term Loan | 3/31/2014 | 12.25% (1ML+ 9.75%) plus 2.25% PIK | 2.00 | 3/31/2022 | 36,778 | 36,778 | 36,778 | 1.1% (10)(45) |
| | | Senior Secured Term Loan | 12/9/2016 | 11.50% (1ML + 9.00%) plus 1.00% PIK | 2.00 | 12/7/2024 | 18,063 | 18,063 | 18,063 | 0.5% (10)(45) |
| | | Membership Interest (100%) | 3/31/2014 | | — | N/A | — | 22,738 | 34,860 | 1.1% (16) |
| | | | | | | | | **77,579** | **89,701** | **2.7%** |
| First Tower Finance Company LLC(23) | Consumer Finance | Subordinated Term Loan to First Tower, LLC | 6/24/2014 | 10.00% plus 10.50% PIK | — | 6/24/2024 | 277,411 | 277,411 | 277,411 | 8.4% (14)(45) |
| | | Class A Units (95,709,910 units) | 6/24/2014 | | — | N/A | — | 81,146 | 216,625 | 6.6% (14)(16) |
| | | | | | | | | **358,557** | **494,036** | **15.0%** |
| Freedom Marine Solutions, LLC(24) | Energy Equipment & Services | Membership Interest (100%) | 11/9/2006 | | | N/A | — | 43,892 | 14,920 | 0.5% (16) |
| | | | | | | | | **43,892** | **14,920** | **0.5%** |
| InterDent, Inc.(29) | Health Care Providers & Services | Senior Secured Term Loan A/B | 8/1/2018 | 2.66% (1ML + 0.25%) | 0.75 | 9/5/2020 | 14,000 | 14,000 | 14,000 | 0.4% (10) |
| | | Senior Secured Term Loan A | 8/3/2012 | 7.91% (1ML + 5.50%) | 0.75 | 9/5/2020 | 77,994 | 77,994 | 77,994 | 2.4% (10) |
| | | Senior Secured Term Loan B | 8/3/2012 | 16.00% PIK | — | 9/5/2020 | 116,111 | 116,111 | 116,111 | 3.5% (45) |
| | | Senior Secured Term Loan C | 3/22/2018 | 18.00% PIK | — | 9/5/2020 | 40,873 | 35,766 | 16,771 | 0.5% (9) |
| | | Senior Secured Term Loan D | 9/19/2018 | 1.00% PIK | — | 9/5/2020 | 5,039 | 5,001 | — | —% (9) |
| | | Common Stock (99,900 shares) | 5/3/2019 | | — | N/A | | 1 | — | —% (16) |
| | | | | | | | | **248,873** | **224,876** | **6.8%** |
| MITY, Inc.(25) | Commercial Services & Supplies | Senior Secured Note A | 9/19/2013 | 10.00% (3ML + 7.00%) | 3.00 | 1/30/2020 | 26,250 | 26,250 | 26,250 | 0.8% (3)(10) |
| | | Senior Secured Note B | 6/23/2014 | 10.00% (3ML + 7.00%) plus 10.00% PIK | 3.00 | 6/30/2020 | 29,586 | 29,586 | 20,652 | 0.6% (3)(10)(45) |
| | | Subordinated Unsecured Note to Broda Enterprises ULC | 9/19/2013 | 10.00% | — | 1/1/2028 | 5,635 | 6,915 | — | —% (14) |
| | | Common Stock (42,053 shares) | 9/19/2013 | | — | N/A | | 6,849 | — | —% (16) |
| | | | | | | | | **69,600** | **46,902** | **1.4%** |

See notes to consolidated financial statements.

(in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Control Investments (greater than 25.00% voting control)(48)** | | | | | | | | | | | |
| National Property REIT Corp.(26) | Equity Real Estate Investment Trusts (REITs) / Online Lending / Structured Finance | Senior Secured Term Loan A | 12/31/2018 | 6.50% (3ML + 3.50%) plus 5.00% PIK | 3.00 | 12/31/2023 | $ 433,553 | $ 433,553 | $ 433,553 | 13.1% | (10)(45) |
| | | Senior Secured Term Loan B | 12/31/2018 | 5.00% (3ML + 2.00%) plus 5.50% PIK | 3.00 | 12/31/2023 | 172,000 | 172,000 | 172,000 | 5.2% | (10)(45) |
| | | Residual Profit Interest (25% of Residual Profit) | 12/31/2018 | | — | N/A | | — | 96,609 | 2.9% | |
| | | Common Stock (3,110,101 shares) | 12/31/2013 | | — | N/A | | 163836 | 302,303 | 9.2% | |
| | | | | | | | | **769,389** | **1,004,465** | **30.4%** | |
| Nationwide Loan Company LLC(27) | Consumer Finance | Senior Subordinated Term Loan to Nationwide Acceptance LLC | 6/18/2014 | 10.00% plus 10.00% PIK | — | 6/18/2020 | 18,616 | 18,616 | 18,616 | 0.6% | (14)(45) |
| | | Class A Units (32,456,159 units) | 1/31/2013 | | — | N/A | | 21,962 | 14,359 | 0.4% | (14) |
| | | | | | | | | **40,578** | **32,975** | **1.0%** | |
| NMMB, Inc.(28) | Media | Senior Secured Note | 5/6/2011 | 14.00% | — | 5/6/2021 | 3,114 | 3,114 | 3,114 | 0.1% | (3) |
| | | Series A Preferred Stock (7,200 shares) | 5/6/2011 | | — | N/A | | 7,200 | 11,788 | 0.3% | (16) |
| | | Series B Preferred Stock (5,669 shares) | 5/6/2011 | | — | N/A | | 5,669 | 9,281 | 0.3% | (16) |
| | | | | | | | | **15,983** | **24,183** | **0.7%** | |
| Pacific World Corporation(39) | Personal Products | Revolving Line of Credit - $26,000 Commitment | 9/26/2014 | 9.66% (1ML + 7.25%) | 1.00 | 9/26/2020 | 20,825 | 20,469 | 20,825 | 0.6% | (10)(15) |
| | | Senior Secured Term Loan A | 12/31/2014 | 7.66% PIK (1ML + 5.25%) | 1.00 | 9/26/2020 | 101,186 | 96,000 | 91,602 | 2.8% | (9)(10) |
| | | Senior Secured Term Loan B | 12/31/2014 | 11.66% PIK (1ML + 9.25%) | 1.00 | 9/26/2020 | 110,116 | 96,500 | — | —% | (9)(10) |
| | | Convertible Preferred Equity (166,666 shares) | 6/15/2018 | | — | N/A | | 25,000 | — | —% | (16) |
| | | Common Stock (6,778,414 shares) | 9/29/2017 | | — | N/A | | — | — | —% | (16) |
| | | | | | | | | **237,969** | **112,427** | **3.4%** | |
| R-V Industries, Inc. | Machinery | Senior Subordinated Note | 6/12/2013 | 11.32% (3ML + 9.00%) | 1.00 | 3/31/2022 | 28,622 | 28,622 | 28,622 | 0.9% | (3)(10) |
| | | Common Stock (745,107 shares) | 6/26/2007 | | — | N/A | | 6,866 | 5,002 | 0.1% | (16) |
| | | | | | | | | **35,488** | **33,624** | **1.0%** | |
| Universal Turbine Parts, LLC(34) | Trading Companies & Distributors | Delayed Draw Term Loan - $5,000 Commitment | 2/28/2019 | 10.25% (1ML + 7.75%) | 2.50 | 9/30/2020 | — | — | — | —% | (10)(15) |
| | | Senior Secured Term Loan A | 7/22/2016 | 8.36% (3ML + 5.75%) | 1.00 | 7/22/2021 | 30,713 | 30,713 | 28,043 | 0.8% | (10) |
| | | Senior Secured Term Loan B | 7/22/2016 | 14.36% PIK (3ML + 11.75%) | 1.00 | 7/22/2021 | 36,144 | 32,500 | — | —% | (9)(10) |
| | | Common Stock (10,000 units) | 12/10/2018 | | — | N/A | | — | — | —% | (16) |
| | | | | | | | | **63,213** | **28,043** | **0.8%** | |
| USES Corp.(30) | Commercial Services & Supplies | Senior Secured Term Loan A | 3/31/2014 | 9.00% PIK | — | 7/22/2020 | 44,134 | 35,101 | 15,725 | 0.5% | (9) |
| | | Senior Secured Term Loan B | 3/31/2014 | 15.50% PIK | — | 7/22/2020 | 55,955 | 35,568 | — | —% | (9) |
| | | Common Stock (268,962 shares) | 6/15/2016 | | — | N/A | | — | — | —% | (16) |
| | | | | | | | | **70,669** | **15,725** | **0.5%** | |
| Valley Electric Company, Inc.(31) | Construction & Engineering | Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. | 12/31/2012 | 8.00% (3ML + 5.00%) plus 2.50% PIK | 3.00 | 12/31/2024 | 10,430 | 10,430 | 10,430 | 0.3% | (3)(10)(45) |
| | | Senior Secured Note | 6/24/2014 | 8.00% plus 10.00% PIK | — | 6/23/2024 | 33,301 | 33,301 | 33,301 | 1.0% | (45) |
| | | Consolidated Revenue Interest (2.0%) | 6/22/2018 | | — | N/A | | — | 3,032 | 0.1% | (12) |
| | | Common Stock (50,000 shares) | 12/31/2012 | | — | N/A | | 26,204 | 96,922 | 2.9% | |
| | | | | | | | | **69,935** | **143,685** | **4.3%** | |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)**
**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | June 30, 2019 | | | | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Control Investments (greater than 25.00% voting control)(48)** | | | | | | | | | | | |
| Wolf Energy, LLC(32) | Energy Equipment & Services | Membership Interest (100%) | 7/1/2014 | | — | N/A | | $ — | $ — | —% | |
| | | Membership Interest in Wolf Energy Services Company, LLC (100%) | 3/14/2017 | | — | N/A | | 3,896 | — | —% | |
| | | Net Profits Interest (8% of Equity Distributions) | 4/15/2013 | | — | N/A | | — | 14 | —% | (4)(16) |
| | | | | | | | | **3,896** | **14** | **—%** | |
| | | | | | | **Total Control Investments (Level 3)** | | **$ 2,385,806** | **$ 2,475,924** | **74.9%** | |

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)**
**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Affiliate Investments (5.00% to 24.99% voting control)(49)** | | | | | | | | | | | |
| Edmentum Ultimate Holdings, LLC(22) | Diversified Consumer Services | Second Lien Revolving Credit Facility to Edmentum, Inc. - $7,834 Commitment | 6/9/2015 | 5.00% PIK | — | 12/9/2021 | $ 8,159 | $ 8,159 | $ 8,159 | 0.2% | (15)(45) |
| | | Unsecured Senior PIK Note | 6/9/2015 | 8.50% PIK | — | 12/9/2021 | 8,189 | 8,189 | 8,189 | 0.2% | (45) |
| | | Unsecured Junior PIK Note | 6/9/2015 | 10.00% PIK | — | 12/9/2021 | 38,936 | 23,829 | 24,869 | 0.8% | (9) |
| | | Class A Units (370,964 units) | 6/9/2015 | | — | N/A | — | 6,577 | — | —% | (16) |
| | | | | | | | | **46,754** | **41,217** | **1.2%** | |
| Nixon, Inc.(38) | Textiles, Apparel & Luxury Goods | Common Stock (857 units) | 5/12/2017 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | — | — | **—%** | |
| Targus Cayman HoldCo Limited(33) | Textiles, Apparel & Luxury Goods | Common Stock (7,383,395 shares) | 5/24/2011 | | — | N/A | — | 3,771 | 16,599 | 0.5% | |
| | | | | | | | | **3,771** | **16,599** | **0.5%** | |
| United Sporting Companies, Inc.(18) | Distributors | Second Lien Term Loan | 9/28/2012 | 13.40% (1ML + 11.00%) plus 2.00% PIK | 1.75 | 11/16/2019 | 168,052 | 127,091 | 18,866 | 0.6% | (9)(10) |
| | | Common Stock (218,941 shares) | 5/2/2017 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | **127,091** | **18,866** | **0.6%** | |
| | | | | | | **Total Affiliate Investments (Level 3)** | | **$ 177,616** | **$ 76,682** | **2.3%** | |

See notes to consolidated financial statements.

(in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| 8TH Avenue Food & Provisions, Inc. | Food Products | Second Lien Term Loan | 10/10/2018 | 10.17% (1ML + 7.75%) | — | 10/1/2026 | $ 25,000 | $ 24,829 | $ 24,829 | 0.8% | (3)(8)(10) |
| | | | | | | | | **24,829** | **24,829** | **0.8%** | |
| ACE Cash Express, Inc. | Consumer Finance | Senior Secured Note | 12/15/2017 | 12.00% | — | 12/15/2022 | 23,000 | 22,333 | 20,555 | 0.6% | (8)(14) |
| | | | | | | | | **22,333** | **20,555** | **0.6%** | |
| AgaMatrix, Inc. | Health Care Equipment & Supplies | Senior Secured Term Loan | 9/29/2017 | 11.33% (3ML + 9.00%) | 1.25 | 9/29/2022 | 33,673 | 33,673 | 34,010 | 1.0% | (3)(10) |
| | | | | | | | | **33,673** | **34,010** | **1.0%** | |
| AmeriLife Group, LLC | Insurance | Second Lien Term Loan | 6/24/2019 | 11.40% (1ML + 9.00%) | — | 6/11/2027 | 10,000 | 10,000 | 10,000 | 0.3% | (8)(10) |
| | | | | | | | | **10,000** | **10,000** | **0.3%** | |
| Apidos CLO IX | Structured Finance | Subordinated Structured Note | 6/14/2012 | Residual Interest, current yield 0.00% | — | 7/15/2023 | 23,525 | 21 | 26 | —% | (5)(14)(17) |
| | | | | | | | | **21** | **26** | **—%** | |
| Apidos CLO XI | Structured Finance | Subordinated Structured Note | 12/6/2012 | Residual Interest, current yield 9.96% | — | 10/17/2028 | 40,500 | 33,572 | 27,982 | 0.8% | (5)(14) |
| | | | | | | | | **33,572** | **27,982** | **0.8%** | |
| Apidos CLO XII | Structured Finance | Subordinated Structured Note | 3/15/2013 | Residual Interest, current yield 15.45% | — | 4/15/2031 | 52,203 | 36,307 | 29,123 | 0.9% | (5)(14) |
| | | | | | | | | **36,307** | **29,123** | **0.9%** | |
| Apidos CLO XV | Structured Finance | Subordinated Structured Note | 9/13/2013 | Residual Interest, current yield 14.77% | — | 4/21/2031 | 48,515 | 37,777 | 29,018 | 0.9% | (5)(14) |
| | | | | | | | | **37,777** | **29,018** | **0.9%** | |
| Apidos CLO XXII | Structured Finance | Subordinated Structured Note | 9/16/2015 | Residual Interest, current yield 9.95% | — | 10/20/2027 | 31,350 | 28,691 | 24,948 | 0.8% | (5)(14) |
| | | | | | | | | **28,691** | **24,948** | **0.8%** | |
| Ark-La-Tex Wireline Services, LLC | Energy Equipment & Services | Escrow Receivable | 4/8/2014 | | — | N/A | | — | — | —% | |
| | | | | | | | | **—** | **—** | **—%** | |
| Atlantis Health Care Group (Puerto Rico), Inc. | Health Care Providers & Services | Revolving Line of Credit - $6,000 Commitment | 2/21/2013 | 11.34% (3ML + 8.75%) | 2.00 | 2/21/2020 | 4,000 | 4,000 | 3,955 | 0.1% | (10)(15) |
| | | Senior Term Loan | 2/21/2013 | 11.34% (3ML + 8.75%) | 2.00 | 2/21/2020 | 74,327 | 74,327 | 73,495 | 2.2% | (3)(10) |
| | | | | | | | | **78,327** | **77,450** | **2.3%** | |
| Barings CLO 2018-III | Structured Finance | Subordinated Structured Note | 10/9/2014 | Residual Interest, current yield 12.58% | — | 7/20/2029 | 83,098 | 51,040 | 39,031 | 1.2% | (5)(14) |
| | | | | | | | | **51,040** | **39,031** | **1.2%** | |
| Broder Bros., Co. | Textiles, Apparel & Luxury Goods | Senior Secured Note | 12/4/2017 | 10.83% (3ML + 8.50%) | 1.25 | 12/2/2022 | 190,678 | 190,678 | 189,725 | 5.7% | (3)(10) |
| | | | | | | | | **190,678** | **189,725** | **5.7%** | |
| Brookside Mill CLO Ltd. | Structured Finance | Subordinated Structured Note | 4/25/2013 | Residual Interest, current yield 8.36% | — | 1/17/2028 | 36,300 | 18,560 | 13,611 | 0.4% | (5)(14) |
| | | | | | | | | **18,560** | **13,611** | **0.4%** | |
| California Street CLO IX Ltd. | Structured Finance | Subordinated Structured Note | 4/19/2012 | Residual Interest, current yield 10.96% | — | 10/16/2028 | 58,915 | 41,808 | 34,672 | 1.0% | (5)(14) |
| | | | | | | | | **41,808** | **34,672** | **1.0%** | |
| Candle-Lite Company, LLC | Household Products | Senior Secured Term Loan A | 1/23/2018 | 8.03% (3ML + 5.50%) | 1.25 | 1/23/2023 | 12,188 | 12,188 | 12,188 | 0.4% | (3)(10) |
| | | Senior Secured Term Loan B | 1/23/2018 | 12.03% (3ML + 9.50%) | 1.25 | 1/23/2023 | 12,500 | 12,500 | 12,500 | 0.4% | (3)(10) |
| | | | | | | | | **24,688** | **24,688** | **0.8%** | |
| Capstone Logistics Acquisition, Inc. | Commercial Services & Supplies | Second Lien Term Loan | 10/7/2014 | 10.65% (1ML + 8.25%) | 1.00 | 10/7/2022 | 98,982 | 98,705 | 98,982 | 3.0% | (3)(8)(10) |
| | | | | | | | | **98,705** | **98,982** | **3.0%** | |

See notes to consolidated financial statements.

(in thousands, except share data)

| | | | | | | | June 30, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Carlyle C17 CLO Limited | Structured Finance | Subordinated Structured Note | 1/24/2013 | Residual Interest, current yield 20.73% | — | 4/30/2031 | $ 24,870 | $ 14,748 | $ 12,920 | 0.4% | (5)(14) |
| | | | | | | | | **14,748** | **12,920** | **0.4%** | |
| Carlyle Global Market Strategies CLO 2014-4-R, Ltd. | Structured Finance | Subordinated Structured Note | 4/7/2017 | Residual Interest, current yield 21.84% | — | 7/15/2030 | 25,534 | 17,282 | 18,293 | 0.6% | (5)(14) |
| | | | | | | | | **17,282** | **18,293** | **0.6%** | |
| Carlyle Global Market Strategies CLO 2016-3, Ltd. | Structured Finance | Subordinated Structured Note | 8/9/2016 | Residual Interest, current yield 15.47% | — | 10/20/2029 | 32,200 | 33,812 | 27,918 | 0.8% | (5)(14) |
| | | | | | | | | **33,812** | **27,918** | **0.8%** | |
| CCPI Inc.(19) | Electronic Equipment, Instruments & Components | Escrow Receivable | 2/28/2019 | | — | N/A | — | — | 2,239 | 0.1% | |
| | | | | | | | | **—** | **2,239** | **0.1%** | |
| CCS-CMGC Holdings, Inc. | Health Care Providers & Services | First Lien Term Loan | 5/23/2019 | 7.90% (1ML + 5.50%) | — | 10/1/2025 | 4,987 | 4,865 | 4,865 | 0.2% | (3)(8)(10) |
| | | Second Lien Term Loan | 10/12/2018 | 11.40% (1ML + 9.00%) | — | 10/1/2026 | 35,000 | 34,362 | 34,362 | 1.0% | (3)(8)(10) |
| | | | | | | | | **39,227** | **39,227** | **1.2%** | |
| Cent CLO 21 Limited | Structured Finance | Subordinated Structured Note | 5/15/2014 | Residual Interest, current yield 13.77% | — | 7/27/2030 | 49,552 | 38,392 | 29,335 | 0.9% | (5)(14) |
| | | | | | | | | **38,392** | **29,335** | **0.9%** | |
| Cent CLO 21 Limited | Structured Finance | Rated Secured Structured Note - Class E | 7/12/2018 | 11.23% (3ML + 8.65%) | — | 7/27/2030 | 10,591 | 9,997 | 10,569 | 0.3% | (6)(10)(14) |
| | | | | | | | | **9,997** | **10,569** | **0.3%** | |
| Centerfield Media Holding Company(35) | IT Services | Senior Secured Term Loan A | 1/17/2017 | 9.60% (3ML + 7.00%) | 2.00 | 1/17/2022 | 73,474 | 73,474 | 73,474 | 2.2% | (3)(10) |
| | | Senior Secured Term Loan B | 1/17/2017 | 15.10% (3ML + 12.50%) | 2.00 | 1/17/2022 | 78,100 | 78,100 | 78,100 | 2.4% | (10) |
| | | | | | | | | **151,574** | **151,574** | **4.6%** | |
| CIFC Funding 2013-III-R, Ltd. | Structured Finance | Subordinated Structured Note | 8/2/2013 | Residual Interest, current yield 14.98% | — | 4/24/2031 | 44,100 | 29,748 | 25,748 | 0.8% | (5)(14) |
| | | | | | | | | **29,748** | **25,748** | **0.8%** | |
| CIFC Funding 2013-IV, Ltd. | Structured Finance | Subordinated Structured Note | 10/22/2013 | Residual Interest, current yield 16.76% | — | 4/28/2031 | 45,500 | 32,654 | 28,569 | 0.9% | (5)(14) |
| | | | | | | | | **32,654** | **28,569** | **0.9%** | |
| CIFC Funding 2014-IV-R, Ltd. | Structured Finance | Subordinated Structured Note | 8/5/2014 | Residual Interest, current yield 14.92% | — | 10/17/2030 | 44,467 | 30,860 | 24,709 | 0.7% | (5)(14) |
| | | | | | | | | **30,860** | **24,709** | **0.7%** | |
| CIFC Funding 2014-V, Ltd. | Structured Finance | Rated Secured Structured Note - Class F | 9/17/2018 | 11.09% (3ML + 8.50%) | — | 10/17/2031 | 10,250 | 9,958 | 10,248 | 0.3% | (6)(10)(14) |
| | | | | | | | | **9,958** | **10,248** | **0.3%** | |
| CIFC Funding 2016-I, Ltd. | Structured Finance | Subordinated Structured Note | 12/9/2016 | Residual Interest, current yield 14.63% | — | 10/21/2028 | 34,000 | 31,333 | 29,989 | 0.9% | (5)(14) |
| | | | | | | | | **31,333** | **29,989** | **0.9%** | |
| Cinedigm DC Holdings, LLC | Entertainment | Senior Secured Term Loan | 2/28/2013 | 11.53% (3ML + 9.00%) | 2.00 | 3/31/2021 | 16,178 | 16,128 | 16,178 | 0.5% | (10)(45) |
| | | | | | | | | **16,128** | **16,178** | **0.5%** | |
| Class Valuation, LLC (f/k/a Class Appraisal, LLC) | Real Estate Management & Development | Revolving Line of Credit - $1,500 Commitment | 3/12/2018 | 10.58% (3ML + 8.25%) | 1.50 | 3/12/2020 | — | — | — | —% | (10)(15) |
| | | Senior Secured Term Loan | 3/12/2018 | 10.58% (3ML + 8.25%) | 1.50 | 3/10/2023 | 38,852 | 38,852 | 38,852 | 1.2% | (3)(10) |
| | | | | | | | | **38,852** | **38,852** | **1.2%** | |
| Columbia Cent CLO 27 Limited | Structured Finance | Rated Secured Structured Note - Class E | 10/11/2018 | 10.87% (3ML + 8.29%) | — | 10/25/2028 | 7,450 | 7,235 | 7,436 | 0.2% | (6)(10)(14) |
| | | | | | | | | **7,235** | **7,436** | **0.2%** | |

(in thousands, except share data)

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Columbia Cent CLO 27 Limited | Structured Finance | Subordinated Structured Note | 12/18/2013 | Residual Interest, current yield 16.18% | — | 10/25/2028 | $ 40,275 | $ 22,206 | $ 23,808 | 0.7% | (5)(14) |
| | | | | | | | | **22,206** | **23,808** | **0.7%** | |
| Coverall North America, Inc. | Commercial Services & Supplies | Senior Secured Term Loan A | 11/2/2015 | 8.60% (3ML + 6.00%) | 1.00 | 11/2/2020 | 8,475 | 8,475 | 8,475 | 0.3% | (3)(10) |
| | | Senior Secured Term Loan B | 11/2/2015 | 13.60% (3M; + 11.00%) | 1.00 | 11/2/2020 | 23,375 | 23,375 | 23,375 | 0.7% | (3)(10) |
| | | | | | | | | **31,850** | **31,850** | **1.0%** | |
| CP VI Bella Midco | IT Services | Second Lien Term Loan | 12/28/2017 | 9.15% (1ML + 6.75%) | — | 12/29/2025 | 15,750 | 15,703 | 15,703 | 0.5% | (3)(8)(10) |
| | | | | | | | | **15,703** | **15,703** | **0.5%** | |
| Digital Room, LLC | Commercial Services & Supplies | First Lien Term Loan | 5/29/2019 | 7.40% (1ML + 5.00%) | — | 5/21/2026 | 10,000 | 9,852 | 10,000 | 0.3% | (3)(8)(10) |
| | | Second Lien Term Loan | 5/30/2019 | 11.40% (1ML + 9.00%) | — | 5/21/2027 | 70,000 | 70,000 | 70,000 | 2.1% | (3)(8)(10) |
| | | | | | | | | **79,852** | **80,000** | **2.4%** | |
| Dunn Paper, Inc. | Paper & Forest Products | Second Lien Term Loan | 10/7/2016 | 11.15% (1ML + 8.75%) | 1.00 | 8/26/2023 | 11,500 | 11,361 | 11,500 | 0.3% | (3)(8)(10) |
| | | | | | | | | **11,361** | **11,500** | **0.3%** | |
| Dynatrace, LLC | Software | Second Lien Term Loan | 8/31/2018 | 9.40% (1ML + 7.00%) | — | 8/23/2026 | 2,735 | 2,729 | 2,735 | 0.1% | (3)(8)(10) |
| | | | | | | | | **2,729** | **2,735** | **0.1%** | |
| Easy Gardener Products, Inc. | Household Durables | Senior Secured Term Loan | 10/2/2015 | 12.60% (3ML + 10.00%) | 0.25 | 9/30/2020 | 15,888 | 15,888 | 10,252 | 0.3% | (3)(10) |
| | | | | | | | | **15,888** | **10,252** | **0.3%** | |
| Engine Group, Inc.(7) | Media | Senior Secured Term Loan | 9/25/2017 | 7.33% (3ML + 5.00%) | 1.00 | 9/15/2022 | 4,334 | 4,334 | 3,921 | 0.1% | (8)(10) |
| | | Second Lien Term Loan | 9/25/2017 | 11.33% (3ML + 9.00%) | 1.00 | 9/15/2023 | 35,000 | 35,000 | 30,580 | 0.9% | (3)(8)(10) |
| | | | | | | | | **39,334** | **34,501** | **1.0%** | |
| EXC Holdings III Corp | Technology Hardware, Storage & Peripherals | Second Lien Term Loan | 12/5/2017 | 10.10% (3ML + 7.50%) | 1.00 | 12/1/2025 | 12,500 | 12,400 | 12,400 | 0.4% | (3)(8)(10) |
| | | | | | | | | **12,400** | **12,400** | **0.4%** | |
| Galaxy XV CLO, Ltd. | Structured Finance | Subordinated Structured Note | 2/13/2013 | Residual Interest, current yield 12.11% | — | 10/15/2030 | 50,525 | 36,037 | 28,398 | 0.9% | (5)(14) |
| | | | | | | | | **36,037** | **28,398** | **0.9%** | |
| Galaxy XXVII CLO, Ltd. | Structured Finance | Subordinated Structured Note | 9/30/2013 | Residual Interest, current yield 9.63% | — | 5/16/2031 | 24,575 | 16,644 | 12,275 | 0.4% | (5)(14) |
| | | | | | | | | **16,644** | **12,275** | **0.4%** | |
| Galaxy XXVIII CLO, Ltd. | Structured Finance | Rated Secured Structured Note - Class F | 6/29/2018 | 11.08% (3ML + 8.48%) | — | 7/15/2031 | 6,658 | 6,188 | 6,648 | 0.2% | (6)(10)(14) |
| | | | | | | | | **6,188** | **6,648** | **0.2%** | |
| Galaxy XXVIII CLO, Ltd. | Structured Finance | Subordinated Structured Note | 5/30/2014 | Residual Interest, current yield 10.33% | — | 7/15/2031 | 39,905 | 29,850 | 19,976 | 0.6% | (5)(14) |
| | | | | | | | | **29,850** | **19,976** | **0.6%** | |
| Global Tel*Link Corporation | Diversified Telecommunication Services | Second Lien Term Loan | 12/4/2018 | 10.65% (1ML + 8.25%) | — | 11/29/2026 | 26,750 | 26,311 | 26,311 | 0.8% | (3)(8)(10) |
| | | | | | | | | **26,311** | **26,311** | **0.8%** | |
| GlobalTranz Enterprises, Inc. | Air Freight & Logistics | Second Lien Term Loan | 5/15/2019 | 10.64% (1ML + 8.25%) | — | 5/15/2027 | 12,500 | 12,500 | 12,233 | 0.4% | (3)(8)(10) |
| | | | | | | | | **12,500** | **12,233** | **0.4%** | |
| H.I.G. ECI Merger Sub, Inc. | IT Services | Senior Secured Term Loan A | 5/31/2018 | 8.10% (3ML + 5.50%) | 1.50 | 5/31/2023 | 44,240 | 44,240 | 44,240 | 1.3% | (3)(10) |
| | | Senior Secured Term Loan B | 5/31/2018 | 13.10% (3ML + 10.50%) | 1.50 | 5/31/2023 | 29,900 | 29,900 | 28,843 | 0.9% | (3)(10) |
| | | | | | | | | **74,140** | **73,083** | **2.2%** | |

**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Halcyon Loan Advisors Funding 2012-1 Ltd. | Structured Finance | Subordinated Structured Note | 8/7/2012 | Residual Interest, current yield 0.00% | — | 8/15/2023 | $ 23,188 | $ 3,786 | $ — | —% | (5)(14)(17) |
| | | | | | | | | **3,786** | **—** | **—%** | |
| Halcyon Loan Advisors Funding 2013-1 Ltd. | Structured Finance | Subordinated Structured Note | 3/8/2013 | Residual Interest, current yield 0.00% | — | 4/15/2025 | 40,400 | 19,984 | 5,563 | 0.2% | (5)(14)(17) |
| | | | | | | | | **19,984** | **5,563** | **0.2%** | |
| Halcyon Loan Advisors Funding 2014-1 Ltd. | Structured Finance | Subordinated Structured Note | 2/7/2014 | Residual Interest, current yield 0.00% | — | 4/18/2026 | 24,500 | 11,822 | 4,243 | 0.1% | (5)(14)(17) |
| | | | | | | | | **11,822** | **4,243** | **0.1%** | |
| Halcyon Loan Advisors Funding 2014-2 Ltd. | Structured Finance | Subordinated Structured Note | 4/14/2014 | Residual Interest, current yield 0.00% | — | 4/28/2025 | 41,164 | 21,322 | 3,921 | 0.1% | (5)(14)(17) |
| | | | | | | | | **21,322** | **3,921** | **0.1%** | |
| Halcyon Loan Advisors Funding 2015-3 Ltd. | Structured Finance | Subordinated Structured Note | 7/23/2015 | Residual Interest, current yield 12.87% | — | 10/18/2027 | 39,598 | 32,784 | 27,783 | 0.8% | (5)(14) |
| | | | | | | | | **32,784** | **27,783** | **0.8%** | |
| HALYARD MD OPCO, LLC | Media | Revolving Line of Credit - $2,000 Commitment | 8/6/2018 | 10.33% (3ML + 8.00%) | — | 2/6/2020 | — | — | — | —% | (10)(15) |
| | | First Lien Term Loan | 8/6/2018 | 10.33% (3ML + 8.00%) | 2.00 | 8/6/2023 | 11,550 | 11,550 | 11,550 | 0.3% | (3)(10) |
| | | | | | | | | **11,550** | **11,550** | **0.3%** | |
| HarbourView CLO VII-R, Ltd. | Structured Finance | Subordinated Structured Note | 6/5/2015 | Residual Interest, current yield 19.31% | — | 7/18/2031 | 19,025 | 13,507 | 12,690 | 0.4% | (5)(14) |
| | | | | | | | | **13,507** | **12,690** | **0.4%** | |
| Help/Systems Holdings, Inc. | Software | Second Lien Term Loan | 4/17/2018 | 10.08% (3ML + 7.75%) | — | 3/27/2026 | 12,499 | 12,457 | 12,457 | 0.4% | (3)(8)(10) |
| | | | | | | | | **12,457** | **12,457** | **0.4%** | |
| Inpatient Care Management Company, LLC | Health Care Providers & Services | Senior Secured Term Loan | 6/8/2016 | 10.60% (3ML + 8.00%) | 1.00 | 6/8/2021 | 19,313 | 19,313 | 19,000 | 0.6% | (3)(10) |
| | | | | | | | | **19,313** | **19,000** | **0.6%** | |
| Janus International Group, LLC | Building Products | Second Lien Term Loan | 2/22/2018 | 10.15% (1ML + 7.75%) | 1.00 | 2/12/2026 | 20,000 | 19,842 | 19,842 | 0.6% | (3)(8)(10) |
| | | | | | | | | **19,842** | **19,842** | **0.6%** | |
| JD Power and Associates | Capital Markets | Second Lien Term Loan | 9/16/2016 | 10.90% (1ML + 8.50%) | 1.00 | 9/7/2024 | 25,222 | 25,084 | 25,222 | 0.8% | (3)(8)(10) |
| | | | | | | | | **25,084** | **25,222** | **0.8%** | |
| Jefferson Mill CLO Ltd. | Structured Finance | Subordinated Structured Note | 6/26/2015 | Residual Interest, current yield 13.08% | — | 10/20/2031 | 23,594 | 18,306 | 12,172 | 0.4% | (5)(14) |
| | | | | | | | | **18,306** | **12,172** | **0.4%** | |
| K&N Parent, Inc. | Auto Components | Second Lien Term Loan | 10/20/2016 | 11.15% (1ML + 8.75%) | 1.00 | 10/21/2024 | 25,887 | 25,450 | 25,450 | 0.8% | (3)(8)(10) |
| | | | | | | | | **25,450** | **25,450** | **0.8%** | |
| Keystone Acquisition Corp.(36) | Health Care Providers & Services | Second Lien Term Loan | 5/18/2017 | 11.58% (3ML + 9.25%) | 1.00 | 5/1/2025 | 50,000 | 50,000 | 50,000 | 1.5% | (3)(8)(10) |
| | | | | | | | | **50,000** | **50,000** | **1.5%** | |
| LCM XIV Ltd. | Structured Finance | Subordinated Structured Note | 6/25/2013 | Residual Interest, current yield 14.10% | — | 7/21/2031 | 49,934 | 27,938 | 20,663 | 0.6% | (5)(14) |
| | | | | | | | | **27,938** | **20,663** | **0.6%** | |
| Madison Park Funding IX, Ltd. | Structured Finance | Subordinated Structured Note | 6/22/2018 | Residual Interest, current yield 0.00% | — | 8/15/2022 | 43,110 | 1,949 | 1,109 | —% | (5)(14)(17) |
| | | | | | | | | **1,949** | **1,109** | **—%** | |

(in thousands, except share data)

| | | | | | | | June 30, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Maverick Healthcare Equity, LLC | Health Care Providers & Services | Preferred Units (1,250,000 units) | 10/31/2007 | | — | N/A | $ — | $ — | $ — | —% | (16) |
| | | Class A Common Units (1,250,000 units) | 10/31/2007 | | — | N/A | — | — | — | —% | (16) |
| | | | | | | | | — | — | —% | |
| MedMark Services, Inc. (40) | Health Care Providers & Services | Second Lien Term Loan | 3/16/2018 | 10.77% (1ML + 8.25%) | 1.00 | 3/1/2025 | 7,000 | 6,943 | 6,943 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,943** | **6,943** | **0.2%** | |
| Mobile Posse, Inc. | Media | First Lien Term Loan | 4/3/2018 | 10.83% (3ML + 8.50%) | 2.00 | 4/3/2023 | 20,500 | 20,500 | 20,500 | 0.6% | (3)(10) |
| | | | | | | | | **20,500** | **20,500** | **0.6%** | |
| Mountain View CLO 2013-I Ltd. | Structured Finance | Subordinated Structured Note | 4/17/2013 | Residual Interest, current yield 10.70% | — | 10/15/2030 | 43,650 | 29,166 | 20,919 | 0.6% | (5)(14) |
| | | | | | | | | **29,166** | **20,919** | **0.6%** | |
| Mountain View CLO IX Ltd. | Structured Finance | Subordinated Structured Note | 5/13/2015 | Residual Interest, current yield 18.79% | — | 7/15/2031 | 47,830 | 29,152 | 31,107 | 0.9% | (5)(14) |
| | | | | | | | | **29,152** | **31,107** | **0.9%** | |
| MRP Holdco, Inc. | Professional Services | Senior Secured Term Loan A | 4/17/2018 | 7.41% (1ML + 5.00%) | 1.50 | 4/17/2024 | 53,963 | 53,963 | 53,963 | 1.6% | (3)(10) |
| | | Senior Secured Term Loan B | 4/17/2018 | 11.41% (1ML + 9.00%) | 1.50 | 4/17/2024 | 55,000 | 55,000 | 55,000 | 1.7% | (10) |
| | | | | | | | | **108,963** | **108,963** | **3.3%** | |
| Octagon Investment Partners XV, Ltd. | Structured Finance | Subordinated Structured Note | 1/24/2013 | Residual Interest, current yield 12.68% | — | 7/19/2030 | 42,064 | 33,148 | 26,239 | 0.8% | (5)(14) |
| | | | | | | | | **33,148** | **26,239** | **0.8%** | |
| Octagon Investment Partners 18-R Ltd. | Structured Finance | Subordinated Structured Note | 8/12/2015 | Residual Interest, current yield 16.97% | — | 4/16/2031 | 46,016 | 27,307 | 24,629 | 0.7% | (5)(14) |
| | | | | | | | | **27,307** | **24,629** | **0.7%** | |
| Pearl Intermediate Parent LLC | Health Care Providers & Services | Second Lien Term Loan | 2/28/2018 | 8.65% (1ML + 6.25%) | — | 2/15/2026 | 5,000 | 4,979 | 4,979 | 0.2% | (3)(8)(10) |
| | | | | | | | | **4,979** | **4,979** | **0.2%** | |
| PeopleConnect Intermediate, LLC | Interactive Media & Services | Revolving Line of Credit - $1,000 Commitment | 7/1/2015 | 12.10% (3ML + 9.50%) | 1.00 | 7/1/2020 | 500 | 500 | 500 | —% | (10)(15) |
| | | Senior Secured Term Loan A | 7/1/2015 | 9.10% (3ML + 6.50%) | 1.00 | 7/1/2020 | 17,741 | 17,741 | 17,741 | 0.5% | (3)(10) |
| | | Senior Secured Term Loan B | 7/1/2015 | 15.10% (3ML + 12.50%) | 1.00 | 7/1/2020 | 19,620 | 19,620 | 19,620 | 0.6% | (3)(10) |
| | | | | | | | | **37,861** | **37,861** | **1.1%** | |
| PG Dental Holdings New Jersey, LLC | Health Care Providers & Services | Delayed Draw Term Loan - $5,000 Commitment | 5/31/2019 | 10.00% (3ML + 7.25%) | 2.75 | 5/31/2024 | — | — | — | —% | (10)(15) |
| | | Senior Secured Term Loan | 5/31/2019 | 10.00% (3ML + 7.25%) | 2.75 | 5/31/2024 | 22,760 | 22,760 | 22,760 | 0.7% | (3)(10) |
| | | | | | | | | **22,760** | **22,760** | **0.7%** | |
| PGX Holdings, Inc.(52) | Diversified Consumer Services | Second Lien Term Loan | 9/29/2014 | 11.41% (1ML + 9.00%) | 1.00 | 9/29/2021 | 100,091 | 100,091 | 100,091 | 3.0% | (3)(10) |
| | | | | | | | | **100,091** | **100,091** | **3.0%** | |
| PlayPower, Inc. | Leisure Products | First Lien Term Loan | 5/16/2019 | 7.90% (1ML + 5.50%) | — | 5/10/2026 | 6,500 | 6,436 | 6,436 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,436** | **6,436** | **0.2%** | |
| Research Now Group, Inc. & Survey Sampling International LLC | Professional Services | First Lien Term Loan | 1/5/2018 | 8.08% (1ML + 5.50%) | 1.00 | 12/20/2024 | 9,850 | 9,440 | 9,850 | 0.3% | (3)(8)(10) |
| | | Second Lien Term Loan | 1/5/2018 | 12.08% (1ML + 9.50%) | 1.00 | 12/20/2025 | 50,000 | 47,176 | 49,850 | 1.5% | (3)(8)(10) |
| | | | | | | | | **56,616** | **59,700** | **1.8%** | |

**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| RGIS Services, LLC | Commercial Services & Supplies | Senior Secured Term Loan | 4/20/2017 | 10.08% (3ML + 7.50%) | 1.00 | 3/31/2023 | $ 4,407 | $ 4,237 | $ 3,659 | 0.1% | (3)(8)(10) |
| | | Senior Secured Term Loan | 4/20/2017 | 10.02% (3ML + 7.50%) | 1.00 | 3/31/2023 | 5,021 | 4,828 | 4,169 | 0.1% | (3)(8)(10) |
| | | Senior Secured Term Loan | 4/20/2017 | 9.90% (1ML + 7.50%) | 1.00 | 3/31/2023 | 10,136 | 9,746 | 8,416 | 0.3% | (3)(8)(10) |
| | | | | | | | | **18,811** | **16,244** | **0.5%** | |
| RME Group Holding Company | Media | Senior Secured Term Loan A | 5/4/2017 | 8.33% (3ML + 6.00%) | 1.00 | 5/4/2022 | 28,396 | 28,396 | 28,302 | 0.8% | (3)(10) |
| | | Senior Secured Term Loan B | 5/4/2017 | 13.33% (3ML + 11.00%) | 1.00 | 5/4/2022 | 22,599 | 22,599 | 22,431 | 0.7% | (3)(10) |
| | | | | | | | | **50,995** | **50,733** | **1.5%** | |
| Rocket Software, Inc. | Software | Second Lien Term Loan | 12/7/2018 | 10.65% (1ML + 8.25%) | — | 11/27/2026 | 50,000 | 49,537 | 49,537 | 1.5% | (3)(8)(10) |
| | | | | | | | | **49,537** | **49,537** | **1.5%** | |
| Romark WM-R Ltd. | Structured Finance | Subordinated Structured Note | 4/11/2014 | Residual Interest, current yield 12.39% | — | 4/20/2031 | 27,725 | 22,708 | 16,046 | 0.5% | (5)(14) |
| | | | | | | | | **22,708** | **16,046** | **0.5%** | |
| Rosa Mexicano | Hotels, Restaurants & Leisure | Revolving Line of Credit - $1,000 Commitment | 3/29/2018 | 9.83% (3ML + 7.50%) | 1.50 | 3/29/2023 | — | — | — | —% | (10)(15) |
| | | Senior Secured Term Loan | 3/29/2018 | 9.83% (3ML + 7.50%) | 1.50 | 3/29/2023 | 27,252 | 27,252 | 27,252 | 0.8% | (3)(10) |
| | | | | | | | | **27,252** | **27,252** | **0.8%** | |
| SCS Merger Sub, Inc. | IT Services | Second Lien Term Loan | 11/6/2015 | 11.90% (1ML + 9.50%) | 1.00 | 10/30/2023 | 20,000 | 19,679 | 20,000 | 0.6% | (3)(8)(10) |
| | | | | | | | | **19,679** | **20,000** | **0.6%** | |
| Securus Technologies Holdings, Inc. | Communications Equipment | Second Lien Term Loan | 11/3/2017 | 10.58% (3ML + 8.25%) | 1.00 | 11/1/2025 | 50,662 | 50,503 | 48,760 | 1.5% | (3)(8)(10) |
| | | | | | | | | **50,503** | **48,760** | **1.5%** | |
| SEOTownCenter, Inc. | IT Services | Senior Secured Term Loan A | 4/10/2018 | 9.83% (3ML + 7.50%) | 2.00 | 4/7/2023 | 26,000 | 26,000 | 26,000 | 0.8% | (3)(10) |
| | | Senior Secured Term Loan B | 4/10/2018 | 14.83% (3ML + 12.50%) | 2.00 | 4/7/2023 | 19,000 | 19,000 | 19,000 | 0.6% | (3)(10) |
| | | | | | | | | **45,000** | **45,000** | **1.4%** | |
| SESAC Holdco II LLC | Entertainment | Second Lien Term Loan | 3/2/2017 | 9.65% (1ML + 7.25%) | 1.00 | 2/23/2025 | 8,000 | 7,955 | 7,955 | 0.2% | (3)(8)(10) |
| | | | | | | | | **7,955** | **7,955** | **0.2%** | |
| SMG US Midco | Hotels, Restaurants & Leisure | Second Lien Term Loan | 1/23/2018 | 9.40% (1ML + 7.00%) | — | 1/23/2026 | 7,500 | 7,485 | 7,485 | 0.2% | (3)(8)(10) |
| | | | | | | | | **7,485** | **7,485** | **0.2%** | |
| Sorenson Communications, LLC | Diversified Telecommunication Services | First Lien Term Loan | 5/8/2019 | 8.83% (3ML + 6.50%) | — | 4/29/2024 | 10,000 | 9,923 | 9,923 | 0.3% | (3)(8)(10) |
| | | | | | | | | **9,923** | **9,923** | **0.3%** | |
| Spectrum Holdings III Corp | Health Care Equipment & Supplies | Second Lien Term Loan | 1/31/2018 | 9.40% (1ML + 7.00%) | 1.00 | 1/31/2026 | 7,500 | 7,469 | 7,144 | 0.2% | (3)(8)(10) |
| | | | | | | | | **7,469** | **7,144** | **0.2%** | |
| Strategic Materials | Household Durables | Second Lien Term Loan | 11/1/2017 | 10.33% (3ML + 7.75%) | 1.00 | 11/1/2025 | 7,000 | 6,945 | 5,523 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,945** | **5,523** | **0.2%** | |
| Stryker Energy, LLC | Energy Equipment & Services | Overriding Royalty Interests | 12/4/2006 | | — | N/A | | — | — | —% | (13) |
| | | | | | | | | **—** | **—** | **—%** | |
| Sudbury Mill CLO Ltd. | Structured Finance | Subordinated Structured Note | 11/14/2013 | Residual Interest, current yield 0.00% | — | 1/17/2026 | 28,200 | 15,225 | 6,834 | 0.2% | (5)(14)(17) |
| | | | | | | | | **15,225** | **6,834** | **0.2%** | |

# PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
# CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
# (in thousands, except share data)

| | | | | | | | June 30, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Symphony CLO XIV Ltd. | Structured Finance | Subordinated Structured Note | 5/6/2014 | Residual Interest, current yield 0.00% | — | 7/14/2026 | $ 49,250 | $ 31,246 | $ 18,847 | 0.6% | (5)(14)(17) |
| | | | | | | | | **31,246** | **18,847** | **0.6%** | |
| Symphony CLO XV, Ltd. | Structured Finance | Rated Secured Structured Note - Class F | 12/7/2018 | 11.28% (3ML + 8.68%) | — | 1/17/2032 | 12,000 | 11,396 | 11,950 | 0.4% | (6)(10)(14) |
| | | | | | | | | **11,396** | **11,950** | **0.4%** | |
| Symphony CLO XV, Ltd. | Structured Finance | Subordinated Structured Note | 10/17/2014 | Residual Interest, current yield 11.98% | — | 1/17/2032 | 63,831 | 44,076 | 22,965 | 0.7% | (5)(14) |
| | | | | | | | | **44,076** | **22,965** | **0.7%** | |
| TGP HOLDINGS III LLC | Household Durables | Second Lien Term Loan | 10/3/2017 | 10.83% (3ML + 8.50%) | 1.00 | 9/25/2025 | 3,000 | 2,965 | 2,965 | 0.1% | (8)(10) |
| | | | | | | | | **2,965** | **2,965** | **0.1%** | |
| TouchTunes Interactive Networks, Inc. | Entertainment | Second Lien Term Loan | 5/29/2015 | 10.68% (1ML + 8.25%) | 1.00 | 5/29/2022 | 12,194 | 12,138 | 12,194 | 0.4% | (3)(8)(10) |
| | | | | | | | | **12,138** | **12,194** | **0.4%** | |
| Town & Country Holdings, Inc. | Distributors | First Lien Term Loan | 1/26/2018 | 10.83% (3ML + 8.50%) | 1.50 | 1/26/2023 | 172,815 | 172,815 | 171,271 | 5.2% | (3)(10) |
| | | | | | | | | **172,815** | **171,271** | **5.2%** | |
| Transplace Holdings, Inc. | Transportation Infrastructure | Second Lien Term Loan | 10/5/2017 | 11.15% (1ML + 8.75%) | 1.00 | 10/6/2025 | 28,104 | 27,578 | 28,104 | 0.9% | (3)(8)(10) |
| | | | | | | | | **27,578** | **28,104** | **0.9%** | |
| Turning Point Brands, Inc.(41) | Tobacco | Second Lien Term Loan | 2/17/2017 | 9.40% (1ML + 7.00%) | — | 3/7/2024 | 14,500 | 14,419 | 14,500 | 0.4% | (3)(8)(10) |
| | | | | | | | | **14,419** | **14,500** | **0.4%** | |
| Universal Fiber Systems, LLC | Textiles, Apparel & Luxury Goods | Second Lien Term Loan | 10/2/2015 | 11.91% (1ML + 9.50%) | 1.00 | 10/2/2022 | 37,000 | 36,657 | 36,657 | 1.1% | (3)(8)(10) |
| | | | | | | | | **36,657** | **36,657** | **1.1%** | |
| USG Intermediate, LLC | Leisure Products | Revolving Line of Credit - $2,000 Commitment | 4/15/2015 | 11.66% (1ML + 9.25%) | 1.00 | 8/24/2019 | 800 | 800 | 800 | —% | (10)(15) |
| | | Senior Secured Term Loan A | 4/15/2015 | 9.16% (1ML + 6.75%) | 1.00 | 8/24/2022 | 6,387 | 6,387 | 6,387 | 0.2% | (3)(10) |
| | | Senior Secured Term Loan B | 4/15/2015 | 14.16% (1ML + 11.75%) | 1.00 | 8/24/2022 | 19,245 | 19,245 | 19,245 | 0.6% | (3)(10) |
| | | Equity | 4/15/2015 | | — | N/A | — | 1 | — | —% | (16) |
| | | | | | | | | **26,433** | **26,432** | **0.8%** | |
| UTZ Quality Foods, LLC | Food Products | Second Lien Term Loan | 11/21/2017 | 9.65% (1ML + 7.25%) | — | 11/21/2025 | 10,000 | 9,900 | 9,900 | 0.3% | (3)(8)(10) |
| | | | | | | | | **9,900** | **9,900** | **0.3%** | |
| VC GB Holdings, Inc. | Household Durables | Subordinated Secured Term Loan | 2/28/2017 | 10.40% (1ML + 8.00%) | 1.00 | 2/28/2025 | 3,720 | 3,493 | 3,720 | 0.1% | (3)(8)(10) |
| | | | | | | | | **3,493** | **3,720** | **0.1%** | |
| Venio LLC | Professional Services | Second Lien Term Loan | 2/19/2014 | 4.00% plus 10.10% PIK (3ML + 7.50%) | 2.50 | 2/19/2020 | 24,382 | 22,519 | 21,515 | 0.7% | (10)(45) |
| | | | | | | | | **22,519** | **21,515** | **0.7%** | |
| Voya CLO 2012-2, Ltd. | Structured Finance | Subordinated Structured Note | 8/7/2012 | Residual Interest, current yield 0.00% | — | 10/15/2022 | 38,070 | 450 | 516 | —% | (5)(14)(17) |
| | | | | | | | | **450** | **516** | **—%** | |
| Voya CLO 2012-3, Ltd. | Structured Finance | Subordinated Structured Note | 9/27/2012 | Residual Interest, current yield 0.00% | — | 10/15/2022 | 46,632 | — | 516 | —% | (5)(14)(17) |
| | | | | | | | | **—** | **516** | **—%** | |
| Voya CLO 2012-4, Ltd. | Structured Finance | Subordinated Structured Note | 11/5/2012 | Residual Interest, current yield 10.37% | — | 10/16/2028 | 40,613 | 31,046 | 27,193 | 0.8% | (5)(14) |
| | | | | | | | | **31,046** | **27,193** | **0.8%** | |
| Voya CLO 2014-1, Ltd. | Structured Finance | Subordinated Structured Note | 2/5/2014 | Residual Interest, current yield 13.21% | — | 4/18/2031 | 40,773 | 29,978 | 22,515 | 0.7% | (5)(14) |
| | | | | | | | | **29,978** | **22,515** | **0.7%** | |

**(in thousands, except share data)**

| Portfolio Company | Industry | Investments(1)(45) | Acquisition Date(50) | Coupon/Yield | Floor | Legal Maturity | June 30, 2019 Principal Value | Amortized Cost | Fair Value(2) | % of Net Assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LEVEL 3 PORTFOLIO INVESTMENTS** | | | | | | | | | | | |
| **Non-Control/Non-Affiliate Investments (less than 5.00% voting control)** | | | | | | | | | | | |
| Voya CLO 2016-3, Ltd. | Structured Finance | Subordinated Structured Note | 9/30/2016 | Residual Interest, current yield 12.29% | — | 10/20/2031 | $ 28,100 | $ 27,265 | $ 21,003 | 0.6% | (5)(14) |
| | | | | | | | | **27,265** | **21,003** | **0.6%** | |
| Voya CLO 2017-3, Ltd. | Structured Finance | Subordinated Structured Note | 6/13/2017 | Residual Interest, current yield 12.44% | — | 7/20/2030 | 44,885 | 50,244 | 42,872 | 1.3% | (5)(14) |
| | | | | | | | | **50,244** | **42,872** | **1.3%** | |
| VT Topco, Inc. | Commercial Services & Supplies | Second Lien Term Loan | 8/23/2018 | 9.33% (3ML + 7.00%) | — | 8/17/2026 | 7,000 | 6,969 | 6,969 | 0.2% | (3)(8)(10) |
| | | | | | | | | **6,969** | **6,969** | **0.2%** | |
| Wink Holdco, Inc. | Insurance | Second Lien Term Loan | 12/1/2017 | 9.16% (1ML + 6.75%) | 1.00 | 12/1/2025 | 3,000 | 2,988 | 2,988 | 0.1% | (3)(8)(10) |
| | | | | | | | | **2,988** | **2,988** | **—%** | |
| **Total Non-Control/Non-Affiliate Investments (Level 3)** | | | | | | | | **$ 3,368,880** | **$ 3,100,947** | **93.7%** | |
| **Total Portfolio Investments (Level 3)** | | | | | | | | **$ 5,932,302** | **$ 5,653,553** | **171.0%** | |

See notes to consolidated financial statements.

**Endnote Explanations as of June 30, 2020 and June 30, 2019**

(1) The terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise. The securities in which Prospect has invested were acquired in transactions that were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These securities may be resold only in transactions that are exempt from registration under the Securities Act.

(2) Fair value is determined by or under the direction of our Board of Directors. As of June 30, 2020 and June 30, 2019, all of our investments are valued using significant unobservable inputs. In accordance with ASC 820, such investments are classified as Level 3 within the fair value hierarchy. See Notes 2 and 3 within the accompanying notes to consolidated financial statements for further discussion.

(3) Security, or a portion thereof, is held by Prospect Capital Funding LLC (“PCF”), our wholly-owned subsidiary and a bankruptcy remote special purpose entity, and is pledged as collateral for the Revolving Credit Facility and such security is not available as collateral to our general creditors (see Note 4). The fair values of the investments held by PCF at June 30, 2020 and June 30, 2019 were $1,491,022 and $1,636,067, respectively, representing 28.5% and 28.9% of our total investments, respectively.

(4) In addition to the stated returns, the net profits interest held will be realized upon sale of the borrower or a sale of the interests.

(5) This investment is in the equity class of the collateralized loan obligation (“CLO”) security, which is referred to as “Subordinated Structured Note,” or “SSN”. The SSN investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield, calculated using amortized cost, is based on the current projections of this excess cash flow taking into account assumptions which have been made regarding expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.

(6) This investment is in the debt class of the CLO security, which is referred to as “Rated Secured Structured Note”, or “RSSN”.

(7) Engine Group. Inc., EMX Digital, Inc. (f/k/a Clearstream TV, Inc.), and Engine International, Inc., are joint borrowers on the senior secured and the second lien term loans.

(8) Syndicated investment which was originated by a financial institution and broadly distributed.

(9) Investment on non-accrual status as of the reporting date (See Note 2).

(10) Certain variable rate securities in our portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. The 1-Month LIBOR, or “1ML”, was 0.16% as of June 30, 2020 and 2.40% as of June 30, 2019. The 3-Month LIBOR, or “3ML”, was 0.30% as of June 30, 2020 and 2.32% as of June 30, 2019. The 6-Month LIBOR, or “6ML”, was 0.37% as of June 30, 2020 and 2.20% as of June 30, 2019.

(11) PeopleConnect Holdings, Inc. and Pubrec Holdings, Inc. are joint borrowers.

(12) The consolidated revenue interest is equal to the lesser of (i) 2.0% of consolidated revenue for the twelve-month period ending on the last day of the prior fiscal quarter (or portion thereof) and (ii) 25% of the amount of interest accrued on the Notes at the cash interest rate for such fiscal quarter (or portion thereof).

(13) The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower.

(14) Investment has been designated as an investment not “qualifying” under Section 55(a) of the Investment Company Act of 1940 (the “1940 Act”). Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2020 and June 30, 2019, our qualifying assets as a percentage of total assets, stood at 74.44% and 73.85%, respectively. We monitor the status of these assets on an ongoing basis.

(15) Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of June 30, 2020 and June 30, 2019, we had $41,487 and $23,375, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.

(16) Represents non-income producing security that has not paid a dividend in the year preceding the reporting date.

(17) The effective yield has been estimated to be 0% as expected future cash flows are anticipated to not be sufficient to repay the investment at cost. If the expected investment proceeds increase, there is a potential for future investment income from the investment. Distributions, once received, will be recognized as return of capital with any remaining unamortized investment costs written off if the actual

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

distributions are less than the amortized investment cost. If an investment has been impaired upon being called, any future distributions will be recorded as a return of capital. To the extent that the impaired cost basis of the SSN is fully recovered, any future distributions will be recorded as realized gains.

(18) Ellett Brothers, LLC, Evans Sports, Inc., Jerry's Sports, Inc., Simmons Gun Specialties, Inc., Bonitz Brothers, Inc., and Outdoor Sports Headquarters, Inc. are joint borrowers on the second lien term loan. United Sporting Companies, Inc. ("USC") is a parent guarantor of this debt investment, and is 100% owned by SportCo Holdings, Inc. ("SportCo"). Prospect previously held a 3.48% equity interest in SportCo and following an additional issuance of common stock by SportCo, Prospect's ownership increased to 22.0% as of September 30, 2018. As a result, Prospect's investment in USC is classified as an affiliate investment beginning the period ended September 30, 2018. In June, 2019, USC filed for Chapter 11 bankruptcy and began liquidating its remaining assets. During the year ended June 30, 2020, USC used a portion of the proceeds from the ongoing liquidation to partially repay $20,594 of our Second Lien Term Loan and our 22.0% equity interest was canceled, resulting in a transfer of our investment to non-control/non-affiliate classification as of June 30, 2020.

(19) CCPI Holdings Inc., a consolidated entity in which we own 100% of the common stock, held 94.59% of CCPI Inc. ("CCPI"), the operating company, as of June 30, 2018. On March 1, 2019, we sold our 94.59% common equity interest in CCPI, Inc. for $18,865 in net proceeds. Concurrently, CCPI Inc. fully repaid the $2,797 Senior Secured Term Loan A and the $17,566 Senior Secured Term Loan B receivable to us. We recorded a realized gain of $0 on the sale of our equity position in CCPI, Inc. In connection with the sale, $2,364 was held in escrow and due to us as of June 30, 2019. The full escrow was subsequently distributed to us and is recorded as a realized gain in our *Consolidated Statement of Operations* for the year ended June 30, 2020.

(20) CP Holdings of Delaware LLC ("CP Holdings"), a consolidated entity in which we own 100% of the membership interests, owns 99.8% of CP Energy Services Inc. ("CP Energy") as of June 30, 2020 and June 30, 2019. CP Energy owns directly or indirectly 100% of each of CP Well Testing, LLC; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. We report CP Energy as a separate controlled company. On April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Energy Holdings, Inc. ("Spartan Holdings"), which owns 100% of Spartan Energy Services, LLC ("Spartan"), a portfolio company of Prospect with $38,390 in senior secured term loans (the "Spartan Term Loans") due to us as of June 30, 2020. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrower and guarantor to Prospect for the Spartan Term Loans. In December 2019, Wolf Energy Holdings, Inc. ("Wolf Energy Holdings"), our Consolidated Holding Company that previously owned 100% of Appalachian Energy LLC ("AEH"); Wolf Energy Services Company, LLC (Wolf Energy Services"); and Wolf Energy, LLC (collectively our previously controlled membership interest and net profit interest investments in "Wolf Energy"), merged with and into CP Energy, with CP Energy continuing as the surviving entity. CP Energy acquired 100% of our equity in Wolf Energy, which is reflected in our valuation of CP Energy common stock as of December 31, 2019. (See Note 14).

(21) Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), a consolidated entity in which we own 100% of the membership interests, owns 98.63% of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC ("Credit Central")) as of June 30, 2020 and June 30, 2019. Credit Central owns 100% of each of Credit Central, LLC; Credit Central South, LLC; Credit Central of Texas, LLC; and Credit Central of Tennessee, LLC, the operating companies. We report Credit Central as a separate controlled company.

(22) Prospect holds an 11.51% membership interest in Edmentum Ultimate Holdings, LLC ("Edmentum Holdings"), which owns 100% of the equity of Edmentum, Inc.

(23) First Tower Holdings of Delaware LLC, a consolidated entity in which we own 100% of the membership interests, owns 80.1% of First Tower Finance Company LLC ("First Tower Finance"), which owns 100% of First Tower, LLC, the operating company as of June 30, 2020 and June 30, 2019. We report First Tower Finance as a separate controlled company.

(24) Energy Solutions Holdings Inc., a consolidated entity in which we own 100% of the equity, owns 100% of Freedom Marine Solutions, LLC ("Freedom Marine"), which owns Vessel Company, LLC, Vessel Company II, LLC and Vessel Company III, LLC. We report Freedom Marine as a separate controlled company.

(25) MITY Holdings of Delaware Inc. ("MITY Delaware"), a consolidated entity in which we own 100% of the common stock, owns 100% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) ("MITY"). MITY owns 100% of each of MITY-Lite, Inc. ("Mity-Lite"); Broda Enterprises USA, Inc.; and Broda Enterprises ULC ("Broda Canada"). We report MITY as a separate controlled company. Our subordinated unsecured note issued and outstanding to Broda Canada is denominated in Canadian Dollars ("CAD"). As of June 30, 2020 and June 30, 2019, the principal balance of this note was CAD 8,679. In accordance with ASC 830, *Foreign Currency Matters* ("ASC 830"), this note was remeasured into our functional currency, US Dollars (USD), and is presented on our Consolidated Schedule

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

of Investments in USD. We formed a separate legal entity domiciled in the United States, MITY FSC, Inc., ("MITY FSC") in which Prospect owns 100% of the equity. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distributes it to its shareholder.

(26) NPH Property Holdings, LLC ("NPH"), a consolidated entity in which we own 100% of the membership interests, owns 100% of the common equity of National Property REIT Corp. ("NPRC") (f/k/a National Property Holdings Corp.), a property REIT which holds investments in several real estate properties. Additionally, NPRC invests in online consumer loans and rated secured structured notes through American Consumer Lending Limited ("ACLL") and National General Lending Limited ("NGL"), respectively, its wholly owned subsidiaries. We report NPRC as a separate controlled company. See Note 3 for further discussion of the investments held by NPRC. Effective December 31, 2018, we amended and restated the terms of our credit agreement with NPRC. As part of the amendment, we increased our investment through a New Term Loan A Secured Note ("New TLA") in the aggregate principal amount of $433,553, a New Term Loan B Secured Note ("New TLB") in the aggregate principal amount of $205,000, and our net operating income interest was revised to a residual profit interest (refer to endnote 37 for residual profit interest calculation). NPRC utilized a portion of the proceeds from the New TLA and New TLB to repay the previously outstanding Senior Secured Term Loan A and Senior Secured Term Loan E. The remaining proceeds of $140,351 were returned to us as a return of capital, reducing our equity investment in NPRC. Effective October 31, 2019, we amended the terms of our credit agreement to increase our investment in NPRC and its wholly-owned subsidiaries through a new $51,428 Senior Secured Term Loan C ("TLC") and $12,857 in equity financing. Effective June 19, 2020, we amended and restated the terms of our credit agreement with NPRC, as part of the amendment we increased our investment through a new Term Loan D secured note ("TLD") in the aggregate principal amount of $183,425 and the proceeds were returned to us as a return of capital, reducing our equity investment in NPRC.

(27) Nationwide Acceptance Holdings LLC, a consolidated entity in which we own 100% of the membership interests, owns 94.48% of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC ), the operating company, as of June 30, 2020 and June 30, 2019. We report Nationwide Loan Company LLC as a separate controlled company. On June 1, 2015, Nationwide Acceptance LLC completed a reorganization and was renamed Nationwide Loan Company LLC ("Nationwide") and formed two new wholly-owned subsidiaries: Pelican Loan Company LLC ("Pelican") and Nationwide Consumer Loans LLC. Nationwide assigned 100% of the equity interests in its other subsidiaries to Pelican which, in turn, assigned these interests to a new operating company wholly-owned by Pelican named Nationwide Acceptance LLC ("New Nationwide"). New Nationwide also assumed the existing senior subordinated term loan due to Prospect.

(28) NMMB Holdings, a consolidated entity in which we own 100% of the equity, owns 92.25% and 94.10% of the fully diluted equity of NMMB, Inc. ("NMMB") as of June 30, 2020 and June 30, 2019, respectively. NMMB owns 100% of Refuel Agency, Inc., which owns 100% of Armed Forces Communications, Inc. We report NMMB as a separate controlled company. On December 30, 2019, NMMB executed a dividend recapitalization whereby Prospect invested $15,100 of a first lien term loan to repay NMMB's existing term loan, provide a shareholder distribution, and pay fees and expenses. As part of the recapitalization, Prospect converted its Series A and Series B preferred securities into 92.42% common equity and received a dividend distribution of $2,797.

(29) During the year ended June 30, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent, Inc. ("InterDent") and to appoint a new Board of Directors of InterDent. As a result, Prospect's investment in InterDent is classified as a control investment.

(30) Prospect owns 99.96% of the equity of USES Corp. as of June 30, 2020 and June 30, 2019.

(31) Valley Electric Holdings I, Inc., a consolidated entity in which we own 100% of the common stock, owns 100% of Valley Electric Holdings II, Inc. ("Valley Holdings II"), another consolidated entity. Valley Holdings II owns 94.99% of Valley Electric Company, Inc. ("Valley Electric"). Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. We report Valley Electric as a separate controlled company.

(32) On March 14, 2017, assets previously held by Ark-La-Tex Wireline Services, LLC ("Ark-La-Tex") were assigned to Wolf Energy Services Company, LLC, a new wholly-owned subsidiary of Wolf Energy Holdings, in exchange for a full reduction of Ark-La-Tex's Senior Secured Term Loan A and a partial reduction of the Senior Secured Term Loan B cost basis, in total equal to $22,145. The cost basis of the transferred assets is equal to the appraised fair value of assets at the time of transfer. During the three months ended June 30, 2017, Ark-La-Tex Term Loan B was written-off and a loss of $19,818 was realized. On June 30, 2017, the 18.00% Senior Secured Promissory Note, due April 15, 2018, in Wolf Energy, LLC was contributed to the equity of Wolf Energy LLC. There was no impact from the transaction due to the note being on non-accrual status and having zero cost basis. In December 2019, Wolf Energy Holdings merged with and into CP Energy, with CP Energy continuing as the surviving entity. See endnote 20.

(33) Prospect owns 9.67% of the equity in Targus Cayman HoldCo Limited ("Targus"), the parent company of Targus International LLC ("Targus International") as of June 30, 2020 and June 30, 2019.

**(in thousands, except share data)**

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

(34) On December 10, 2018, UTP Holdings Group, Inc. ("UTP Holdings") purchased all of the voting stock of Universal Turbine Parts, LLC ("UTP") and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly-owned holding company controlled by Prospect and therefore Prospect's investment in UTP became classified as a control investment during the year ended June 30, 2019.

(35) Centerfield Media Holding Company and Oology Direct Holdings, Inc. are joint borrowers and guarantors on the senior secured loan facilities.

(36) Keystone Acquisition Corp. is the parent borrower on the second lien term loan. Other joint borrowers on this debt investment include Keystone Peer Review Organization, Inc., KEPRO Acquisitions, Inc., APS Healthcare Bethesda, Inc., Ohio KEPRO, Inc., and APS Healthcare Quality Review, Inc.

(37) As of June 30, 2019, the residual profit interest was equal to 25% of NPRC's residual profit, calculated quarterly in arrears. As of June 30, 2020, the residual profit interest includes both (i) 8.33% of New TLA and TLD residual profit and (ii) 100% of TLC residual profits, with both calculated quarterly in arrears.

(38) As of June 30, 2020 and June 30, 2019, Prospect owns 8.57% of the equity in Encinitas Watches Holdco, LLC (f/k/a Nixon Holdco, LLC), the parent company of Nixon, Inc. On February 26, 2018, Prospect entered into a debt forgiveness agreement with Nixon, Inc., which terminated $17,472 Senior Secured Term Loan receivable due to us. We recorded a realized loss of $14,197 in our *Consolidated Statement of Operations* for the year ended June 30, 2018 as a result of this transaction.

(39) Prospect owns 100% of the preferred equity of Pacific World Corporation ("Pacific World"), which represents a 99.96% and 99.94% ownership interest of Pacific World as of June 30, 2020 and June 30, 2019, respectively. As a result, Prospect's investment in Pacific World is classified as a control investment.

(40) BAART Programs, Inc. and MedMark Services, Inc. are joint borrowers of the second lien term loan.

(41) Turning Point Brands, Inc. and North Atlantic Trading Company, Inc. are joint borrowers and guarantors on the secured loan facility.

(42) Medusind Acquisition, Inc., Medusind Intermediate, Inc., Medusind Solutions Inc. and Medusind Inc. are joint borrowers.

(43) The following shows the composition of our investment portfolio at cost by control designation, investment type, and by industry as of June 30, 2020:

| Industry | 1st Lien Term Loan | 1.5 Lien Term Loan | 2nd Lien Term Loan | 3rd Lien Term Loan | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Cost Total |
|---|---|---|---|---|---|---|---|---|
| **Control Investments** | | | | | | | | |
| Aerospace & Defense | $ 65,471 | $ — | $ — | $ — | $ — | $ — | $ 22,737 | $ 88,208 |
| Commercial Services & Supplies | 125,477 | — | — | — | — | 6,350 | 6,849 | 138,676 |
| Construction & Engineering | 43,731 | — | — | — | — | — | 25,143 | 68,874 |
| Consumer Finance | — | — | 357,026 | — | — | — | 120,939 | 477,965 |
| Diversified Consumer Services | — | — | — | — | — | — | 2,378 | 2,378 |
| Energy Equipment & Services | 73,260 | — | — | — | — | — | 193,358 | 266,618 |
| Equity Real Estate Investment Trusts (REITs) | 486,058 | — | — | — | — | — | 210 | 486,268 |
| Health Care Providers & Services | 267,052 | — | — | — | — | — | 1 | 267,053 |
| Machinery | — | — | 28,622 | — | — | — | 6,867 | 35,489 |
| Media | 5,025 | — | — | — | — | — | 12,869 | 17,894 |
| Online Lending | 45,950 | — | — | — | — | — | — | 45,950 |
| Personal Products | 59,907 | — | — | — | — | — | 186,795 | 246,702 |
| Trading Companies & Distributors | 65,450 | — | — | — | — | — | — | 65,450 |
| Structured Finance (A) | 79,200 | — | — | — | — | — | — | 79,200 |
| **Total Control Investments** | $ 1,316,581 | $ — | $ 385,648 | $ — | $ — | $ 6,350 | $ 578,146 | $ 2,286,725 |
| **Affiliate Investments** | | | | | | | | |
| Diversified Consumer Services | $ — | $ 1,981 | $ 114,536 | $ — | $ — | $ 37,585 | $ 6,577 | $ 160,679 |
| Textiles, Apparel & Luxury Goods | — | — | — | — | — | — | 2,805 | 2,805 |
| **Total Affiliate Investments** | $ — | $ 1,981 | $ 114,536 | $ — | $ — | $ 37,585 | $ 9,382 | $ 163,484 |

(in thousands, except share data)

## Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)

| Industry | 1st Lien Term Loan | 1.5 Lien Term Loan | 2nd Lien Term Loan | 3rd Lien Term Loan | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Cost Total |
|---|---|---|---|---|---|---|---|---|
| **Non-Control/Non-Affiliate Investments** | | | | | | | | |
| Air Freight & Logistics | $ — | $ — | $ 12,500 | $ — | $ — | $ — | $ — | $ 12,500 |
| Auto Components | 1,244 | — | 25,532 | — | — | — | — | 26,776 |
| Chemicals | 31,837 | — | — | — | — | — | — | 31,837 |
| Commercial Services & Supplies | 43,835 | — | 175,763 | — | — | — | 10,303 | 229,901 |
| Communications Equipment | 9,105 | — | 50,533 | — | — | — | — | 59,638 |
| Consumer Finance | 28,806 | — | — | — | — | — | — | 28,806 |
| Distributors | 172,853 | — | 105,478 | — | — | — | — | 278,331 |
| Diversified Financial Services | 30,165 | — | — | — | — | — | — | 30,165 |
| Diversified Telecommunication Services | 17,704 | — | 39,394 | — | — | — | — | 57,098 |
| Entertainment | 50,601 | — | — | — | — | — | — | 50,601 |
| Food Products | — | — | 24,853 | — | — | — | — | 24,853 |
| Health Care Equipment & Supplies | — | — | 7,474 | — | — | — | — | 7,474 |
| Health Care Providers & Services | 152,900 | — | 113,235 | — | — | — | — | 266,135 |
| Hotels, Restaurants & Leisure | 23,501 | — | — | — | — | — | — | 23,501 |
| Household Products | 24,437 | — | — | — | — | — | — | 24,437 |
| Household Durables | — | — | 9,924 | 3,990 | — | — | 2,001 | 15,915 |
| Insurance | — | — | 12,796 | — | — | — | — | 12,796 |
| Interactive Media & Services | 200,728 | — | — | — | — | — | — | 200,728 |
| Internet & Direct Marketing Retail | 15,706 | — | — | — | — | — | — | 15,706 |
| IT Services | 117,574 | — | 85,711 | — | — | — | — | 203,285 |
| Leisure Products | 24,518 | — | — | — | — | — | 1 | 24,519 |
| Machinery | 48,745 | — | — | — | — | — | — | 48,745 |
| Media | 64,630 | — | 35,000 | — | — | — | — | 99,630 |
| Paper & Forest Products | 4,393 | — | 11,395 | — | — | — | — | 15,788 |
| Professional Services | 28,910 | — | 75,254 | — | — | — | — | 104,164 |
| Real Estate Management & Development | 31,747 | — | — | — | — | — | — | 31,747 |
| Software | 8,425 | — | 66,783 | — | — | — | — | 75,208 |
| Technology Hardware, Storage & Peripherals | — | — | 12,415 | — | — | — | — | 12,415 |
| Textiles, Apparel & Luxury Goods | 166,307 | — | 36,762 | — | — | — | — | 203,069 |
| Transportation Infrastructure | — | — | 27,662 | — | — | — | — | 27,662 |
| Structured Finance (A) | — | — | — | — | 1,089,079 | — | — | 1,089,079 |
| **Total Non-Control/ Non-Affiliate** | $ 1,298,671 | $ — | $ 928,464 | $ 3,990 | $ 1,089,079 | $ — | $ 12,305 | $ 3,332,509 |
| **Total Portfolio Investment Cost** | $ 2,615,252 | $ 1,981 | $ 1,428,648 | $ 3,990 | $ 1,089,079 | $ 43,935 | $ 599,833 | $ 5,782,718 |

The following shows the composition of our investment portfolio at fair value by control designation, investment type, and by industry as of June 30, 2020:

| Industry | 1st Lien Term Loan | 1.5 Lien Term Loan | 2nd Lien Term Loan | 3rd Lien Term Loan | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Fair Value Total | % of Net Assets |
|---|---|---|---|---|---|---|---|---|---|
| **Control Investments** | | | | | | | | | |
| Aerospace & Defense | $ 65,471 | $ — | $ — | $ — | $ — | $ — | $ 20,156 | $ 85,627 | 2.8% |
| Commercial Services & Supplies | 69,230 | — | — | — | — | — | — | 69,230 | 2.3% |
| Construction & Engineering | 43,731 | — | — | — | — | — | 85,565 | 129,296 | 4.2% |
| Consumer Finance | — | — | 360,015 | — | — | — | 261,373 | 621,388 | 20.3% |
| Diversified Consumer Services | — | — | — | — | — | — | 3,286 | 3,286 | 0.1% |
| Energy Equipment & Services | 55,455 | — | — | — | — | — | 26,781 | 82,236 | 2.7% |
| Equity Real Estate Investment Trusts (REITs) | 486,058 | — | — | — | — | — | 267,525 | 753,583 | 24.7% |
| Health Care Providers & Services | 230,757 | — | — | — | — | — | — | 230,757 | 7.6% |
| Machinery | — | — | 28,622 | — | — | — | 9,943 | 38,565 | 1.3% |
| Media | 5,025 | — | — | — | — | — | 28,643 | 33,668 | 1.1% |
| Online Lending | 45,950 | — | — | — | — | — | — | 45,950 | 1.5% |

**(in thousands, except share data)**

## Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)

| Industry | 1st Lien Term Loan | 1.5 Lien Term Loan | 2nd Lien Term Loan | 3rd Lien Term Loan | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Fair Value Total | % of Net Assets |
|---|---|---|---|---|---|---|---|---|---|
| Personal Products | $ 59,907 | $ — | $ — | $ — | $ — | $ — | $ — | $ 59,907 | 2.0% |
| Trading Companies & Distributors | 26,599 | — | — | — | — | — | — | 26,599 | 0.9% |
| Structured Finance (A) | 79,200 | — | — | — | — | — | — | 79,200 | 2.6% |
| **Total Control Investments** | $ 1,167,383 | $ — | $ 388,637 | $ — | $ — | $ — | $ 703,272 | $ 2,259,292 | 73.9% |
| **Fair Value % of Net Assets** | 38.2% | —% | 12.7% | —% | —% | —% | 23.0% | 73.9% | |
| **Affiliate Investments** | | | | | | | | | |
| Diversified Consumer Services | $ — | $ 1,981 | $ 107,412 | $ — | $ — | $ 51,079 | $ 5,857 | $ 166,329 | 5.4% |
| Textiles, Apparel & Luxury Goods | — | — | — | — | — | — | 21,208 | 21,208 | 0.7% |
| **Total Affiliate Investments** | $ — | $ 1,981 | $ 107,412 | $ — | $ — | $ 51,079 | $ 27,065 | $ 187,537 | 6.1% |
| **Fair Value % of Net Assets** | —% | 0.1% | 3.4% | —% | —% | 1.7% | 0.9% | 6.1% | |
| **Non-Control/Non-Affiliate Investments** | | | | | | | | | |
| Air Freight & Logistics | $ — | $ — | $ 10,755 | $ — | $ — | $ — | $ — | $ 10,755 | 0.4% |
| Auto Components | 1,373 | — | 23,494 | — | — | — | — | 24,867 | 0.8% |
| Chemicals | 31,891 | — | — | — | — | — | — | 31,891 | 1.0% |
| Commercial Services & Supplies | 43,409 | — | 172,405 | — | — | — | 9,233 | 225,047 | 7.4% |
| Communications Equipment | 8,671 | — | 42,166 | — | — | — | — | 50,837 | 1.7% |
| Consumer Finance | 24,338 | — | — | — | — | — | — | 24,338 | 0.8% |
| Distributors | 168,965 | — | 6,966 | — | — | — | — | 175,931 | 5.8% |
| Diversified Financial Services | 30,165 | — | — | — | — | — | — | 30,165 | 1.0% |
| Diversified Telecommunication Services | 17,403 | — | 37,908 | — | — | — | — | 55,311 | 1.8% |
| Entertainment | 49,017 | — | — | — | — | — | — | 49,017 | 1.6% |
| Food Products | — | — | 25,000 | — | — | — | — | 25,000 | 0.8% |
| Health Care Equipment & Supplies | — | — | 5,606 | — | — | — | — | 5,606 | 0.2% |
| Health Care Providers & Services | 151,824 | — | 112,821 | — | — | — | — | 264,645 | 8.7% |
| Hotels, Restaurants & Leisure | 21,008 | — | — | — | — | — | — | 21,008 | 0.7% |
| Household Products | 24,362 | — | — | — | — | — | — | 24,362 | 0.8% |
| Household Durables | — | — | 8,223 | 3,990 | — | — | 3,853 | 16,066 | 0.5% |
| Insurance | — | — | 12,744 | — | — | — | — | 12,744 | 0.4% |
| Interactive Media & Services | 200,728 | — | — | — | — | — | — | 200,728 | 6.6% |
| Internet & Direct Marketing Retail | 16,440 | — | — | — | — | — | — | 16,440 | 0.5% |
| IT Services | 118,311 | — | 85,750 | — | — | — | — | 204,061 | 6.7% |
| Leisure Products | 24,319 | — | — | — | — | — | — | 24,319 | 0.8% |
| Machinery | 48,655 | — | — | — | — | — | — | 48,655 | 1.6% |
| Media | 64,170 | — | 2,754 | — | — | — | — | 66,924 | 2.2% |
| Paper & Forest Products | 4,393 | — | 11,395 | — | — | — | — | 15,788 | 0.5% |
| Professional Services | 29,275 | — | 77,267 | — | — | — | — | 106,542 | 3.5% |
| Real Estate Management & Development | 31,747 | — | — | — | — | — | — | 31,747 | 1.0% |
| Software | 8,425 | — | 65,320 | — | — | — | — | 73,745 | 2.4% |
| Technology Hardware, Storage & Peripherals | — | — | 12,318 | — | — | — | — | 12,318 | 0.4% |
| Textiles, Apparel & Luxury Goods | 164,656 | — | 35,363 | — | — | — | — | 200,019 | 6.5% |
| Transportation Infrastructure | — | — | 27,662 | — | — | — | — | 27,662 | 0.9% |
| Structured Finance (A) | — | — | — | — | 708,961 | — | — | 708,961 | 23.2% |
| **Total Non-Control/ Non-Affiliate** | $ 1,283,545 | $ — | $ 775,917 | $ 3,990 | $ 708,961 | $ — | $ 13,086 | $ 2,785,499 | 91.2% |
| **Fair Value % of Net Assets** | 42.0% | —% | 25.5% | 0.1% | 23.2% | —% | 0.4% | 91.2% | |
| **Total Portfolio** | $ 2,450,928 | $ 1,981 | $ 1,271,966 | $ 3,990 | $ 708,961 | $ 51,079 | $ 743,423 | $ 5,232,328 | 171.2% |
| **Fair Value % of Net Assets** | 80.2% | 0.1% | 41.6% | 0.1% | 23.2% | 1.7% | 24.3% | 171.2% | |

(A) Our SSN investments do not have industry concentrations and as such have been separated in the tables above.

(B) Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

(44) The following shows the composition of our investment portfolio at cost by control designation, investment type, and by industry as of June 30, 2019:

(in thousands, except share data)

## Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)

| Industry | 1st Lien Term Loan | 2nd Lien Term Loan | Rated Secured Structured Notes | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Cost Total |
|---|---|---|---|---|---|---|---|
| **Control Investments** | | | | | | | |
| Aerospace & Defense | $ 54,841 | $ — | $ — | $ — | $ — | $ 22,738 | $ 77,579 |
| Commercial Services & Supplies | 126,505 | — | — | — | 6,915 | 6,849 | 140,269 |
| Construction & Engineering | 43,731 | — | — | — | — | 26,204 | 69,935 |
| Consumer Finance | — | 348,606 | — | — | — | 116,839 | 465,445 |
| Energy Equipment & Services | 69,447 | — | — | — | — | 192,216 | 261,663 |
| Equity Real Estate Investment Trusts (REITs) | 433,553 | — | — | — | — | 62,887 | 496,440 |
| Health Care Providers & Services | 248,872 | — | — | — | — | 1 | 248,873 |
| Machinery | — | 28,622 | — | — | — | 6,866 | 35,488 |
| Media | 3,114 | — | — | — | — | 12,869 | 15,983 |
| Online Lending | 172,000 | — | — | — | — | 100,949 | 272,949 |
| Personal Products | 212,969 | — | — | — | — | 25,000 | 237,969 |
| Trading Companies & Distributors | 63,213 | — | — | — | — | — | 63,213 |
| **Total Control Investments** | $ 1,428,245 | $ 377,228 | $ — | $ — | $ 6,915 | $ 573,418 | $ 2,385,806 |
| **Affiliate Investments** | | | | | | | |
| Distributors | $ — | $ 127,091 | $ — | $ — | $ — | $ — | $ 127,091 |
| Diversified Consumer Services | — | 8,159 | — | — | 32,018 | 6,577 | 46,754 |
| Textiles, Apparel & Luxury Goods | — | — | — | — | — | 3,771 | 3,771 |
| **Total Affiliate Investments** | $ — | $ 135,250 | $ — | $ — | $ 32,018 | $ 10,348 | $ 177,616 |
| **Non-Control/Non-Affiliate Investments** | | | | | | | |
| Air Freight & Logistics | $ — | $ 12,500 | $ — | $ — | $ — | $ — | $ 12,500 |
| Auto Components | — | 25,450 | — | — | — | — | 25,450 |
| Building Products | — | 19,842 | — | — | — | — | 19,842 |
| Capital Markets | — | 25,084 | — | — | — | — | 25,084 |
| Chemicals | — | — | — | — | — | — | — |
| Commercial Services & Supplies | 60,513 | 175,674 | — | — | — | — | 236,187 |
| Communications Equipment | — | 50,503 | — | — | — | — | 50,503 |
| Consumer Finance | 22,333 | — | — | — | — | — | 22,333 |
| Distributors | 172,815 | — | — | — | — | — | 172,815 |
| Diversified Consumer Services | — | 100,091 | — | — | — | — | 100,091 |
| Diversified Telecommunication Services | 9,923 | 26,311 | — | — | — | — | 36,234 |
| Electronic Equipment, Instruments & Components | — | — | — | — | — | — | — |
| Energy Equipment & Services | — | — | — | — | — | — | — |
| Entertainment | 16,128 | 20,093 | — | — | — | — | 36,221 |
| Food Products | — | 34,729 | — | — | — | — | 34,729 |
| Health Care Equipment & Supplies | 33,673 | 7,469 | — | — | — | — | 41,142 |
| Health Care Providers & Services | 125,265 | 96,284 | — | — | — | — | 221,549 |
| Hotels, Restaurants & Leisure | 27,252 | 7,485 | — | — | — | — | 34,737 |
| Household Durables | 15,888 | 13,403 | — | — | — | — | 29,291 |
| Household Products | 24,688 | — | — | — | — | — | 24,688 |
| Insurance | — | 12,988 | — | — | — | — | 12,988 |
| Interactive Media & Services | 37,861 | — | — | — | — | — | 37,861 |
| IT Services | 270,714 | 35,382 | — | — | — | — | 306,096 |
| Leisure Products | 32,868 | — | — | — | — | 1 | 32,869 |
| Media | 87,379 | 35,000 | — | — | — | — | 122,379 |
| Online Lending | — | — | — | — | — | — | — |
| Paper & Forest Products | — | 11,361 | — | — | — | — | 11,361 |
| Professional Services | 118,403 | 69,695 | — | — | — | — | 188,098 |
| Real Estate Management & Development | 38,852 | — | — | — | — | — | 38,852 |
| Software | — | 64,723 | — | — | — | — | 64,723 |
| Technology Hardware, Storage & Peripherals | — | 12,400 | — | — | — | — | 12,400 |
| Textiles, Apparel & Luxury Goods | 190,678 | 36,657 | — | — | — | — | 227,335 |

(in thousands, except share data)

## Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)

| Industry | 1st Lien Term Loan | 2nd Lien Term Loan | Rated Secured Structured Notes | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Cost Total |
|---|---|---|---|---|---|---|---|
| Tobacco | — | 14,419 | — | — | — | — | 14,419 |
| Transportation Infrastructure | — | 27,578 | — | — | — | — | 27,578 |
| Structured Finance (A) | — | — | 44,774 | 1,103,751 | — | — | 1,148,525 |
| **Total Non-Control/ Non-Affiliate** | $ 1,285,233 | $ 935,121 | $ 44,774 | $ 1,103,751 | $ — | $ 1 | $ 3,368,880 |
| **Total Portfolio Investment Cost** | $ 2,713,478 | $ 1,447,599 | $ 44,774 | $ 1,103,751 | $ 38,933 | $ 583,767 | $ 5,932,302 |

The following shows the composition of our investment portfolio at fair value by control designation, investment type, and by industry as of June 30, 2019:

| Industry | 1st Lien Term Loan | 2nd Lien Term Loan | Rated Secured Structured Notes | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Fair Value Total | % of Net Assets |
|---|---|---|---|---|---|---|---|---|
| **Control Investments** | | | | | | | | |
| Aerospace & Defense | $ 54,841 | $ — | $ — | $ — | $ — | $ 34,860 | $ 89,701 | 2.7% |
| Commercial Services & Supplies | 62,627 | — | — | — | — | — | 62,627 | 1.9% |
| Construction & Engineering | 43,731 | — | — | — | — | 99,954 | 143,685 | 4.3% |
| Consumer Finance | — | 351,926 | — | — | — | 246,502 | 598,428 | 18.1% |
| Electronic Equipment, Instruments & Components | — | — | — | — | — | — | — | —% |
| Energy Equipment & Services | 69,447 | — | — | — | — | 84,418 | 153,865 | 4.7% |
| Equity Real Estate Investment Trusts (REITs) | 433,553 | — | — | — | — | 394,134 | 827,687 | 25.0% |
| Health Care Providers & Services | 224,876 | — | — | — | — | — | 224,876 | 6.8% |
| Machinery | — | 28,622 | — | — | — | 5,002 | 33,624 | 1.0% |
| Media | 3,114 | — | — | — | — | 21,069 | 24,183 | 0.7% |
| Online Lending | 172,000 | — | — | — | — | 4,778 | 176,778 | 5.3% |
| Personal Products | 112,427 | — | — | — | — | — | 112,427 | 3.4% |
| Trading Companies & Distributors | 28,043 | — | — | — | — | — | 28,043 | 0.8% |
| **Total Control Investments** | $ 1,204,659 | $ 380,548 | $ — | $ — | $ — | $ 890,717 | $ 2,475,924 | 74.9% |
| **Fair Value % of Net Assets** | 36.4% | 11.5% | —% | —% | —% | 26.9% | 74.9% | |
| **Affiliate Investments** | | | | | | | | |
| Distributors | $ — | $ 18,866 | $ — | $ — | $ — | $ — | $ 18,866 | 0.6% |
| Diversified Consumer Services | — | 8,159 | — | — | 33,058 | — | 41,217 | 1.2% |
| Textiles, Apparel & Luxury Goods | — | — | — | — | — | 16,599 | 16,599 | 0.5% |
| **Total Affiliate Investments** | $ — | $ 27,025 | $ — | $ — | $ 33,058 | $ 16,599 | $ 76,682 | 2.3% |
| **Fair Value % of Net Assets** | —% | 0.8% | —% | —% | 1.0% | 0.5% | 2.3% | |
| **Non-Control/Non-Affiliate Investments** | | | | | | | | |
| Air Freight & Logistics | $ — | $ 12,233 | $ — | $ — | $ — | $ — | $ 12,233 | 0.4% |
| Auto Components | — | 25,450 | — | — | — | — | 25,450 | 0.8% |
| Building Products | — | 19,842 | — | — | — | — | 19,842 | 0.6% |
| Capital Markets | — | 25,222 | — | — | — | — | 25,222 | 0.8% |
| Chemicals | — | — | — | — | — | — | — | —% |
| Commercial Services & Supplies | 58,094 | 175,951 | — | — | — | — | 234,045 | 7.1% |
| Communications Equipment | — | 48,760 | — | — | — | — | 48,760 | 1.5% |
| Consumer Finance | 20,555 | — | — | — | — | — | 20,555 | 0.6% |
| Distributors | 171,271 | — | — | — | — | — | 171,271 | 5.2% |
| Diversified Consumer Services | — | 100,091 | — | — | — | — | 100,091 | 3.0% |
| Diversified Telecommunication Services | 9,923 | 26,311 | — | — | — | — | 36,234 | 1.1% |
| Electronic Equipment, Instruments & Components | — | — | — | — | — | 2,239 | 2,239 | 0.1% |
| Energy Equipment & Services | — | — | — | — | — | — | — | —% |
| Entertainment | 16,178 | 20,149 | — | — | — | — | 36,327 | 1.1% |
| Food Products | — | 34,729 | — | — | — | — | 34,729 | 1.1% |
| Health Care Equipment & Supplies | 34,010 | 7,144 | — | — | — | — | 41,154 | 1.2% |
| Health Care Providers & Services | 124,075 | 96,284 | — | — | — | — | 220,359 | 6.7% |
| Hotels, Restaurants & Leisure | 27,252 | 7,485 | — | — | — | — | 34,737 | 1.1% |
| Household Durables | 10,252 | 12,208 | — | — | — | — | 22,460 | 0.7% |

(in thousands, except share data)

## Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)

| Industry | 1st Lien Term Loan | 2nd Lien Term Loan | Rated Secured Structured Notes | Subordinated Structured Notes | Subordinated Unsecured Debt | Equity (B) | Fair Value Total | % of Net Assets |
|---|---|---|---|---|---|---|---|---|
| Household Products | 24,688 | — | — | — | — | — | 24,688 | 0.7% |
| Insurance | — | 12,988 | — | — | — | — | 12,988 | 0.4% |
| Interactive Media & Services | 37,861 | — | — | — | — | — | 37,861 | 1.1% |
| IT Services | 269,657 | 35,703 | — | — | — | — | 305,360 | 9.2% |
| Leisure Products | 32,868 | — | — | — | — | — | 32,868 | 1.0% |
| Media | 86,704 | 30,580 | — | — | — | — | 117,284 | 3.5% |
| Online Lending | — | — | — | — | — | — | — | —% |
| Paper & Forest Products | — | 11,500 | — | — | — | — | 11,500 | 0.3% |
| Pharmaceuticals | — | — | — | — | — | — | — | —% |
| Professional Services | 118,813 | 71,365 | — | — | — | — | 190,178 | 5.8% |
| Real Estate Management & Development | 38,852 | — | — | — | — | — | 38,852 | 1.2% |
| Software | — | 64,729 | — | — | — | — | 64,729 | 2.0% |
| Technology Hardware, Storage & Peripherals | — | 12,400 | — | — | — | — | 12,400 | 0.4% |
| Textiles, Apparel & Luxury Goods | 189,725 | 36,657 | — | — | — | — | 226,382 | 6.8% |
| Tobacco | — | 14,500 | — | — | — | — | 14,500 | 0.4% |
| Transportation Infrastructure | — | 28,104 | — | — | — | — | 28,104 | 0.9% |
| Structured Finance (A) | — | — | 46,851 | 850,694 | — | — | 897,545 | 27.1% |
| **Total Non-Control/ Non-Affiliate** | $ 1,270,778 | $ 930,385 | $ 46,851 | $ 850,694 | $ — | $ 2,239 | $ 3,100,947 | 93.8% |
| **Fair Value % of Net Assets** | 38.4% | 28.1% | 1.4% | 25.7% | —% | 0.1% | 93.8% | |
| **Total Portfolio** | $ 2,475,437 | $ 1,337,958 | $ 46,851 | $ 850,694 | $ 33,058 | $ 909,555 | $ 5,653,553 | 171.0% |
| **Fair Value % of Net Assets** | 74.9% | 40.5% | 1.4% | 25.7% | 1.0% | 27.5% | 171.0% | |

(A) Our RSSN and SSN investments do not have industry concentrations and as such have been separated in the tables above.

(B) Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

**(in thousands, except share data)**

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

(45) The interest rate on these investments, excluding those on non-accrual, contains a paid in kind ("PIK") provision, whereby the issuer has either the option or the obligation to make interest payments with the issuance of additional securities. The interest rate in the schedule represents the current interest rate in effect for these investments.

The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed under the existing credit agreements, as of and for three months ended June 30, 2020:

| Security Name | PIK Rate - Capitalized | PIK Rate - Paid as cash | Maximum Current PIK Rate | |
|---|---|---|---|---|
| Cinedigm DC Holdings, LLC - Senior Secured Term Loan | —% | 2.50% | 2.50% | |
| CP Energy Services Inc. - Senior Secured Term Loan | 12.00% | —% | 12.00% | (A) |
| Credit Central Loan Company, LLC - Subordinated Term Loan | 10.00% | —% | 10.00% | (B) |
| Echelon Transportation, LLC - Senior Secured Term Loan | 2.25% | —% | 2.25% | (C) |
| Echelon Transportation, LLC - Senior Secured Term Loan | 1.00% | —% | 1.00% | (D) |
| Edmentum Ultimate Holdings, LLC - Second Lien Revolving Credit Facility | 5.00% | —% | 5.00% | |
| Edmentum Ultimate Holdings, LLC - Unsecured Senior PIK Note | 8.50% | —% | 8.50% | |
| Edmentum Ultimate Holdings, LLC - Unsecured Junior PIK Note | 10.00% | —% | 10.00% | |
| First Tower Finance Company LLC - Subordinated Term Loan | 4.40% | 6.10% | 10.50% | |
| InterDent, Inc. - Senior Secured Term Loan A | 6.25% | —% | 6.25% | (E) |
| InterDent, Inc. - Senior Secured Term Loan A/B | 7.05% | —% | 7.05% | (F) |
| InterDent, Inc. - Senior Secured Term Loan B | 10.00% | —% | 10.00% | |
| Medusind Acquisition, Inc - First Lien Term Loan | 5.49% | 3.51% | 9.00% | (G) |
| MITY, Inc. - Senior Secured Note B | 10.00% | —% | 10.00% | |
| National Property REIT Corp. - Senior Secured Term Loan A | —% | 3.53% | 3.53% | |
| National Property REIT Corp. - Senior Secured Term Loan B | —% | 5.50% | 5.50% | |
| National Property REIT Corp. - Senior Secured Term Loan C | —% | 2.25% | 2.25% | |
| National Property REIT Corp. - Senior Secured Term Loan D | —% | 2.50% | 2.50% | |
| Nationwide Loan Company LLC - Senior Subordinated Term Loan | 10.00% | —% | 10.00% | |
| Pacific World Corporation - Senior Secured Term Loan A | —% | —% | 6.25% | (H) |
| PGX Holdings, Inc. - 1.5 Lien | 11.50% | —% | 11.50% | (I) |
| PGX Holdings, Inc. - Second Lien Term Loan | 15.75% | —% | 15.75% | (J) |
| Rosa Mexicano - Revolver | 6.00% | —% | 6.00% | (K) |
| Rosa Mexicano - Senior Secured Term Loan | 6.00% | —% | 6.00% | (L) |
| SEOTOWNCENTER, INC. - Senior Secured Term Loan A | —% | 4.00% | 4.00% | (M) |
| SEOTOWNCENTER, INC. - Senior Secured Term Loan B | —% | 9.00% | 9.00% | (N) |
| The Octave Music Group, Inc. (fka Touchtunes) - First Lien Term Loan | —% | 0.75% | 0.75% | |
| Town & Country Holdings, Inc. - First Lien Term Loan | —% | 5.00% | 5.00% | (O) |
| Valley Electric Co. of Mt. Vernon, Inc. - Senior Secured Note | —% | 2.50% | 2.50% | |
| Valley Electric Company, Inc. - Senior Secured Note | —% | 10.00% | 10.00% | |
| Venio LLC - Second Lien Term Loan | 10.00% | —% | 10.00% | |

(A) On March 30, 2020, the CP Energy Fourth Amendment to Loan Agreement was amended to allow 100% of the June 30, 2020 interest accruing in cash to be payable in kind resulting in a current PIK rate capitalized of 12.00%.
(B) On December 17, 2018, the Credit Central Senior Subordinated Loan Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 20.00%.
(C) On January 31, 2018, the Echelon Fourth Amended and Restated Credit Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 14.50%.
(D) On January 31, 2018, the Echelon Fourth Amended and Restated Credit Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 12.50%.
(E) On April 6, 2020, the Interdent Sixteenth Amendment was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 6.25%.
(F) On April 6, 2020, the Interdent Sixteenth Amendment was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 7.05%.
(G) On April 13, 2020, the Medusind Fourth Amendment to Credit and Guaranty Agreement was amended to allow $409 of the June 30, 2020 interest accruing in cash to be payable in kind resulting in a current PIK rate capitalized of 5.49%.
(H) Pacific World Term Loan A was placed on accrual status effective June 29, 2020. The next Term Loan A PIK interest payment/capitalization date is July 29, 2020.
(I) On May 27, 2020, the PGX 1.5 Lien Credit Agreement was entered to allow interest accrue and be payable in kind resulting in a maximum current PIK rate of 11.50%. The 1.5 Lien PIK interest will not capitalize until September 30, 2020.
(J) On May 27, 2020, the PGX Third Amendment to the Second Lien Credit Agreement was amended to allow interest accrue and be payable in kind resulting in a maximum current PIK rate of 15.75%.

**(in thousands, except share data)**

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

(K) On April 29, 2020, the Rosa Mexicano Fifth Amendment and Waiver to Loan Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 6.00%.
(L) On April 29, 2020, the Rosa Mexicano Fifth Amendment and Waiver to Loan Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 6.00%.
(M) On May 20, 2020, the SEOTownCenter Limited Waiver and Fourth Amendment to Loan Agreement was amended to allow a Maximum Term Loan A PIK Rate of 4.00% for the interest accruing in cash to be payable in kind, at the borrowers election.
(N) On May 20, 2020, the SEOTownCenter Limited Waiver and Fourth Amendment to Loan Agreement was amended to allow a Maximum Term Loan B PIK Rate of 9.00% for the interest accruing in cash to be payable in kind, at the borrowers election.
(O) On March 31, 2020, the Town & Country Fourth Amendment to Loan Agreement was amended to allow a Maximum Term Loan PIK Rate of 5.00% for the interest accruing in cash to be payable in kind, at the borrowers election.

The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed under the existing credit agreements, as of and for three months ended June 30, 2019:

| Security Name | PIK Rate - Capitalized | PIK Rate - Paid as cash | Maximum Current PIK Rate | |
|---|---|---|---|---|
| Cinedigm DC Holdings, LLC | —% | 2.50% | 2.50% | |
| CP Energy - Spartan Energy Services, LLC Term Loan B | 16.44% | —% | 16.44% | |
| Credit Central Loan Company | 6.53% | 3.47% | 10.00% | |
| Echelon Transportation, LLC | 2.25% | —% | 2.25% | (A) |
| Echelon Transportation, LLC | 1.00% | —% | 1.00% | (A) |
| Edmentum Ultimate Holdings, LLC - Revolver | 5.00% | —% | 5.00% | |
| Edmentum Ultimate Holdings, LLC - Senior PIK Note | 8.50% | —% | 8.50% | |
| First Tower Finance Company LLC | 7.48% | 3.02% | 10.50% | |
| Interdent, Inc - Senior Secured Term Loan B | 16.00% | —% | 16.00% | |
| MITY, Inc. | 10.00% | —% | 10.00% | |
| National Property REIT Corp. - Senior Secured Term Loan A | —% | 5.00% | 5.00% | |
| National Property REIT Corp. - Senior Secured Term Loan B | —% | 5.50% | 5.50% | |
| Nationwide Loan Company LLC | 10.00% | —% | 10.00% | |
| Valley Electric Co. of Mt. Vernon, Inc. | —% | 2.50% | 2.50% | |
| Valley Electric Company, Inc. | 5.00% | 5.00% | 10.00% | |
| Venio LLC | 10.10% | —% | 10.10% | |

(A) Next PIK payment/capitalization date is July 31, 2019.

See notes to consolidated financial statements.

(in thousands, except share data)

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

(46) As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2020 with these controlled investments were as follows:

| Portfolio Company | Fair Value at June 30, 2019 | Gross Additions (Cost)(A) | Gross Reductions (Cost)(B) | Net unrealized gains (losses) | Fair Value at June 30, 2020 | Interest income | Dividend income | Other income | Net realized gains (losses) |
|---|---|---|---|---|---|---|---|---|---|
| CP Energy Services Inc. | $ 104,533 | $ 6,735 | $ — | $ (60,094) | $ 51,174 | $ 4,636 | $ — | $ — | $ — |
| CP Energy - Spartan Energy Services, LLC | 34,398 | 2,119 | — | (17,806) | 18,711 | 3,115 | — | 13 | — |
| Credit Central Loan Company, LLC | 71,417 | 12,891 | — | (8,623) | 75,685 | 12,145 | — | 112 | — |
| Echelon Transportation LLC | 89,701 | 10,630 | — | (14,704) | 85,627 | 8,349 | — | — | — |
| First Tower Finance Company LLC | 494,036 | 6,178 | (6,518) | 14,769 | 508,465 | 57,802 | — | — | — |
| Freedom Marine Solutions, LLC | 14,920 | — | — | (2,569) | 12,351 | — | — | — | — |
| InterDent, Inc. | 224,876 | 18,180 | — | (12,299) | 230,757 | 18,823 | — | — | — |
| Kickapoo Ranch Pet Resort | — | 2,378 | — | 908 | 3,286 | — | — | 36 | — |
| MITY, Inc. | 46,902 | 3,421 | (566) | 2,148 | 51,905 | 9,027 | — | 587 | — |
| National Property REIT Corp. | 1,004,465 | 118,309 | (276,279) | 32,238 | 878,733 | 67,303 | — | 45,345 | — |
| Nationwide Loan Company LLC | 32,975 | 1,470 | (1,500) | 4,293 | 37,238 | 3,917 | — | — | — |
| NMMB, Inc. | 24,183 | 15,100 | (13,190) | 7,575 | 33,668 | 653 | 2,797 | 453 | — |
| Pacific World Corporation | 112,427 | 12,100 | (3,366) | (61,254) | 59,907 | 2,457 | — | — | — |
| R-V Industries, Inc. | 33,624 | — | — | 4,941 | 38,565 | 3,087 | — | — | — |
| Universal Turbine Parts, LLC | 28,043 | 2,900 | (664) | (3,680) | 26,599 | 2,528 | — | 100 | — |
| USES Corp. | 15,725 | 1,500 | (5,950) | 6,050 | 17,325 | — | — | — | — |
| Valley Electric Company, Inc. | 143,685 | — | (1,062) | (13,327) | 129,296 | 7,106 | 7,538 | 665 | — |
| Wolf Energy, LLC | 14 | (3,914) | 18 | 3,882 | — | — | — | — | — |
| **Total** | $ 2,475,924 | $ 209,997 | $ (309,077) | $ (117,552) | $ 2,259,292 | $ 200,948 | $ 10,335 | $ 47,311 | $ — |

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, OID accretion and PIK interest, and any transfer of investments.
(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

(47) As defined in the 1940 Act, we are deemed to be an "Affiliated company" of these portfolio companies because we own more than 5% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2020 with these affiliated investments were as follows:

| Portfolio Company | Fair Value at June 30, 2019 | Gross Additions (Cost) (A) | Gross Reductions (Cost) (B) | Net unrealized gains (losses) | Fair Value at June 30, 2020 | Interest income | Dividend income | Other income | Net realized gains (losses) |
|---|---|---|---|---|---|---|---|---|---|
| Edmentum Ultimate Holdings, LLC | $ 41,217 | $ 10,528 | $ (3,133) | $ 11,006 | $ 59,618 | $ 8,150 | $ — | $ — | $ — |
| Nixon, Inc. | — | — | — | — | — | — | — | — | — |
| PGX Holdings, Inc. (C) | — | 63,679 | — | 43,032 | 106,711 | 4,499 | — | 38 | — |
| Targus Cayman HoldCo Limited | 16,599 | — | (967) | 5,576 | 21,208 | — | — | — | — |
| United Sporting Companies, Inc. (D) | 18,866 | (4,716) | (21,613) | 7,463 | — | — | — | — | — |
| **Total** | $ 76,682 | $ 69,491 | $ (25,713) | $ 67,077 | $ 187,537 | $ 12,649 | $ — | $ 38 | $ — |

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest, and any transfer of investments.
(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.
(C) Investment was transferred from non-controlled/non-affiliate investments at $57,239, the fair market value at the beginning of the three month period ended June 30, 2020.
(D) Investment was transferred to non-controlled/non-affiliate investments at $4,716, the fair market value at the beginning of the three month period ended June 30, 2020. Refer to endnote 18.

(in thousands, except share data)

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

(48) As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2019 with these controlled investments were as follows:

| Portfolio Company | Fair Value at June 30, 2018 | Gross Additions (Cost)(A) | Gross Reductions (Cost)(B) | Net unrealized gains (losses) | Fair Value at June 30, 2019 | Interest income | Dividend income | Other income | Net realized gains (losses) |
|---|---|---|---|---|---|---|---|---|---|
| CCPI, Inc. | $ 35,756 | $ — | $ (27,459) | $ (8,297) | $ — | $ 2,629 | $ — | $ 1,301 | $ 12,105 |
| CP Energy Services Inc.(C) | 123,261 | 34,184 | — | (18,514) | 138,931 | 4,810 | — | — | — |
| Credit Central Loan Company, LLC | 76,677 | 5,081 | — | (10,341) | 71,417 | 11,886 | — | — | — |
| Echelon Transportation LLC | 82,278 | 7,742 | — | (319) | 89,701 | 7,102 | — | — | — |
| First Tower Finance Company LLC | 443,010 | 6,823 | (2,478) | 46,681 | 494,036 | 56,125 | — | — | — |
| Freedom Marine Solutions, LLC | 13,037 | 300 | — | 1,583 | 14,920 | — | — | — | — |
| InterDent, Inc. | 197,621 | 36,173 | — | (8,918) | 224,876 | 24,779 | — | — | — |
| MITY, Inc. | 58,894 | 5,143 | (284) | (16,851) | 46,902 | 8,149 | — | 276 | — |
| National Property REIT Corp. | 1,054,976 | 11,583 | (69,181) | 7,087 | 1,004,465 | 75,249 | 21,000 | 33,634 | — |
| Nationwide Loan Company LLC | 33,853 | 1,206 | — | (2,084) | 32,975 | 3,621 | 165 | — | — |
| NMMB, Inc. | 18,735 | — | (5,500) | 10,948 | 24,183 | 958 | — | — | — |
| Pacific World Corporation | 165,020 | 19,000 | (9,606) | (61,987) | 112,427 | 3,762 | — | — | — |
| R-V Industries, Inc. | 31,886 | — | — | 1,738 | 33,624 | 3,295 | — | — | — |
| SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company) | 2,194 | — | — | (2,194) | — | — | — | — | 2,204 |
| Universal Turbine Parts, LLC (D) | — | 45,129 | (488) | (16,598) | 28,043 | 1,970 | — | — | — |
| USES Corp. | 16,319 | 3,500 | — | (4,094) | 15,725 | — | — | — | — |
| Valley Electric Company, Inc. | 50,797 | 5,521 | — | 87,367 | 143,685 | 6,877 | 12,962 | 800 | — |
| Wolf Energy, LLC | 12 | 46 | 58 | (102) | 14 | — | — | — | — |
| Total | $ 2,404,326 | $ 181,431 | $ (114,938) | $ 5,105 | $ 2,475,924 | $ 211,212 | $ 34,127 | $ 36,011 | $ 14,309 |

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, OID accretion and PIK interest, and any transfer of investments.
(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.
(C) In June 2019, CP Energy purchased approximately 64.1% of the common equity of Spartan Holdings, which owns 100% of Spartan, a portfolio company of Prospect. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Accordingly, Spartan was transferred from non-controlled/non-affiliate investments at $33,313, the fair market value at the beginning of the three month period ended June 30, 2019. Refer to endnote 20.
(D) Investment was transferred from non-controlled/non-affiliate investments at $45,129, the fair market value at the beginning of the three month period ended December 31, 2018. Refer to endnote 34.

(49) As defined in the 1940 Act, we are deemed to be an "Affiliated company" of these portfolio companies because we own more than 5% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2019 with these affiliated investments were as follows:

| Portfolio Company | Fair Value at June 30, 2017 | Gross Additions (Cost)(A) | Gross Reductions (Cost)(B) | Net unrealized gains (losses) | Fair Value at June 30, 2018 | Interest income | Dividend income | Other income | Net realized gains (losses) |
|---|---|---|---|---|---|---|---|---|---|
| Edmentum Ultimate Holdings, LLC | $ 35,216 | $ 8,850 | $ (7,855) | $ 5,006 | $ 41,217 | $ 943 | $ — | $ — | $ — |
| Nixon, Inc. | — | — | — | — | — | — | — | — | — |
| Targus Cayman HoldCo Limited | 23,220 | — | (6,106) | (515) | 16,599 | — | 659 | — | — |
| United Sporting Companies, Inc.(C) | — | 58,806 | — | (39,940) | 18,866 | — | — | — | — |
| Total | $ 58,436 | $ 67,656 | $ (13,961) | $ (35,449) | $ 76,682 | $ 943 | $ 659 | $ — | $ — |

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest and any transfer of investments.
(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.
(C) The investment was transferred from non-controlled/non-affiliate investments at $58.806, the fair market value at the beginning of the three months period ended September 30, 2018. Refer to endnote 18.

(in thousands, except share data)

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

(50) Acquisition date represents the date of PSEC's initial investment. Follow-on acquisitions have occurred on the following dates to arrive at PSEC's current investment (excluding effects of capitalized PIK interest, premium/original issue discount amortization/accretion, and partial repayments) (See endnote 51 for NPRC follow-on acquisitions):

| Portfolio Company | Investment | Follow-On Acquisition Dates | Follow-On Acquisitions (Excluding initial investment cost) |
|---|---|---|---|
| ACE Cash Express, Inc. | Senior Secured Note | 5/24/2019, 7/16/2019, 12/20/2019 | $ 10,882 |
| AgaMatrix, Inc. | Senior Secured Term Loan | 4/11/2018 | 5,000 |
| Apidos CLO IX | Subordinated Structured Note | 2/23/2015 | 2,325 |
| Apidos CLO XI | Subordinated Structured Note | 11/2/2016 | 2,160 |
| Apidos CLO XII | Subordinated Structured Note | 1/26/2018 | 4,070 |
| Apidos CLO XV | Subordinated Structured Note | 3/29/2018 | 6,480 |
| Apidos CLO XXII | Subordinated Structured Note | 2/24/2020 | 1,912 |
| Atlantis Health Care Group (Puerto Rico), Inc. | Revolving Line of Credit | 4/15/2013, 5/21/2013, 3/11/2014, 6/26/2017, 9/29/2017, 10/12/2017, 10/31/2017 | 7,500 |
| Atlantis Health Care Group (Puerto Rico), Inc. | Senior Secured Term Loan | 12/9/2016 | 42,000 |
| Barings CLO 2018-III | Subordinated Structured Note | 5/18/2018 | 9,255 |
| Broder Bros., Co. | Senior Secured Note | 1/29/2019, 2/28/2019 | 450 |
| Brookside Mill CLO Ltd. | Subordinated Structured Note | 1/29/2018 | 3,605 |
| California Street CLO IX Ltd. | Subordinated Structured Note | 9/6/2016, 10/17/2016 | 6,842 |
| Capstone Logistics Acquisition, Inc. | Second Lien Term Loan | 6/12/2015 | 37,500 |
| CCS-CMGC Holdings, Inc. | First Lien Term Loan | 10/8/2019 | 4,692 |
| CCS-CMGC Holdings, Inc. | Second Lien Term Loan | 8/20/2019 | 1,993 |
| Cent CLO 21 Limited | Subordinated Structured Note | 7/12/2018 | 1,024 |
| Centerfield Media Holding Company | Senior Secured Term Loan A | 9/14/2018 | 10,100 |
| Centerfield Media Holding Company | Senior Secured Term Loan B | 9/14/2018 | 10,100 |
| CIFC Funding 2014-IV-R, Ltd. | Subordinated Structured Note | 10/12/2018 | 1,158 |
| Coverall North America, Inc. | Senior Secured Term Loan A | 7/2/2018 | 13 |
| Coverall North America, Inc. | Senior Secured Term Loan B | 7/2/2018 | 2 |
| CP Energy Services Inc. | Common Stock | 10/11/2013, 12/26/2013, 4/6/2018, 12/31/2019 | 69,586 |
| CP VI Bella Midco | Second Lien Term Loan | 8/10/2018, 10/15/2018, 5/23/2019, 6/4/2019 | 13,711 |
| Credit Central Loan Company, LLC | Class A Units | 12/28/2012, 3/28/2014, 6/26/2014, 9/28/2016, 8/21/2019 | 11,975 |
| Credit Central Loan Company, LLC | Subordinated Term Loan | 6/26/2014, 9/28/2016 | 41,335 |
| Echelon Transportation, LLC | Membership Interest | 3/31/2014, 9/30/2014, 12/9/2016 | 22,488 |
| Echelon Transportation, LLC | Senior Secured Term Loan | 11/14/2018, 7/9/2019, 5/5/2020 | 4,600 |
| Edmentum Ultimate Holdings, LLC | Second Lien Revolving Credit Facility to Edmentum, Inc. | 2/19/2016, 3/17/2016, 4/20/2016, 5/19/2016, 6/22/2016, 1/31/2017, 2/14/2017, 3/1/2017, 3/14/2017, 3/28/2017, 4/11/2017, 4/25/2017, 5/10/2017, 10/30/2017, 11/8/2017, 11/21/2017, 12/20/2017, 1/3/2018, 1/17/2018, 1/30/2018, 12/12/2018, 12/21/2018, 1/15/2019, 2/1/2019, 2/26/2019, 2/28/2019, 3/18/2019, 4/9/2019,11/22/2019,12/17/2019, 1/21/2020 | 33,080 |
| First Tower Finance Company LLC | Class A Units | 12/30/2013, 6/24/2014, 12/15/2015, 11/21/2016, 3/9/2018 | 39,885 |
| First Tower Finance Company LLC | Subordinated Term Loan to First Tower, LLC | 12/15/2015, 3/9/2018 | 20,924 |
| Freedom Marine Solutions, LLC | Membership Interest | 10/1/2009, 12/22/2009, 1/13/2010, 3/30/2010, 5/13/2010, 2/14/2011, 4/28/2011, 7/7/2011, 10/20/2011, 10/30/2015, 1/7/2016, 4/11/2016, 8/11/2016, 1/30/2017, 4/20/2017, 6/13/2017, 8/30/2017, 1/17/2018, 2/15/2018, 5/8/2018, 10/31/2018 | 39,868 |
| Galaxy XV CLO, Ltd. | Subordinated Structured Note | 8/21/2015, 3/10/2017 | 9,161 |
| Galaxy XXVII CLO, Ltd. | Subordinated Structured Note | 6/11/2015 | 1,460 |
| GEON Performance Solutions, LLC | Revolving Line of Credit | 12/12/2019, 1/10/2020, 2/3/2020, 2/6/2020, 3/2/2020, 3/6/2020, 4/9/2020, 5/7/2020, 6/3/2020 | 3,796 |
| Global Tel*Link Corporation | Second Lien Term Loan | 4/10/2019, 8/22/2019, 9/20/2019 | 14,686 |
| HELP/SYSTEMS HOLDINGS, INC. | First Lien Term Loan | 11/29/2019 | 8,415 |
| Help/Systems Holdings, Inc. | Second Lien Term Loan | 5/10/2018, 3/11/2019, 11/22/2019 | 19,649 |
| Inpatient Care Management Company, LLC | Senior Secured Term Loan | 12/22/2016, 6/29/2018 | 10,003 |
| Interdent, Inc. | Senior Secured Term Loan A | 2/11/2014, 4/21/2014, 11/25/2014, 12/23/2014 | 76,125 |
| Interdent, Inc. | Senior Secured Term Loan B | 2/11/2014, 4/21/2014, 11/25/2014, 12/23/2014 | 76,125 |
| Interdent, Inc. | Senior Secured Term Loan C | 8/1/2018 | 31,558 |

**(in thousands, except share data)**

## Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)

| Portfolio Company | Investment | Follow-On Acquisition Dates | Follow-On Acquisitions (Excluding initial investment cost) |
|---|---|---|---|
| Interdent, Inc. | Senior Secured Term Loan D | 2/3/2020, 4/6/2020 | 4,350 |
| Janus International Group, LLC | Second Lien Term Loan | 8/3/2018, 8/9/2018, 8/20/2018, 9/6/2018 | 9,915 |
| JD Power and Associates | Second Lien Term Loan | 8/10/2017, 8/31/2018, 3/11/2019, 4/10/2019 | 15,239 |
| Jefferson Mill CLO Ltd. | Subordinated Structured Note | 9/21/2018 | 2,047 |
| K&N Parent, Inc. | Second Lien Term Loan | 8/14/2018, 9/5/2018, 9/7/2018, 9/10/2018, 9/24/2018 | 12,695 |
| Kickapoo Ranch Pet Resort | Membership Interest | 10/21/2019, 12/4/2019 | 28 |
| LCM XIV Ltd. | Subordinated Structured Note | 9/25/2015, 5/18/2018 | 9,422 |
| Madison Park Funding IX, Ltd. | Subordinated Structured Note | 7/1/2015 | 7,320 |
| MITY, Inc. | Common Stock | 6/23/2014 | 7,200 |
| MITY, Inc. | Senior Secured Note A | 1/17/2017 | 8,000 |
| MITY, Inc. | Senior Secured Note B | 1/17/2017, 6/3/2019 | 11,000 |
| MRP Holdco, Inc. | Senior Secured Term Loan A | 12/7/2018 | 12,000 |
| MRP Holdco, Inc. | Senior Secured Term Loan B | 12/7/2018 | 12,000 |
| Nationwide Loan Company LLC | Class A Units | 3/28/2014, 6/18/2014, 9/30/2014, 6/29/2015, 3/31/2016, 8/31/2016, 5/31/2017, 10/31/2017 | 20,469 |
| Nationwide Loan Company LLC | Senior Subordinated Term Loan to Nationwide Acceptance LLC | 12/28/2015, 8/31/2016 | 1,999 |
| National Property REIT Corp. | Senior Secured Term Loan A | 4/3/2020, 5/15/2020, 6/10/2020 | 19,309 |
| National Property REIT Corp. | Senior Secured Term Loan C | 10/23/2019, 1/23/2020, 3/31/2020, 4/8/2020 | 79,200 |
| NMMB, Inc. | Senior Secured Term Loan | 12/30/2019 | 15,100 |
| NMMB, Inc. | Series A and B Preferred Stock | 12/13/2013, 10/1/2014 | 8,469 |
| Octagon Investment Partners XV, Ltd. | Subordinated Structured Note | 4/27/2015, 8/3/2015, 6/27/2017 | 10,516 |
| Octagon Investment Partners 18-R Ltd. | Subordinated Structured Note | 3/23/2018 | 8,908 |
| Pacific World Corporation | Revolving Line of Credit | 10/21/2014, 12/19/2014, 4/7/2015, 4/22/2015, 8/12/2016, 10/18/2016, 2/7/2017, 2/21/2017, 4/26/2017, 10/11/2017, 10/17/2017, 1/16/2018, 12/27/2018, 3/15/2019, 7/2/2019, 8/15/2019 | 36,825 |
| Pacific World Corporation | Convertible Preferred Equity | 4/3/2019, 4/29/2019, 6/3/2019, 10/4/2019, 11/12/2019, 12/20/2019, 1/7/2020, 3/5/2020 | 20,100 |
| PeopleConnect Holdings, LLC | Revolving Line of Credit | 1/31/2020 | 1,115 |
| PeopleConnect Intermediate, LLC | Revolving Line of Credit | 12/18/2017 | 500 |
| PeopleConnect Intermediate, LLC | Senior Secured Term Loan A | 8/11/2015 | 6,500 |
| PeopleConnect Intermediate, LLC | Senior Secured Term Loan B | 8/11/2015 | 6,500 |
| PG Dental Holdings New Jersey, LLC | Delayed Draw Term Loan | 8/26/2019, 4/3/2020 | 2,500 |
| PG Dental Holdings New Jersey, LLC | Senior Secured Term Loan | 5/31/2019 | 20 |
| PGX Holdings, Inc. | Second Lien Term Loan | 12/23/2016, 12/28/2016 | 15,034 |
| RGIS Services, LLC | Senior Secured Term Loan | 7/19/2017, 8/2/2017, 8/9/2017, 8/16/2017, 9/11/2017, 4/10/2019, 5/1/2019 | 19,293 |
| Romark WM-R Ltd. | Subordinated Structured Note | 3/29/2018 | 5,125 |
| Rosa Mexicano | Revolving Line of Credit | 3/27/2020 | 500 |
| R-V Industries, Inc. | Common Stock | 12/27/2016 | 1,854 |
| Securus Technologies Holdings, Inc. | Second Lien Term Loan | 11/13/2017, 11/24/2017, 8/6/2018, 8/24/2018, 3/18/2019 | 22,750 |
| SEOTownCenter, Inc. | Senior Secured Term Loan A | 11/2/2018 | 3,000 |
| SEOTownCenter, Inc. | Senior Secured Term Loan B | 11/2/2018 | 2,000 |
| SESAC Holdco II LLC | Second Lien Term Loan | 4/5/2019 | 4,975 |
| Sorenson Communications, LLC | First Lien Term Loan | 5/14/2019 | 8,000 |
| Symphony CLO XV, Ltd. | Subordinated Structured Note | 12/7/2018 | 2,655 |
| TouchTunes Interactive Networks, Inc. | Second Lien Term Loan | 11/3/2016, 11/14/2016 | 9,000 |
| Town & Country Holdings, Inc. | First Lien Term Loan | 7/13/2018, 7/16/2018 | 105,000 |
| Transplace Holdings, Inc. | Second Lien Term Loan | 1/4/2018 | 3,518 |
| United Sporting Companies, Inc. | Second Lien Term Loan | 3/7/2013 | 58,650 |
| Universal Turbine Parts, LLC | Delayed Draw Term Loan | 10/24/2019, 2/7/2020, 2/26/2020 | 2,900 |
| USES Corp. | Senior Secured Term Loan A | 6/15/2016, 6/29/2016, 2/22/2017, 4/27/2017, 5/4/2017, 8/30/2017, 10/11/2017, 12/11/2018, 8/30/2019 | 14,100 |
| USG Intermediate, LLC | Revolving Line of Credit | 7/2/2015, 9/23/2015, 9/14/2017, 8/21/2019 | 5,200 |

**(in thousands, except share data)**

**Endnote Explanations as of June 30, 2020 and June 30, 2019 (Continued)**

| Portfolio Company | Investment | Follow-On Acquisition Dates | Follow-On Acquisitions (Excluding initial investment cost) |
|---|---|---|---|
| USG Intermediate, LLC | Senior Secured Term Loan A | 8/24/2017 | 2,025 |
| USG Intermediate, LLC | Senior Secured Term Loan B | 8/24/2017 | 2,975 |
| Valley Electric Company, Inc. | Common Stock | 12/31/2012, 6/24/2014 | 18,502 |
| Valley Electric Company, Inc. | Senior Secured Note | 6/30/2014, 8/31/2018 | 5,129 |
| VC GB Holdings, Inc. | Subordinated Secured Term Loan | 3/13/2019 | 1,485 |
| Voya CLO 2014-1, Ltd. | Subordinated Structured Note | 3/29/2018 | 3,943 |
| Wolf Energy, LLC | Membership Interest in Wolf Energy Services Company, LLC | 5/17/2017 | 16 |

(51) Since Prospect's initial common equity investment in NPRC on December 31, 2013, we have made numerous additional follow-on investments that have been used to invest in new and existing properties as well as online consumer loans and rated secured structured notes. These follow-on acquisitions are summarized by fiscal year below (excluding effects of return of capital distributions). Details of specific transactions are included in the respective fiscal year Form 10-K filing:

| Fiscal Year | | Follow-On Investments (NPRC Common Stock, excluding cost of initial investment) |
|---|---|---|
| 2014 | $ | 4,555 |
| 2015 | | 68,693 |
| 2016 | | 93,857 |
| 2017 | | 116,830 |
| 2018 | | 137,024 |
| 2019 | | 11,582 |
| 2020 | | 19,800 |

(52) During the year ended June 30, 2020, we increased our investment in PGX Holdings, Inc. ("PGX") through a new 1.5 Lien Term Loan in the aggregate principal amount of $1,981. Attached to the incremental term loan investment were shares of common stock representing an 11.4% equity interest in PGX. As a result, our investment in PGX was transferred from non-control/non-affiliate to affiliate classification as of June 30, 2020.

**Note 1. Organization**

In this report, the terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise.

Prospect is a financial services company that primarily lends to and invests in middle-market privately-held companies. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As a BDC, we have elected to be treated as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986 (the “Code”). We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004.

On May 15, 2007, we formed a wholly-owned subsidiary Prospect Capital Funding LLC (“PCF”), a Delaware limited liability company and a bankruptcy remote special purpose entity, which holds certain of our portfolio loan investments that are used as collateral for the revolving credit facility at PCF. Our wholly-owned subsidiary Prospect Small Business Lending, LLC (“PSBL”) was formed on January 27, 2014 and purchases small business whole loans on a recurring basis from online small business loan originators, including On Deck Capital, Inc. (“OnDeck”). On September 30, 2014, we formed a wholly-owned subsidiary Prospect Yield Corporation, LLC (“PYC”) and effective October 23, 2014, PYC holds a portion of our investments in Rated Secured Structured Notes (“RSSN”) and Subordinated Structured Notes (“SSN”) (collectively referred to as “collateralized loan obligations” or “CLOs”). Each of these subsidiaries have been consolidated since operations commenced.

We consolidate certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy. The following companies are included in our consolidated financial statements and are collectively referred to as the “Consolidated Holding Companies”: CP Holdings of Delaware LLC (“CP Holdings”); Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC (“First Tower Delaware”); MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc. (“NMMB Holdings”); NPH Property Holdings, LLC (“NPH”); Prospect Opportunity Holdings I, Inc. (“POHI”); SB Forging Company, Inc. (“SB Forging”); STI Holding, Inc.; UTP Holdings Group Inc. (“UTP Holdings”); Valley Electric Holdings I, Inc.(“Valley Holdings I”); and Valley Electric Holdings II, Inc. (“Valley Holdings II”).

We are externally managed by our investment adviser, Prospect Capital Management L.P. (“Prospect Capital Management” or the “Investment Adviser”). Prospect Administration LLC (“Prospect Administration” or the “Administrator”), a wholly-owned subsidiary of the Investment Adviser, provides administrative services and facilities necessary for us to operate.

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We invest primarily in senior and subordinated debt and equity of private companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to identify investments with historical cash flows, asset collateral or contracted pro-forma cash flows for investment.

**Note 2. Significant Accounting Policies**

*Basis of Presentation and Consolidation*

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) pursuant to the requirements for reporting on Form 10-K, ASC 946, *Financial Services—Investment Companies* (“ASC 946”), and Articles 3, 6 and 12 of Regulation S-X. Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Our consolidated financial statements include the accounts of Prospect, PCF, PSBL, PYC, and the Consolidated Holding Companies. All intercompany balances and transactions have been eliminated in consolidation. The financial results of our non-substantially wholly-owned holding companies and operating portfolio company investments are not consolidated in the financial statements. Any operating companies owned by the Consolidated Holding Companies are not consolidated.

*Reclassifications*

Certain reclassifications have been made in the presentation of prior consolidated financial statements and accompanying notes to conform to the presentation as of and for the year ended June 30, 2020.

*Use of Estimates*

The preparation of the consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income, expenses, and gains and losses during the reported period. Changes in the economic environment, financial markets, creditworthiness of the issuers of our investment portfolio and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

*Investment Classification*

We are a non-diversified company within the meaning of the 1940 Act. As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, “Control Investments” are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of more than 25% of the voting securities of an investee company. Under the 1940 Act, “Affiliate Investments” are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person. “Non-Control/Non-Affiliate Investments” are those that are neither Control Investments nor Affiliate Investments.

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). As of June 30, 2020 and June 30, 2019, our qualifying assets as a percentage of total assets, stood at 74.44% and 73.85%, respectively.

*Investment Transactions*

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. In accordance with ASC 325-40, *Beneficial Interest in Securitized Financial Assets*, investments in CLOs are periodically assessed for other-than-temporary impairment (“OTTI”). When the Company determines that a CLO has OTTI, the amortized cost basis of the CLO is written down to its fair value as of the date of the determination based on events and information evaluated and that write-down is recognized as a realized loss. Amounts for investments traded but not yet settled are reported in Due to Broker or Due from Broker, in the *Consolidated Statements of Assets and Liabilities*.

*Foreign Currency*

Foreign currency amounts are translated into US Dollars (USD) on the following basis:

i. fair value of investment securities, other assets and liabilities—at the spot exchange rate on the last business day of the period; and

ii. purchases and sales of investment securities, income and expenses—at the rates of exchange prevailing on the respective dates of such investment transactions, income or expenses.

We do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held or disposed of during the period. Such fluctuations are included within the net realized and net change in unrealized gains or losses from investments in the *Consolidated Statements of Operations.*

*Investment Risks*

Our investments are subject to a variety of risks. Those risks include the following:

*Market Risk*

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument.

*Credit Risk*

Credit risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

*Liquidity Risk*

Liquidity risk represents the possibility that we may not be able to rapidly adjust the size of our investment positions in times of high volatility and financial stress at a reasonable price.

*Interest Rate Risk*

Interest rate risk represents a change in interest rates, which could result in an adverse change in the fair value of an interest-bearing financial instrument.

*Prepayment Risk*

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making us less likely to fully earn all of the expected income of that security and reinvesting in a lower yielding instrument.

*Structured Credit Related Risk*

CLO investments may be riskier and less transparent to us than direct investments in underlying companies. CLOs typically will have no significant assets other than their underlying senior secured loans. Therefore, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans.

*Online Small-and-Medium-Sized Business Lending Risk*

With respect to our online small-and-medium-sized business (“SME”) lending initiative, we invest primarily in marketplace loans through marketplace lending platforms (e.g. OnDeck). We do not conduct loan origination activities ourselves. Therefore, our ability to purchase SME loans, and our ability to grow our portfolio of SME 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 SME loans. In addition, our ability to analyze the risk-return profile of SME loans is significantly dependent on the marketplace platforms’ ability to effectively evaluate a borrower’s credit profile and likelihood of default. 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.

*Foreign Currency*

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

*Investment Valuation*

To value our investments, we follow the guidance of ASC 820, Fair Value Measurement (“ASC 820”), that defines fair value, establishes a framework for measuring fair value in conformity with GAAP, and requires disclosures about fair value measurements. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

*Level 1*: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

*Level 2*: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

*Level 3*: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Our Board of Directors has established procedures for the valuation of our investment portfolio. These procedures are detailed below.

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below.

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors.

2. The independent valuation firms prepare independent valuations for each investment based on their own independent assessments and issue their report.

3. The Audit Committee of our Board of Directors reviews and discusses with the independent valuation firms the valuation reports, and then makes a recommendation to the Board of Directors of the value for each investment.

4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield technique, enterprise value ("EV") technique, net asset value technique, asset recovery technique, discounted cash flow technique, or a combination of techniques, as appropriate. The yield technique uses loan spreads for loans and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV technique, the EV of a portfolio company is first determined and allocated over the portfolio company's securities in order of their preference relative to one another (i.e., "waterfall" allocation). To determine the EV, we typically use a market (multiples) valuation approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent merger and acquisitions transactions, and/or a discounted cash flow technique. The net asset value technique, an income approach, is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The asset recovery technique is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company's assets. The discounted cash flow technique converts future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The fair value measurement is based on the net present value indicated by current market expectations about those future amounts.

In applying these methodologies, additional factors that we consider in valuing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

Our investments in CLOs are classified as Level 3 fair value measured securities under ASC 820 and are valued using a discounted multi-path cash flow model. The CLO structures are analyzed to identify the risk exposures and to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which is a simulation used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows from the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market as well as certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the multi-path cash flows. 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. The main risk factors are default risk, prepayment risk, interest rate risk, downgrade risk, and credit spread risk.

*Valuation of Other Financial Assets and Financial Liabilities*

ASC 825, *Financial Instruments*, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the "Fair Value Option"). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 for the disclosure of the fair value of our outstanding debt and the market observable inputs used in determining fair value.

*Convertible Notes*

We have recorded the Convertible Notes at their contractual amounts. We have determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under ASC 815, *Derivatives and Hedging*. See Note 5 for further discussion.

*Revenue Recognition*

Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Loan origination fees, original issue discount, and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable, and adjusted only for material amendments or prepayments. Upon a prepayment of a loan, prepayment premiums, original issue discount, or market discounts are recorded as interest income.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans are either applied to the cost basis or interest income, depending upon management's judgment of the collectibility of the loan receivable. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, is likely to remain current and future principal and interest collections when due are probable. Interest received and applied against cost while a loan is on non-accrual, and PIK interest capitalized but not recognized while on non-accrual, is recognized prospectively on the effective yield basis through maturity of the loan when placed back on accrual status, to the extent deemed collectible by management. As of June 30, 2020, approximately 0.9% of our total assets at fair value are in non-accrual status.

Some of our loans and other investments may have contractual payment-in-kind ("PIK") interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, we capitalize the accrued interest (reflecting such amounts in the basis as additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point that we believe PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. We do not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if we believe that PIK is expected to be realized.

Interest income from investments in Subordinated Structured Notes (typically preferred shares, income notes or subordinated notes of CLO funds) and "equity" class of security of securitized trust is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financial Assets*. We monitor the expected cash inflows from our CLO and securitized trust equity investments, including the expected residual payments, and the effective yield is determined and updated periodically.

Dividend income is recorded on the ex-dividend date.

Other income generally includes amendment fees, commitment fees, administrative agent fees and structuring fees which are recorded when earned. Excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 for further discussion.

*Federal and State Income Taxes*

We have elected to be treated as a RIC and intend to continue to comply with the requirements of the Code applicable to regulated investment companies. We are required to distribute at least 90% of our investment company taxable income and intend to distribute (or retain through a deemed distribution) all of our investment company taxable income and net capital gain to stockholders; therefore, we have made no provision for income taxes. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital.

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. As of June 30, 2020, we do not expect to have any excise tax due for the 2020 calendar year. Thus, we have not accrued any excise tax for this period.

If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate income tax rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our stockholders our accumulated earnings and profits attributable to non-RIC years. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of five years.

We follow ASC 740, *Income Taxes* (“ASC 740”). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of June 30, 2020, we did not record any unrecognized tax benefits or liabilities. Management’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our federal tax returns for the tax years ended August 31, 2017 and thereafter remain subject to examination by the Internal Revenue Service.

*Dividends and Distributions*

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a monthly dividend or distribution is approved by our Board of Directors quarterly and is generally based upon our management’s estimate of our future taxable earnings. Net realized capital gains, if any, are distributed at least annually.

*Financing Costs*

We record origination expenses related to our Revolving Credit Facility, and Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our “Unsecured Notes”) as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation for our Revolving Credit Facility. The same methodology is used to approximate the effective yield method for our Prospect Capital InterNotes® and our at-the-market offerings of our existing unsecured notes that mature on June 15, 2024 (“2024 Notes Follow-on Program”), June 15, 2028 (“2028 Notes Follow-on Program”), and June 15, 2029 (“2029 Follow-on Program”). The effective interest method is used to amortize deferred financing costs for our remaining Unsecured Notes over the respective expected life or maturity. In the event that we modify or extinguish our debt before maturity, we follow the guidance in ASC 470-50, *Modification and Extinguishments* (“ASC 470-50”). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

Unamortized deferred financing costs are presented as a direct deduction to the respective Unsecured Notes (see Notes 5, 6, and 7).

We may record registration expenses related to shelf filings as prepaid expenses. These expenses consist principally of the Securities and Exchange Commission ("SEC") registration fees, legal fees and accounting fees incurred. These prepaid expenses are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed. As of June 30, 2020 and June 30, 2019, there are no prepaid expenses related to registration expenses and all amounts incurred have been expensed.

*Guarantees and Indemnification Agreements*

We follow ASC 460, *Guarantees* ("ASC 460"). ASC 460 elaborates on the disclosure requirements of a guarantor in its interim and annual consolidated financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees.

*Per Share Information*

Net increase or decrease in net assets resulting from operations per share is calculated using the weighted average number of common shares outstanding for the period presented. In accordance with ASC 946, convertible securities are not considered in the calculation of net asset value per share.

*Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, related to the subsequent measurement of accretable yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact, if any, of adopting this ASU on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted upon issuance of this ASU. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

In May 2020, the SEC adopted rule amendments that will impact the requirement of investment companies, including BDCs, to disclose the financial statements of certain of their portfolio companies or certain acquired funds (the "Final Rules"). The Final Rules adopted a new definition of "significant subsidiary" set forth in Rule 1-02(w)(2) of Regulation S-X under the Securities Act. Rules 3-09 and 4-08(g) of Regulation S-X require investment companies to include separate financial statements or summary financial information, respectively, in such investment company's periodic reports for any portfolio company that meets the definition of "significant subsidiary." The Final Rules adopt a new definition of "significant subsidiary" applicable only to investment companies that (i) modifies the investment test and the income test, and (ii) eliminates the asset test currently in the definition of "significant subsidiary" in Rule 1-02(w) of Regulation S-X. The new Rule 1-02(w)(2) of Regulation S-X is intended to more accurately capture those portfolio companies that are more likely to materially impact the financial condition of an investment company. The Final Rules will be effective on January 1, 2021, but voluntary compliance is permitted in advance of the effective date. We evaluated the impact of adopting the Final Rules on our consolidated financial statements and because the new definition of "significant subsidiary" contained therein is specific to investment companies, we elected to early adopt the Final Rules for our year ended June 30, 2020. Refer to Note 3. Portfolio Investments - *Unconsolidated Significant Subsidiaries* for disclosure.

*Tax Cuts and Jobs Act*

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax and Jobs Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies. However, our portfolio companies may or may not make certain elections under the Tax Act that could materially increase their taxable earnings and profits. Any such increase in the earnings and profits of a portfolio company may result in the characterization of certain distributions sourced from sale proceeds as dividend income, which may increase our distributable taxable income.

(in thousands, except share and per share data)

**Note 3. Portfolio Investments**

At June 30, 2020, we had investments in 121 long-term portfolio investments and CLOs, which had an amortized cost of $5,782,718 and a fair value of $5,232,328. At June 30, 2019, we had investments in 135 long-term portfolio investments, which had an amortized cost of $5,932,302 and a fair value of $5,653,553.

The original cost basis of debt placement and equity securities acquired, including follow-on investments for existing portfolio companies, payment-in-kind interest, and structuring fees, totaled $880,415 and $704,543 during the years ended June 30, 2020 and June 30, 2019, respectively. Debt repayments and considerations from sales of equity securities of approximately $1,013,777 and $627,978 were received during the years ended June 30, 2020 and June 30, 2019, respectively.

The following table shows the composition of our investment portfolio as of June 30, 2020 and June 30, 2019:

| | June 30, 2020 | | June 30, 2019 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Revolving Line of Credit | $ 38,469 | $ 36,944 | $ 33,928 | $ 34,239 |
| Senior Secured Debt | 2,586,769 | 2,422,523 | 2,687,709 | 2,449,357 |
| Subordinated Secured Debt | 1,424,633 | 1,269,398 | 1,439,440 | 1,329,799 |
| Subordinated Unsecured Debt | 43,935 | 51,079 | 38,933 | 33,058 |
| Rated Secured Structured Notes | — | — | 44,774 | 46,851 |
| Subordinated Structured Notes | 1,089,079 | 708,961 | 1,103,751 | 850,694 |
| Equity | 599,833 | 743,423 | 583,767 | 909,555 |
| Total Investments | $ 5,782,718 | $ 5,232,328 | $ 5,932,302 | $ 5,653,553 |

**(in thousands, except share and per share data)**

In the previous table and throughout the remainder of this footnote, we aggregate our portfolio investments by type of investment, which may differ slightly from the nomenclature used by the constituent instruments defining the rights of holders of the investment, as disclosed on our *Consolidated Schedules of Investments* ("SOI"). The following investments are included in each category:

- Revolving Line of Credit includes our investments in delayed draw term loans.
- Senior Secured Debt includes investments listed on the SOI such as senior secured term loans, senior term loans, secured promissory notes, senior demand notes, and first lien term loans.
- Subordinated Secured Debt includes investments listed on the SOI such as subordinated secured term loans, subordinated term loans, senior subordinated notes, 1.5 lien term loans, second lien term loans, and third lien term loans.
- Subordinated Unsecured Debt includes investments listed on the SOI such as subordinated unsecured notes and senior unsecured notes.
- Small Business Loans includes our investments in SME whole loans purchased from OnDeck.
- Rated Secured Structured Notes includes our investments in the "debt" class of security of CLO funds.
- Subordinated Structured Notes includes our investments in the "equity" security class of CLO funds such as income notes, preference shares, and subordinated notes.
- Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Revolving Line of Credit | $ — | $ — | $ 36,944 | $ 36,944 |
| Senior Secured Debt | — | — | 2,422,523 | 2,422,523 |
| Subordinated Secured Debt | — | — | 1,269,398 | 1,269,398 |
| Subordinated Unsecured Debt | — | — | 51,079 | 51,079 |
| Subordinated Structured Notes | — | — | 708,961 | 708,961 |
| Equity | — | — | 743,423 | 743,423 |
| Total Investments | $ — | $ — | $ 5,232,328 | $ 5,232,328 |

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Revolving Line of Credit | $ — | $ — | $ 34,239 | $ 34,239 |
| Senior Secured Debt | — | — | 2,449,357 | 2,449,357 |
| Subordinated Secured Debt | — | — | 1,329,799 | 1,329,799 |
| Subordinated Unsecured Debt | — | — | 33,058 | 33,058 |
| Rated Secured Structured Notes | — | — | 46,851 | 46,851 |
| Subordinated Structured Notes | — | — | 850,694 | 850,694 |
| Equity | — | — | 909,555 | 909,555 |
| Total Investments | $ — | $ — | $ 5,653,553 | $ 5,653,553 |

**(in thousands, except share and per share data)**

The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2020:

| | Fair Value Measurements Using Unobservable Inputs (Level 3) | | | |
|---|---|---|---|---|
| | Control Investments | Affiliate Investments | Non-Control/ Non-Affiliate Investments | Total |
| Fair value as of June 30, 2019 | $ 2,475,924 | $ 76,682 | $ 3,100,947 | $ 5,653,553 |
| Net realized gains (losses) on investments | — | — | (8,492) | (8,492) |
| Net change in unrealized gains (losses) | (117,552) | 67,077 | (219,860) | (270,335) |
| Net realized and unrealized gains (losses) | (117,552) | 67,077 | (228,352) | (278,827) |
| Purchases of portfolio investments | 166,359 | 5,115 | 638,277 | 809,751 |
| Payment-in-kind interest | 43,304 | 7,999 | 4,354 | 55,657 |
| Accretion of discounts and premiums, net | 334 | 3,854 | (8,759) | (4,571) |
| Repayments and sales of portfolio investments | (309,077) | (25,713) | (682,278) | (1,017,068) |
| Transfers within Level 3(1) | | 52,523 | (52,523) | — |
| Transfers out of Level 3 (2) | | | (20,555) | (20,555) |
| Transfers into Level 3(3) | | | 34,388 | 34,388 |
| Fair value as of June 30, 2020 | $ 2,259,292 | $ 187,537 | $ 2,785,499 | $ 5,232,328 |

| | Revolving Line of Credit | Senior Secured Debt | Subordinated Secured Debt | Subordinated Unsecured Debt | Rated Secured Structured Notes | Subordinated Structured Notes | Equity | Total |
|---|---|---|---|---|---|---|---|---|
| Fair value as of June 30, 2019 | $ 34,239 | $ 2,449,357 | $ 1,329,799 | $ 33,058 | $ 46,851 | $ 850,694 | $ 909,555 | $ 5,653,553 |
| Net realized (losses) gains on investments | (22) | (10,339) | 14 | — | 1,885 | (2,396) | 2,366 | (8,492) |
| Net change in unrealized gains (losses) | (391) | 75,411 | (45,593) | 11,572 | (2,078) | (127,061) | (182,195) | (270,335) |
| Net realized and unrealized gains (losses) (1) | (413) | 65,072 | (45,579) | 11,572 | (193) | (129,457) | (179,829) | (278,827) |
| Purchases of portfolio investments | 14,444 | 611,174 | 135,688 | — | 5,534 | 1,912 | 40,999 | 809,751 |
| Payment-in-kind interest | 382 | 29,791 | 22,323 | 3,161 | — | — | — | 55,657 |
| Accretion of discounts and premiums | — | 1,172 | 4,637 | 3,854 | (70) | (14,164) | — | (4,571) |
| Repayments and sales of portfolio investments | (11,708) | (765,303) | (181,470) | (566) | (52,122) | (24) | (5,875) | (1,017,068) |
| Transfers within Level 3 (1) | | 17,427 | 4,000 | — | — | — | (21,427) | — |
| Transfers out of Level 3(2) | | (20,555) | — | — | — | — | — | (20,555) |
| Transfers into Level 3(3) | | 34,388 | — | — | — | — | — | 34,388 |
| Fair value as of June 30, 2020 | $ 36,944 | $ 2,422,523 | $ 1,269,398 | $ 51,079 | $ — | $ 708,961 | $ 743,423 | $ 5,232,328 |

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

(2) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred. During the three months ended September 30, 2019 one of our senior secured notes transferred out of Level 3 to Level 2 because the inputs to the valuation became observable.

(3) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred. During the three months ended March 31, 2020 two of our senior secured notes transferred from Level 2 to Level 3 because the inputs to the valuation became unobservable.

(in thousands, except share and per share data)

The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2019:

| | Fair Value Measurements Using Unobservable Inputs (Level 3) | | | |
|---|---|---|---|---|
| | Control Investments | Affiliate Investments | Non-Control/ Non-Affiliate Investments | Total |
| Fair value as of June 30, 2018 | $ 2,404,326 | $ 58,436 | $ 3,264,517 | $ 5,727,279 |
| Net realized gains (losses) on investments | 14,309 | — | (811) | 13,498 |
| Net change in unrealized gains (losses) | 5,105 | (35,449) | (144,225) | (174,569) |
| Net realized and unrealized gains (losses) | 19,414 | (35,449) | (145,036) | (161,071) |
| Purchases of portfolio investments | 63,780 | 7,855 | 589,273 | 660,908 |
| Payment-in-kind interest | 38,171 | 995 | 4,469 | 43,635 |
| Accretion of discounts and premiums, net | 1,038 | — | 8,557 | 9,595 |
| Repayments and sales of portfolio investments | (129,247) | (13,961) | (483,585) | (626,793) |
| Transfers within Level 3(1) | 78,442 | 58,806 | (137,248) | — |
| Transfers in (out) of Level 3(1) | — | — | — | — |
| Fair value as of June 30, 2019 | $ 2,475,924 | $ 76,682 | $ 3,100,947 | $ 5,653,553 |

| | Revolving Line of Credit | Senior Secured Debt | Subordinated Secured Debt | Subordinated Unsecured Debt | Small Business Loans | Rated Secured Structured Notes | Subordinated Structured Notes | Equity | Total |
|---|---|---|---|---|---|---|---|---|---|
| Fair value as of June 30, 2018 | $ 38,559 | $ 2,481,353 | $ 1,260,525 | $ 32,945 | $ 17 | $ 6,159 | $ 954,035 | $ 953,686 | $ 5,727,279 |
| Net realized (losses) gains on investments | — | (819) | — | — | 94 | — | — | 14,223 | 13,498 |
| Net change in unrealized (losses) gains | 410 | (117,689) | (52,139) | (272) | 13 | 2,078 | (110,322) | 103,352 | (174,569) |
| Net realized and unrealized (losses) gains | 410 | (118,508) | (52,139) | (272) | 107 | 2,078 | (110,322) | 117,575 | (161,071) |
| Purchases of portfolio investments | 16,855 | 381,170 | 315,531 | — | — | 38,526 | 6,884 | (98,058) | 660,908 |
| Payment-in-kind interest | 326 | 28,231 | 14,408 | 670 | — | — | — | — | 43,635 |
| Accretion (amortization) of discounts and premiums | — | 2,759 | 6,651 | — | — | 88 | 97 | — | 9,595 |
| Repayments and sales of portfolio investments | (21,911) | (325,648) | (215,177) | (285) | (124) | — | — | (63,648) | (626,793) |
| Transfers within Level 3(1) | — | — | — | — | — | — | — | — | — |
| Transfers in (out) of Level 3(1) | — | — | — | — | — | — | — | — | — |
| Fair value as of June 30, 2019 | $ 34,239 | $ 2,449,357 | $ 1,329,799 | $ 33,058 | $ — | $ 46,851 | $ 850,694 | $ 909,555 | $ 5,653,553 |

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

The net change in unrealized (losses) gains on the investments that use Level 3 inputs was ($264,870) and ($160,491) for investments still held as of June 30, 2020 and June 30, 2019, respectively.

*Impact of the novel coronavirus ("Wuhan Virus") pandemic*

The U.S. capital markets are experiencing a period of extreme volatility and disruption. In December 2019, a novel strain of coronavirus (the "Wuhan Virus") surfaced in Wuhan, China and the World Health Organization has declared a global pandemic, the United States has declared a national emergency and for the first time in its history, every state in the United States is under a federal disaster declaration. Many states, including those in which we and our portfolio companies operate, have issued orders requiring the closure of non-essential businesses and/or requiring residents to stay at home. The Wuhan Virus pandemic and preventative measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, cancellations of and 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 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.

The Wuhan Virus 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 and SSN investments. The Wuhan Virus pandemic is having a particularly adverse impact on industries in which certain of our portfolio companies operate, including energy, hospitality, travel, retail and restaurants. Certain of our portfolio companies in other industries have also been significantly impacted. The Wuhan Virus 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 and SSN investments after June 30, 2020, including for the reasons described herein. 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 Wuhan Virus pandemic, it is uncertain whether, or how much, our portfolio companies 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.

As a BDC, we are required to carry our investments at fair value as determined in good faith by our Board of Directors. Depending on market conditions, we could incur substantial losses in future periods, which could have a material adverse impact on our business, financial condition, and results of operations.

Although it is difficult to predict the extent of the impact of the Wuhan Virus outbreak on the underlying CLO vehicles we invest in, the failure by a CLO vehicle to satisfy certain 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 the CLO vehicle fails certain tests, holders of debt senior to us may 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 vehicle or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

The Wuhan Virus pandemic has adversely impacted the fair value of our investments as of June 30, 2020, 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 Wuhan Virus 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 quarter 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 Wuhan Virus pandemic. As a result, our valuations at June 30, 2020 may not show the complete or continuing impact of the Wuhan Virus pandemic and the resulting measures taken in response thereto. In addition, write downs in the value 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 continue to incur additional net unrealized losses or may incur realized losses after June 30, 2020, which could have a material adverse effect on our business, financial condition and results of operations.

(in thousands, except share and per share data)

The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2020 were as follows:

| | | | Unobservable Input | | |
|---|---|---|---|---|---|
| **Asset Category** | **Fair Value** | **Primary Valuation Approach or Technique** | **Input** | **Range** | **Weighted Average** |
| Senior Secured Debt | $ 1,283,545 | Discounted cash flow (Yield analysis) | Market yield | 5.6% to 22.6% | 10.7% |
| Senior Secured Debt | 395,412 | Enterprise value waterfall (Market approach) | EBITDA multiple | 4.0x to 12.5x | 8.0x |
| Senior Secured Debt | 103,831 | Enterprise value waterfall (Market approach) | Revenue multiple | 0.4x to 1.2x | 0.9x |
| Senior Secured Debt | 65,471 | Enterprise value waterfall (Discounted cash flow) | Discount rate (3) | 8.6% to 11.4% | 9.8% |
| Senior Secured Debt (1) | 45,950 | Enterprise value waterfall | Loss-adjusted discount rate | 5.0% to 16.5% | 11.2% |
| Senior Secured Debt (2) | 79,200 | Enterprise value waterfall | Discount rate (3) | 7.3% to 12.8% | 9.6% |
| Senior Secured Debt | 486,058 | Enterprise value waterfall (NAV analysis) | Capitalization Rate | 4.0% to 8.1% | 6.1% |
| Subordinated Secured Debt | 839,784 | Discounted cash flow (Yield analysis) | Market yield | 7.0% to 20.8% | 11.9% |
| Subordinated Secured Debt | 58,643 | Enterprise value waterfall (Market approach) | EBITDA multiple | 7.0x to 10.5x | 8.2x |
| Subordinated Secured Debt | 3,990 | Enterprise value waterfall (Market approach) | Revenue multiple | 0.4x to 0.5x | 0.4x |
| Subordinated Secured Debt (4) | 360,015 | Enterprise value waterfall (Market approach) | Tangible book value multiple | 0.9x to 2.9x | 2.6x |
| Subordinated Secured Debt | 6,966 | Asset recovery analysis | n/a | n/a | n/a |
| Subordinated Unsecured Debt | 51,079 | Enterprise value waterfall (Market approach) | EBITDA multiple | 5.0x to 12.5x | 12.0x |
| Subordinated Structured Notes | 708,961 | Discounted cash flow | Discount rate (3) | 4.1% to 26.9% | 20.6% |
| Preferred Equity | 14,430 | Enterprise value waterfall (Market approach) | EBITDA multiple | 5.4x to 6.4x | 5.9x |
| Common Equity/Interests/Warrants | 158,001 | Enterprise value waterfall (Market approach) | EBITDA multiple | 4.0x to 12.5x | 5.4x |
| Common Equity/Interests/Warrants | 3,853 | Enterprise value waterfall (Market approach) | Revenue multiple | 0.4x to 0.5x | 0.4x |
| Common Equity/Interests/Warrants (2) | 9,987 | Enterprise value waterfall | Discount rate (3) | 7.3% to 12.8% | 9.6% |
| Common Equity/Interests/Warrants | 236,077 | Enterprise value waterfall (NAV analysis) | Capitalization Rate | 4.0% to 8.1% | 6.1% |
| Common Equity/Interests/Warrants (4) | 261,373 | Enterprise value waterfall (Market approach) | Tangible book value multiple | 0.9x to 2.9x | 2.6x |
| Common Equity/Interests/Warrants (5) | 21,461 | Enterprise value waterfall (NAV analysis) | Capitalization Rate | 4.0% to 8.1% | 6.1% |
| Common Equity/Interests/Warrants | 25,890 | Enterprise value waterfall (Discounted cash flow) | Discount rate (3) | 8.9% to 30.0% | 12.2% |
| Common Equity/Interests/Warrants | 12,351 | Asset recovery analysis | n/a | n/a | n/a |
| Total Level 3 Investments | $ 5,232,328 | | | | |

(1) Represents an investment in a Real Estate Investment Trust subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's consumer loans purchased from online consumer lending platforms, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above. In addition, the valuation also used projected loss rates as an unobservable input ranging from 0.0%-4.8%, with a weighted average of 0.3%

(2) Represents an investment in a Real Estate Investment Trust subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's rated secured structured notes, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above.

(3) Represents the implied discount rate based on our internally generated single-cash flow model that is derived from the fair value estimated by the corresponding multi-path cash flow model utilized by the independent valuation firm.

(4) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 7.3x to 8.4x with a weighted average of 7.9x and the discount rate ranges from 13.1% to 14.1% with a weighted average of 13.6%.

(5) Represents Residual Profit Interests in Real Estate Investments.

**(in thousands, except share and per share data)**

The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2019 were as follows:

| | | | Unobservable Input | | |
|---|---|---|---|---|---|
| **Asset Category** | **Fair Value** | **Primary Valuation Approach or Technique** | **Input** | **Range** | **Weighted Average** |
| Senior Secured Debt | $ 1,260,526 | Discounted Cash Flow (Yield analysis) | Market Yield | 5.6%-19.1% | 10.3% |
| Senior Secured Debt | 434,524 | Enterprise Value Waterfall (Market approach) | EBITDA Multiple | 3.0x-9.5x | 7.7x |
| Senior Secured Debt | 128,152 | Enterprise Value Waterfall (Market approach) | Revenue Multiple | 0.5x-1.3x | 1.1x |
| Senior Secured Debt | 54,841 | Enterprise Value Waterfall (Discounted cash flow) | Discount Rate | 7.6%-10.5% | 8.9% |
| Senior Secured Debt (1) | 172,000 | Enterprise Value Waterfall | Loss-adjusted discount rate | 3.9%-14.1% | 10.6% |
| Senior Secured Debt (2) | 433,553 | Enterprise Value Waterfall (NAV Analysis) | Capitalization Rate | 3.9%-7.9% | 5.9% |
| | | Discounted Cash Flow | Discount Rate | 6.5%-7.5% | 7.0% |
| Subordinated Secured Debt | 930,385 | Discounted Cash Flow (Yield analysis) | Market Yield | 6.1%-26.4% | 11.5% |
| Subordinated Secured Debt | 28,622 | Enterprise Value Waterfall (Market approach) | EBITDA Multiple | 8.0x-9.0x | 8.5x |
| Subordinated Secured Debt | 18,866 | Liquidation Analysis | N/A | N/A | N/A |
| Subordinated Secured Debt (3) | 351,926 | Enterprise Value Waterfall (Market approach) | Book value multiple | 0.8x-3.0x | 2.7x |
| Subordinated Unsecured Debt | 33,058 | Enterprise Value Waterfall (Market approach) | EBITDA multiple | 5.8x-11.3x | 10.8x |
| Rated Secured Structured Notes | 46,851 | Discounted Cash Flow | Discount Rate (4) | 10.7%-11.1% | 10.9% |
| Subordinated Structured Notes | 850,694 | Discounted Cash Flow | Discount Rate (4) | 2.2%-34.2% | 19.8% |
| Preferred Equity | 84,294 | Enterprise Value Waterfall (Market approach) | EBITDA multiple | 4.0x-8.5x | 7.1x |
| Common Equity/Interests/Warrants | 127,814 | Enterprise Value Waterfall (Market approach) | EBITDA multiple | 5.8x-9.0x | 6.5x |
| Common Equity/Interests/Warrants (1) | 4,778 | Enterprise Value Waterfall | Loss-adjusted discount rate | 3.9%-14.1% | 10.6% |
| Common Equity/Interests/Warrants (2) | 297,525 | Enterprise Value Waterfall (NAV analysis) | Capitalization Rate | 3.9%-7.9% | 5.9% |
| | | Discounted Cash Flow | Discount Rate | 6.5%-7.5% | 7.0% |
| Common Equity/Interests/Warrants (5) | 246,502 | Enterprise Value Waterfall (Market approach) | Book value multiple | 0.8x-3.0x | 2.6x |
| Common Equity/Interests/Warrants (6) | 96,609 | Discounted Cash Flow | Capitalization Rate | 3.9%-7.9% | 5.9% |
| Common Equity/Interests/Warrants | 34,860 | Discounted cash flow | Discount Rate | 7.1%-14.6% | 8.4% |
| Common Equity/Interests/Warrants | 14,934 | Liquidation analysis | N/A | N/A | N/A |
| Escrow Receivable | 2,239 | Discounted Cash Flow | Discount Rate | 6.1%-7.2% | 6.7% |
| Total Level 3 Investments | $ 5,653,553 | | | | |

(1) Represents an investment in a Real Estate Investment Trust subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's consumer loans purchased from online consumer lending platforms, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above. In addition, the valuation also used projected loss rates as an unobservable input ranging from 0.0%-12.5%, with a weighted average of 1.3%.

(2) Represents our REIT investments. EV waterfall methodology uses both the net asset value analysis and discounted cash flow technique, which are weighted equally (50%).

(3) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes tangible book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 8.8x to 12.5x with a weighted average of 11.5x and the discount rate ranges from 12.7% to 14.6% with a weighted average of 13.3%.

(4) Represents the implied discount rate based on our internally generated single-cash flow model that is derived from the fair value estimated by the corresponding multi-path cash flow model utilized by the independent valuation firm.

(5) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 8.8x to 12.5x with a weighted average of 11.8x and the discount rate ranges from 12.7%-14.6% with a weighted average of 13.3%.

(6) Represents Residual Profit Interests in Real Estate Investments.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, management and the independent valuation firm look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. In determining the range of values for debt instruments where market quotations are not available, except CLOs and debt investments in controlling portfolio companies, management and the independent valuation firm estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow technique was then applied using the appropriate yield to maturity as the discount rate, to determine a range of values. In determining the range of values for debt investments of controlled companies and equity investments, the enterprise value was determined by applying a market approach such as using earnings before income interest, tax, depreciation and amortization ("EBITDA") multiples, net income and/or book value multiples for similar guideline public companies and/or similar recent investment transactions and/or an income approach, such as the discounted cash flow technique. The enterprise value technique may also be used to value debt investments which are credit impaired. For stressed debt and equity investments, asset recovery analysis was used.

In determining the range of values for our investments in CLOs, the independent valuation firm uses a discounted multi-path cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view as well as to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations to generate probability-weighted (i.e., multi-path) cash flows for the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market and certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the corresponding multi-path cash flow model.

Our portfolio consists of residual interests and debt investments in CLOs, which involve a number of significant risks. CLOs are typically very highly levered (10 - 14 times), and therefore the residual interest tranches that we invest in are subject to a higher degree of risk of total loss. In particular, investors in CLO residual interests indirectly bear risks of the underlying loan investments held by such CLOs. We generally have the right to receive payments only from the CLOs, and generally do not have direct rights against the underlying borrowers or the entity that sponsored the CLOs. While the CLOs we target generally enable the investor to acquire interests in a pool of senior loans without the expenses associated with directly holding the same investments, the prices of indices and securities underlying our 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 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.

The interests we have acquired in CLOs are generally thinly traded or have only a limited trading market. CLOs are typically privately offered and sold, even in the secondary market. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLO residual interests carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) our investments in CLO tranches will likely be subordinate to other senior classes of note tranches thereof; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO investment or unexpected investment results. Our net asset value may also decline over time if our principal recovery with respect to CLO residual interests is less than the cost of those investments. Our CLO investments and/or the CLOs' underlying senior secured loans may prepay more quickly than expected, which could have an adverse impact on our value.

An increase in LIBOR would materially increase the CLO's financing costs. Since most of the collateral positions within the CLOs have LIBOR floors, there may not be corresponding increases in investment income (if LIBOR increases but stays below the LIBOR floor rate of such investments) resulting in materially smaller distribution payments to the residual interest investors.

On July 27, 2017, the Financial Conduct Authority ("FCA") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board ("ARRC") and the Federal Reserve Bank of New York. On August 24, 2017, the Federal Reserve Board requested public comment on a proposal by the Federal Reserve Bank of New York, in cooperation with the Office of Financial Research, to produce three new reference rates intended to serve as alternatives to LIBOR. These alternative rates are based on overnight repurchase agreement transactions secured by U.S. Treasury Securities. On December 12, 2017, following consideration of public comments, the Federal Reserve Board concluded that the public would benefit if the Federal Reserve Bank of New York published the three proposed reference rates as alternatives to LIBOR (the "Federal Reserve Board Notice"). In April 2018, the Federal Reserve System, in conjunction with the ARRC, announced the replacement of LIBOR with a new index, calculated by short term repurchase agreements collateralized by U.S. Treasury securities, called the Secured Overnight Financing Rate ("SOFR"). On June 12, 2019, the Staff from the SEC's Division of Corporate Finance, Division of Investment Management, Division of Trading and Markets, and Office of the Chief Accountant issued a statement about the potentially significant effects on financial markets and market participants when LIBOR is discontinued in 2021 and no longer available as a reference benchmark rate. The Staff encouraged all market participants to identify contracts that reference LIBOR and begin transitions to alternative rates.

At this time, it is not possible to predict the effect of the FCA Announcement or other regulatory changes or announcements, any establishment of any alternative reference rates, including SOFR and its market acceptance, or any other reforms to LIBOR that may be enacted in the United Kingdom, the United States or elsewhere. As such, the potential effect of any such event on our net investment income cannot yet be determined. The CLOs in which the Company is invested generally contemplate a scenario where LIBOR is no longer available by requiring the CLO administrator to calculate a replacement rate primarily through dealer polling on the applicable measurement date. However, there is uncertainty regarding the effectiveness of the dealer polling processes, including the willingness of banks to provide such quotations, which could adversely impact our net investment income. 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. 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. 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 the Company's net investment income and portfolio returns.

We hold more than a 10% interest in certain foreign corporations that are treated as controlled foreign corporations ("CFC") for U.S. federal income tax purposes (including our residual interest tranche investments in CLOs). Therefore, we are treated as receiving a deemed distribution (taxable as ordinary income) each year from such foreign corporations in an amount equal to our pro rata share of the corporation's income for that tax year (including both ordinary earnings and capital gains). We are required to include such deemed distributions from a CFC in our taxable income and we are required to distribute at least 90% of such income to maintain our RIC status, regardless of whether or not the CFC makes an actual distribution during such year.

If we acquire shares in "passive foreign investment companies" ("PFICs") (including residual interest tranche investments in CLOs that are PFICs), we may be subject to federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend to our stockholders. Certain elections may be available to mitigate or eliminate such tax on excess distributions, but such elections (if available) will generally require us to recognize our share of the PFIC's income for each year regardless of whether we receive any distributions from such PFICs. We must nonetheless distribute such income to maintain our status as a RIC.

Legislation enacted in 2010 imposes a withholding tax of 30% on payments of U.S. source interest and dividends paid after December 31, 2013, or gross proceeds from the disposition of an instrument that produces U.S. source interest or dividends paid after December 31, 2016, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its United States account holders and its United States owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, it could reduce the amounts available to distribute to residual interest and junior debt holders in such CLO vehicle, which could materially and adversely affect our operating results and cash flows.

If we are required to include amounts in income prior to receiving distributions representing such income, we may have to sell some of our investments at times and/or at prices management would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose.

The significant unobservable input used to value our investments based on the yield technique and discounted cash flow technique is the market yield (or applicable discount rate) used to discount the estimated future cash flows expected to be received from the underlying investment, which includes both future principal and interest/dividend payments. Increases or decreases in the market yield (or applicable discount rate) would result in a decrease or increase, respectively, in the fair value measurement. Management and the independent valuation firms consider the following factors when selecting market yields or discount rates: risk of default, rating of the investment and comparable company investments, and call provisions.

The significant unobservable inputs used to value our investments based on the EV analysis may include market multiples of specified financial measures such as EBITDA, net income, or book value of identified guideline public companies, implied valuation multiples from precedent M&A transactions, and/or discount rates applied in a discounted cash flow technique. The independent valuation firm identifies a population of publicly traded companies with similar operations and key attributes to that of the portfolio company. Using valuation and operating metrics of these guideline public companies and/or as implied by relevant precedent transactions, a range of multiples of the latest twelve months EBITDA, or other measure such as net income or book value, is typically calculated. The independent valuation firm utilizes the determined multiples to estimate the portfolio company's EV generally based on the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Increases or decreases in the multiple would result in an increase or decrease, respectively, in EV which would result in an increase or decrease in the fair value measurement of the debt of controlled companies and/or equity investment, as applicable. In certain instances, a discounted cash flow analysis may be considered in estimating EV, in which case, discount rates based on a weighted average cost of capital and application of the capital asset pricing model may be utilized.

The significant unobservable input used to value our private REIT investments based on the net asset value analysis is the capitalization rate applied to the earnings measure of the underlying property. Increases or decreases in the capitalization rate would result in a decrease or increase, respectively, in the fair value measurement.

Changes in market yields, discount rates, capitalization rates or EBITDA multiples, each in isolation, may change the fair value measurement of certain of our investments. Generally, an increase in market yields, discount rates or capitalization rates, or a decrease in EBITDA (or other) multiples may result in a decrease in the fair value measurement of certain of our investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which we have recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the currently assigned valuations.

During the year ended June 30, 2020, the valuation methodology for RGIS Services, LLC ("RGIS") changed to incorporate the yield technique. As a result of the company's debt restructuring, the fair value of our investment in RGIS increased to $17,911 as of June 30, 2020, a discount of $1,070 from its amortized cost, compared to $2,567 of unrealized depreciation recorded at June 30, 2019.

During the year ended June 30, 2020, the valuation methodology for H.I.G. ECI Merger Sub, Inc. ("ECI") changed to incorporate the take-out technique. As a result of the company's performance, the fair value of our investment in ECI increased to $74,429 as of June 30, 2020, a premium of $737 from its amortized cost, compared to $1,057 of unrealized depreciation recorded at June 30, 2019.

During the year ended June 30, 2020, the valuation methodology for PGX Holdings, Inc. ("Progrexion") changed to incorporate the Current Value Method for the common equity initially acquired on May 27, 2020. As a result of the company's debt restructuring, the fair value of our investment in Progrexion increased to $106,711 as of June 30, 2020, a premium of $180 from its amortized cost, compared to no unrealized depreciation or appreciation recorded at June 30, 2019.

During the year ended June 30, 2020, the valuation methodology for Research Now Group, Inc. & Survey Sampling International LLC ("Research Now") changed to remove the Markit quotes and the relative value approach. As a result of widened market spreads, the fair value of our investment in Research Now decreased to $59,651 as of June 30, 2020, a premium of $2,622 from its amortized cost, compared to the $3,084 unrealized appreciation recorded at June 30, 2019.

During the year ended June 30, 2020, the valuation methodology for Engine Group, Inc. ("Engine") for the Second Lien Term Loan changed to remove the shadow and WACC methods. As a result of the company's performance and decline in enterprise value, the fair value of our investment in the Engine Second Lien Term Loan decreased to $2,754 as of June 30, 2020, a discount of $32,246 from its amortized cost, compared to the $4,420 unrealized depreciation recorded at June 30, 2019.

During the year ended June 30, 2020, the valuation methodology for Rocket Software, Inc. ("Rocket") changed to incorporate a shadow method. As a result of widened market spreads, Rocket decreased to $48,136 as of June 30, 2020, a discount of $1,463 from its amortized cost, compared to no unrealized depreciation or amortization recorded at June 30, 2019.

During the year ended June 30, 2020, the valuation methodology for National Property REIT Corporation ("NPRC") and its wholly owned subsidiaries relating to the real estate portfolio changed to remove the Discounted Cash Flow Method. Management utilizes the Enterprise Value Waterfall (NAV Analysis) to value its investment in NPRC and its wholly owned subsidiaries relating to the real estate portfolio as this method is aligned with current industry practice and with Management's experience in buying and selling income producing real estate assets. The fair value of our investment in NPRC and its wholly owned subsidiaries decreased to $878,733 as of June 30, 2020, a premium of $267,316 from its amortized cost, compared to a fair value of $1,004,465 as of June 30, 2019, representing a premium of $235,076. The increase in premium to amortized cost is attributable to both an improvement in property operations and values of the real estate portfolio, and the change in methodology.

During the year ended June 30, 2020, four of our Subordinated Structured Notes were deemed to have an other-than-temporary loss. In accordance with ASC 325-40, Beneficial Interest in Securitized Financial Assets, we recorded a total loss of $2,420 related to these investments for the amount our amortized cost exceeded fair value as of the respective determination dates. During the year ended June 30, 2019, there was no OTTI assessed for any Subordinated Structured Notes within our portfolio.

During the year ended June 30, 2020, we provided $19,309 of debt to NPRC and its wholly-owned subsidiaries to fund capital expenditures for existing real estate properties and provide working capital, and provided $79,200 of debt and $19,800 of equity to fund purchases of rated secured structured notes, expenses and structuring fees.

During the year ended June 30, 2020, we received partial repayments of $276,279 of our loans previously outstanding with NPRC and its wholly-owned subsidiary and $183,425 as a return of capital on our equity investment in NPRC.

The online consumer loan investments held by certain of NPRC's wholly-owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from $1 to $50, with fixed terms ranging from 24 to 84 months. As of June 30, 2020, the outstanding investment in online consumer loans by certain of NPRC's wholly-owned subsidiaries was comprised of 8,072 individual loans and residual interest in four securitizations, and had an aggregate fair value of $43,797. The average outstanding individual loan balance is approximately $4 and the loans mature on dates ranging from July 1, 2020 to April 19, 2025 with a weighted-average outstanding term of 19 months as of June 30, 2020. Fixed interest rates range from 6.0% to 36.0% with a weighted-average current interest rate of 22.2%. As of June 30, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to online consumer lending had a fair value of $45,950.

**(in thousands, except share and per share data)**

As of June 30, 2020, based on outstanding principal balance, 12.3% of the portfolio was invested in super prime loans (borrowers with a Fair Isaac Corporation ("FICO") score, of 720 or greater), 31.0% of the portfolio in prime loans (borrowers with a FICO score of 660 to 719) and 56.7% of the portfolio in near prime loans (borrowers with a FICO score of 580 to 659, a portion of which are considered sub-prime).

| Loan Type | Outstanding Principal Balance | Fair Value | Interest Rate Range | Weighted Average Interest Rate* |
|---|---|---|---|---|
| Super Prime | $ 3,517 | $ 3,401 | 6.0% - 24.1% | 12.5% |
| Prime | 8,841 | 8,296 | 6.0% - 36.0% | 17.9% |
| Near Prime | 16,156 | 15,400 | 6.0% - 36.0% | 26.7% |

*Weighted by outstanding principal balance of the online consumer loans.

The rated secured structured note investments held by certain of NPRC's wholly owned subsidiaries are subordinated debt interests in broadly syndicated loans managed by established collateral management teams with many years of experience in the industry. As of June 30, 2020, the outstanding investment in rated secured structured notes by certain of NPRC's wholly owned subsidiaries was comprised of 34 investments with a fair value of $189,221 and face value of $208,342. The average outstanding note is approximately $6,128 with a stated maturity date ranging from April 2026 to April 2029 and weighted-average stated maturity of 8 years as of June 30, 2020. Coupons range from three-month Libor ("3ML") plus 5.45% to 9.45% with a weighted-average coupon of 3ML + 7.16%. As of June 30, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to rated secured structured notes had a fair value of $79,200.

As of June 30, 2020, based on outstanding notional balance, 25% of the portfolio was invested in Single - B rated tranches and 75% of the portfolio in BB rated tranches.

As of June 30, 2020, our investment in NPRC and its wholly-owned subsidiaries had an amortized cost of $611,418 and a fair value of $878,733, including our investment in online consumer lending and rated secured structured notes as discussed above. The fair value of $753,583 related to NPRC's real estate portfolio was comprised of thirty-nine multi-families properties, eight student housing properties and three commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of June 30, 2020.

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|---|---|---|---|---|---|
| 1 | Filet of Chicken | Forest Park, GA | 10/24/2012 | $ 7,400 | $ — |
| 2 | Arlington Park Marietta, LLC | Marietta, GA | 5/8/2013 | 14,850 | — |
| 3 | Cordova Regency, LLC | Pensacola, FL | 11/15/2013 | 13,750 | 11,111 |
| 4 | Crestview at Oakleigh, LLC | Pensacola, FL | 11/15/2013 | 17,500 | 13,524 |
| 5 | Inverness Lakes, LLC | Mobile, AL | 11/15/2013 | 29,600 | 24,128 |
| 6 | Kings Mill Pensacola, LLC | Pensacola, FL | 11/15/2013 | 20,750 | 17,143 |
| 7 | Plantations at Pine Lake, LLC | Tallahassee, FL | 11/15/2013 | 18,000 | 13,765 |
| 8 | Verandas at Rocky Ridge, LLC | Birmingham, AL | 11/15/2013 | 15,600 | 9,968 |
| 9 | Crestview at Cordova, LLC | Pensacola, FL | 1/17/2014 | 8,500 | 12,952 |
| 10 | Taco Bell, OK | Yukon, OK | 6/4/2014 | 1,719 | — |
| 11 | Taco Bell, MO | Marshall, MO | 6/4/2014 | 1,405 | — |
| 12 | Canterbury Green Apartments Holdings LLC | Fort Wayne, IN | 9/29/2014 | 85,500 | 85,456 |
| 13 | Abbie Lakes OH Partners, LLC | Canal Winchester, OH | 9/30/2014 | 12,600 | 15,586 |
| 14 | Kengary Way OH Partners, LLC | Reynoldsburg, OH | 9/30/2014 | 11,500 | 15,753 |
| 15 | Lakeview Trail OH Partners, LLC | Canal Winchester, OH | 9/30/2014 | 26,500 | 30,056 |
| 16 | Lakepoint OH Partners, LLC | Pickerington, OH | 9/30/2014 | 11,000 | 17,101 |
| 17 | Sunbury OH Partners, LLC | Columbus, OH | 9/30/2014 | 13,000 | 17,337 |
| 18 | Heatherbridge OH Partners, LLC | Blacklick, OH | 9/30/2014 | 18,416 | 24,815 |
| 19 | Jefferson Chase OH Partners, LLC | Blacklick, OH | 9/30/2014 | 13,551 | 19,282 |

(in thousands, except share and per share data)

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|---|---|---|---|---|---|
| 20 | Goldenstrand OH Partners, LLC | Hilliard, OH | 10/29/2014 | 7,810 | 11,764 |
| 21 | SSIL I, LLC | Aurora, IL | 11/5/2015 | 34,500 | 26,246 |
| 22 | Vesper Tuscaloosa, LLC | Tuscaloosa, AL | 9/28/2016 | 54,500 | 43,076 |
| 23 | Vesper Iowa City, LLC | Iowa City, IA | 9/28/2016 | 32,750 | 24,825 |
| 24 | Vesper Corpus Christi, LLC | Corpus Christi, TX | 9/28/2016 | 14,250 | 10,800 |
| 25 | Vesper Campus Quarters, LLC | Corpus Christi, TX | 9/28/2016 | 18,350 | 14,175 |
| 26 | Vesper College Station, LLC | College Station, TX | 9/28/2016 | 41,500 | 32,058 |
| 27 | Vesper Kennesaw, LLC | Kennesaw, GA | 9/28/2016 | 57,900 | 51,183 |
| 28 | Vesper Statesboro, LLC | Statesboro, GA | 9/28/2016 | 7,500 | 7,480 |
| 29 | Vesper Manhattan KS, LLC | Manhattan, KS | 9/28/2016 | 23,250 | 14,679 |
| 30 | JSIP Union Place, LLC | Franklin, MA | 12/7/2016 | 64,750 | 51,800 |
| 31 | 9220 Old Lantern Way, LLC | Laurel, MD | 1/30/2017 | 187,250 | 153,580 |
| 32 | 7915 Baymeadows Circle Owner, LLC | Jacksonville, FL | 10/31/2017 | 95,700 | 76,560 |
| 33 | 8025 Baymeadows Circle Owner, LLC | Jacksonville, FL | 10/31/2017 | 15,300 | 12,240 |
| 34 | 23275 Riverside Drive Owner, LLC | Southfield, MI | 11/8/2017 | 52,000 | 44,044 |
| 35 | 23741 Pond Road Owner, LLC | Southfield, MI | 11/8/2017 | 16,500 | 14,185 |
| 36 | 150 Steeplechase Way Owner, LLC | Largo, MD | 1/10/2018 | 44,500 | 36,668 |
| 37 | Laurel Pointe Holdings, LLC | Forest Park, GA | 5/9/2018 | 33,005 | 26,400 |
| 38 | Bradford Ridge Holdings, LLC | Forest Park, GA | 5/9/2018 | 12,500 | 10,000 |
| 39 | Olentangy Commons Owner LLC | Columbus, OH | 6/1/2018 | 113,000 | 92,876 |
| 40 | Villages of Wildwood Holdings LLC | Fairfield, OH | 7/20/2018 | 46,500 | 39,525 |
| 41 | Falling Creek Holdings LLC | Richmond, VA | 8/8/2018 | 25,000 | 19,335 |
| 42 | Crown Pointe Passthrough LLC | Danbury, CT | 8/30/2018 | 108,500 | 89,400 |
| 43 | Ashwood Ridge Holdings LLC | Jonesboro, GA | 9/21/2018 | 9,600 | 7,300 |
| 44 | Lorring Owner LLC | Forestville, MD | 10/30/2018 | 58,521 | 47,680 |
| 45 | Hamptons Apartments Owner, LLC | Beachwood, OH | 1/9/2019 | 96,500 | 79,520 |
| 46 | 5224 Long Road Holdings, LLC | Orlando, FL | 6/28/2019 | 26,500 | 21,200 |
| 47 | Druid Hills Holdings LLC | Atlanta, GA | 7/30/2019 | 96,000 | 79,104 |
| 48 | Bel Canto NPRC Parcstone LLC | Fayetteville, NC | 10/15/2019 | 45,000 | 30,127 |
| 49 | Bel Canto NPRC Stone Ridge LLC | Fayetteville, NC | 10/15/2019 | 21,900 | 14,662 |
| 50 | Sterling Place Holdings LLC | Columbus, OH | 10/28/2019 | 41,500 | 34,196 |
| | | | | $ 1,843,477 | $ 1,544,665 |

On December 10, 2018, we received a final distribution from our investment in American Gilsonite Company and recorded a realized gain of $24, as a result of this transaction.

On December 31, 2018, we liquidated our investment in SB Forging Company II. We recorded a realized gain of $2,204 as a result of this transaction.

On February 1, 2019, Maverick Healthcare Equity, LLC was sold. No proceeds were received, resulting in a realized loss of $1,252.

During the period from January 23, 2019 to February 28, 2019, we sold $76,000, or 39.13%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co. We recorded a realized loss of $450 as a result of these transactions.

On March 1, 2019, we sold our 94.59% common equity interest in CCPI, Inc. for $18,865 in net proceeds. Concurrently, CCPI Inc. fully repaid the $2,797 Senior Secured Term Loan A and the $17,566 Senior Secured Term Loan B receivable to us. We recorded a realized gain of $0 on the sale of our equity position in CCPI, Inc. In connection with the sale we recognized an advisory fee payment of $1,301 recorded as other income. In addition, there is $2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received. During the three months ended June 30, 2019, we received $136 of escrow proceeds, realizing a gain of the same amount.

On March 27, 2019, Ark-La-Tex sold the remainder of its assets for $773. The remainder of our debt investment in Ark-La-Tex was written off and we recorded a realized loss of $371.

On July 16, 2019, we sold $16,000, or 8.39%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co. We recorded a realized loss of $120 as a result of these transactions.

On August 6, 2019, Medmark repaid the $7,000 subordinated secured loan receivable to us. We recorded a realized gain of $13 as a result of these transactions.

On November 1, 2019, we sold six of our rated secured structured notes to NPRC's wholly-owned subsidiary National General Lending Limited ("NGL") at fair value. We recorded a realized gain of $1,885 as a result of these transactions.

On January 28, 2020, we sold $24,994 of our Senior Secured Term Loan investment and $1,082 of our Revolving Line of Credit commitment in PeopleConnect Holdings, Inc., or 10.6% of our initial investment, at a price of 98.0. As a result of the sale, we recorded a realized loss of $522.

On March 6, 2020, we received additional bankruptcy proceeds of our previously impaired investment in New Century Transportation, Inc., and recorded a realized gain of $449, offsetting the previously recognized loss.

On June 2, 2020, we received the remaining amount due to us that was being held in escrow in connection with the sale of our previous investment in CCPI, Inc. We recorded a realized gain of $2,366 as a result of this transaction.

As of June 30, 2020, $3,148,081 of our loans to portfolio companies, at fair value, bear interest at floating rates and have LIBOR floors ranging from 0.0% to 3.0%. As of June 30, 2020, $631,863 of our loans to portfolio companies, at fair value, bear interest at fixed rates ranging from 1.0% to 20.5%. As of June 30, 2019, $3,294,584 of our loans to portfolio companies, at fair value, bore interest at floating rates and have LIBOR floors ranging from 0.0% to 3.0%. As of June 30, 2019, $598,720 of our loans to portfolio companies, at fair value, bore interest at fixed rates ranging from 5.0% to 20.5%.

As of June 30, 2020 and June 30, 2019, the cost basis of our loans on non-accrual status amounted to $311,895 and $487,356 respectively, with fair value of $45,183 and $167,833, respectively. The fair values of these investments represent approximately 0.9% and 2.9% of our total assets at fair value as of June 30, 2020 and June 30, 2019, respectively.

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of June 30, 2020 and June 30, 2019, we had $41,487 and $23,375, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. The fair value of our undrawn committed revolvers and delayed draw term loans was zero as of June 30, 2020 and June 30, 2019.

We have guaranteed $2,487 in standby letters of credit issued through a financial intermediary and $2,624 of equipment lease obligations on behalf of InterDent, Inc. ("InterDent") as of June 30, 2020. Under these arrangements, we would be required to make payments to the financial intermediary or equipment lease provider, respectively, if InterDent was to default on their related payment obligations. As of June 30, 2020, we have not recorded a liability on the statement of assets and liabilities for these guarantees as the likelihood of default on the standby letters of credit or equipment lease is deemed to be remote.

*Unconsolidated Significant Subsidiaries*

Our investments are generally in small and mid-sized companies in a variety of industries. In accordance with Regulation S-X 3-09 and Regulation S-X 4-08(g), we must determine which of our unconsolidated controlled portfolio companies are considered "significant subsidiaries," if any. In evaluating these investments, we have voluntarily adopted the SEC's new definition of "significant subsidiary" as set forth in Rule 1-02(w)(2) for BDC's and closed end investment companies. Refer to Note 2. Significant Accounting Policies - *Recent Accounting Pronouncements* for our assessment of the Final Rules and early adoption. Regulation S-X 3-09 requires separate audited financial statements of an unconsolidated subsidiary in an annual report. Regulation S-X 4-08(g) requires summarized financial information in an annual report.

First Tower Finance Company LLC ("First Tower Finance") and NPRC are significant subsidiaries due to income for the years ended June 30, 2020, June 30, 2019 and June 30, 2018. We included the audited combined consolidated financial statements of NPRC for the years ended December 31, 2019 and December 31, 2018 as Exhibit 99.1 and for the years ended December 31, 2018 and December 31, 2017 as Exhibit 99.2. We have also included the audited consolidated financial statements of First Tower Finance Company LLC and subsidiaries as of December 31, 2019 and December 31, 2018 and for each of the three years in the period ended December 31, 2019 as Exhibit 99.3.

(in thousands, except share and per share data)

Pacific World and Valley Electric were significant subsidiaries due to income for the prior year ended June 30, 2019. Arctic Energy Services, LLC ("Arctic") was significant due to income for the year ended June 30, 2018. We have included summarized financial statements for these investments below.

The following tables show summarized financial information for Arctic, which was identified as a significant subsidiary due to income during the year ended June 30, 2018. Following the April 2018 transaction with CP Energy (see endnote 49 to our *Consolidated Schedule of Investments)*, Arctic is no longer reported as a separate control entity.

| **Balance Sheet** | **December 31, 2017** |
|---|---|
| Current assets | $ 6,382 |
| Non-current assets | 36,478 |
| Current liabilities | 2,213 |
| Non-current liabilities | 3,040 |

| **Summary of Operations** | **For the twelve months ended December 31, 2017** |
|---|---|
| Total revenue | $ 23,155 |
| Cost of sales | — |
| Operating expenses | 13,125 |
| Other expenses (including tax expense) | 13,054 |
| Net income (loss) | $ (3,024) |

The following tables show summarized financial information for Pacific World, which was identified as a significant subsidiary during the during the year ended June 30, 2019:

| **Balance Sheet(1)** | **June 30, 2020** | **June 30, 2019** |
|---|---|---|
| Current assets | $ 22,830 | $ 33,381 |
| Non-current assets | 51,533 | 66,824 |
| Current liabilities | 38,893 | 42,544 |
| Non-current liabilities | 231,871 | 211,508 |

| | **For the six months ended** | **For the years ended December 31,** | | |
|---|---|---|---|---|
| **Summary of Operations (1)** | **June 30, 2020** | **2019** | **2018** | **2017** |
| Net sales | $ 31,973 | $ 79,035 | $ 101,859 | $ 120,953 |
| Cost of sales | 25,033 | 63,532 | 90,142 | 77,741 |
| Selling, general and administrative expenses | 18,850 | 47,898 | 61,984 | 48,496 |
| Interest expense | 11,698 | 24,617 | 23,021 | 19,182 |
| Other expense (income), net | 1,112 | (134) | 2,913 | (2,067) |
| Income tax expense (benefit) | 119 | 260 | (1,217) | (3,993) |
| Net loss | $ (24,839) | $ (57,138) | $ (74,984) | $ (18,406) |

(1) The fiscal year end of the portfolio company is December 31st compared to PSEC's June 30th fiscal year end. All amounts are unaudited.

(in thousands, except share and per share data)

The following tables show summarized financial information for Valley Electric, which was identified as a significant subsidiary during the year ended June 30, 2019:

| **Balance Sheet (1)** | **June 30, 2020** | **June 30, 2019** |
|---|---|---|
| Current assets | $ 60,037 | $ 79,981 |
| Non-current assets | 13,625 | 15,004 |
| Current liabilities | 31,854 | 50,994 |
| Non-current liabilities | 16,192 | 16,212 |

| | **For the twelve months ended** | | |
|---|---|---|---|
| **Summary of Operations (1)** | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Total revenue | $ 223,739 | $ 255,526 | $ 142,711 |
| Cost of sales | 192,073 | 213,797 | 126,108 |
| Operating expenses | 10,707 | 15,133 | 10,972 |
| Other expenses (including tax expense) | 13,628 | 8,087 | 6,445 |
| Net income (loss) | $ 7,331 | $ 18,509 | $ (814) |

(1) The fiscal year end of the portfolio company is December 31st compared to PSEC's June 30th fiscal year end. All amounts are unaudited.

**Note 4. Revolving Credit Facility**

On August 29, 2014, we renegotiated our previous credit facility and closed an expanded five and a half year revolving credit facility (the "2014 Facility"). The lenders had extended commitments of $885,000 under the 2014 Facility as of June 30, 2018. The 2014 Facility included an accordion feature which allowed commitments to be increased up to $1,500,000 in the aggregate. Interest on borrowings under the 2014 Facility was one-month LIBOR plus 225 basis points. Additionally, the lenders charged a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility was drawn or 100 basis points otherwise.

On August 1, 2018, we renegotiated the 2014 Facility and closed an expanded five and a half year revolving credit facility (the "2018 Facility"). The lenders have extended commitments of $1,132,500 as of June 30, 2019. The 2018 Facility included an accordion feature which allowed commitments to be increased up to $1,500,000 in the aggregate.

On September 9, 2019, we amended the 2018 Facility and closed an expanded revolving credit facility (the "2019 Facility" and collectively with the 2014 Facility and the 2018 Facility, the "Revolving Credit Facility"). The lenders had extended commitments of $1,077,500 as of June 30, 2020. The Revolving Credit Facility includes an accordion feature which allows commitments to be increased up to $1,500,000 in the aggregate. The Revolving Credit Facility Facility matures on September 9, 2024. It includes a revolving period that extends through September 9, 2023, followed by an additional one-year amortization period, with distributions allowed to Prospect 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.

The Revolving Credit Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The Revolving Credit Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the Revolving Credit Facility. The Revolving Credit Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2020, we were in compliance with the applicable covenants.

Interest on borrowings under the 2019 Facility is one-month LIBOR plus 220 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, 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 2019 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

(in thousands, except share and per share data)

For the years ended June 30, 2020, June 30, 2019, and June 30, 2018, the average stated interest rate (i.e., rate in effect plus the spread) and average outstanding borrowings for the Revolving Credit Facility were as follows:

| | Year Ended June 30, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Average stated interest rate | 3.31% | 4.55% | 3.94% |
| Average outstanding balance | $222,758 | $225,310 | $48,628 |

As of June 30, 2020 and June 30, 2019, we had $545,496 and $684,212, respectively, available to us for borrowing under the Revolving Credit Facility, net of $237,536 and $167,000 outstanding borrowings as of the respective balance sheet dates. As of June 30, 2020, the investments, including cash and cash equivalents, used as collateral for the Revolving Credit Facility had an aggregate fair value of $1,515,469, which represents 28.7% of our total investments, including cash and cash equivalents. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and, as such, these investments are not available to our general creditors. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of $1,077,500. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred $10,904 of new fees and $1,473 were carried over for continuing participants from the previous facilities, all of which are being amortized over the term of the facility in accordance with ASC 470-50. As of June 30, 2020, $9,145 remains to be amortized and is reflected as deferred financing costs on the *Consolidated Statements of Assets and Liabilities*. During the year ended June 30, 2020, $397 of fees were expensed relating to credit providers in the 2014 Facility who did not commit to the 2019 Facility.

During the years ended June 30, 2020, 2019 and 2018, we recorded $21,850, $23,097 and $13,170, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

**Note 5. Convertible Notes**

*2017 Notes*

On April 16, 2012, we issued $130,000 aggregate principal amount of convertible notes that matured on October 15, 2017 (the “2017 Notes”). The 2017 Notes bore interest at a rate of 5.375% per year, payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2012. Total proceeds from the issuance of the 2017 Notes, net of underwriting discounts and offering costs, were $126,035. On March 28, 2016, we repurchased $500 aggregate principal amount of the 2017 Notes at a price of 98.25, including commissions. The transaction resulted in our recognizing a $9 gain for the period ended March 31, 2016. On April 6, 2017, we repurchased $78,766 aggregate principal amount of the 2017 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $1,786 loss during the three months ended June 30, 2017. On October 15, 2017, we repaid the outstanding principal amount of $50,734 of the 2017 Notes, plus interest. No gain or loss was realized on the transaction.

*2018 Notes*

On August 14, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on March 15, 2018 (the “2018 Notes”). The 2018 Notes bore interest at a rate of 5.75% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2013. Total proceeds from the issuance of the 2018 Notes, net of underwriting discounts and offering costs, were $193,600. On April 6, 2017, we repurchased $114,581 aggregate principal amount of the 2018 Notes at a price of 103.5, including commissions. The transaction resulted in our recognizing a $4,700 loss during the three months ended June 30, 2017. On March 15, 2018, we repaid the outstanding principal amount of $85,419 of the 2018 Notes, plus interest. No gain or loss was realized on the transaction.

*2019 Notes*

On December 21, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on January 15, 2019 (the “2019 Notes”). The 2019 Notes bore interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were $193,600. On May 30, 2018, we repurchased $98,353 aggregate principal amount of the 2019 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $2,383 loss during the three months ended June 30, 2018. On January 15, 2019, we repaid the outstanding principal amount of $101,647 of the 2019 Notes, plus interest. No gain or loss was realized on the transaction.

*2020 Notes*

On April 11, 2014, we issued $400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were $387,500. On January 30, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain of $332, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance cost. During the three months ended December 31, 2018, we repurchased an additional $13,500 aggregate principal amount of the 2020 Notes at a price of 99.5, including commissions. As a result of this transaction, we recorded a loss of $41, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended March 31, 2019, we repurchased an additional $129,798 aggregate principal amount of the 2020 Notes at a weighted average price of 101.4, including commission. As a result of these transactions, we recorded a net loss of $2,787 during the three months ended March 31, 2019, in the amount of the difference between the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended June 30, 2019, we repurchased an additional $24,588 aggregate principal amount of the 2020 Notes at a weighted average price of $101.10, including commissions. As a result of these transactions, we recorded a net loss of $414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 then outstanding aggregate principal amount of the 2020 Notes (“June Tender Offer”). On July 27, 2019, $32,948 aggregate principal amount of the 2020 Notes, representing 14.7% of the previously outstanding 2020 Notes, were validly tendered and accepted. On August 12, 2019, we commenced a tender offer to purchase for cash up to $60,000 aggregate principal amount of the 2020 Notes (“August Tender Offer”). On September 10, 2019, $13,597 aggregate principal amount of the 2020 Notes, representing 7.1% of the previously outstanding 2020 Notes, were validly tendered and accepted. The June Tender Offer and August Tender Offer, resulted in our recognizing a loss of $668 during the three months ended September 30, 2019.

On September 24, 2019, we commenced a tender offer to purchase for cash up to $40,000 outstanding aggregate principal amount of the 2020 Notes (“2020 Notes September Tender Offer”). On October 23, 2019, $2,140 aggregate principal amount of the 2020 Notes, representing 1.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. On November 7, 2019, we commenced a tender offer to purchase for cash up to $10,000 aggregate principal amount of the 2020 Notes (“2020 Notes November Tender Offer”). On December 7, 2019, $392 aggregate principal amount of the 2020 Notes, representing 0.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes September Tender Offer and 2020 Notes November Tender Offer resulted in our recognizing a loss of $31 during the three months ended December 31, 2019.

On December 23, 2019, we commenced a tender offer to purchase for cash up to $10,000 aggregate principal amount of the 2020 Notes (“2020 Notes December Tender Offer”). On January 22, 2020, $2,215 aggregate principal amount of the 2020 Notes, representing 1.3% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes December Tender Offer resulted in our recognizing a loss of $14 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional $45,111 aggregate principal amount of the 2020 Notes at a weighted average price of 100.5 including commissions. As a result of this transaction, we recorded a loss of $220, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

On April 15, 2020, we repaid the outstanding principal amount of $127,711 of the 2020 Notes, plus interest. No gain or loss was realized on the transaction.

*2022 Notes*

On April 11, 2017, we issued $225,000 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Original 2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Original 2022 Notes bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2017. Total proceeds from the issuance of the Original 2022 Notes, net of underwriting discounts and offering costs, were $218,010. On May 18, 2018, we issued an additional $103,500 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Additional 2022 Notes”, and together with the Original 2022 Notes, the “2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Additional 2022 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2022 Notes and bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and

**(in thousands, except share and per share data)**

July 15 each year, beginning July 15, 2018. Total proceeds from the issuance of the Additional 2022 Notes, net of underwriting discounts and offering costs, were $100,749.

On October 18, 2019, we repurchased $22,941 aggregate principal amount of the 2022 Notes at a price of 102.8 including commissions. As a result of this transaction, we recorded a loss of $1,072 in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. On November 7, 2019, we commenced a tender offer to purchase for cash up to $50,000 aggregate principal amount of the 2022 Notes ("2022 Notes November Tender Offer"). On December 7, 2019, $13,432 aggregate principal amount of the 2022 Notes, representing 4.4% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes November Tender Offer resulted in our recognizing a loss of $599, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs.

On December 23, 2019, we commenced a tender offer to purchase for cash up to $25,000 aggregate principal amount of the 2022 Notes ("2022 Notes December Tender Offer"). On January 22, 2020, $1,302 aggregate principal amount of the 2022 Notes, representing 0.5% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes December Tender Offer resulted in our recognizing a loss of $51 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional $32,585 aggregate principal amount of the 2022 Notes at a weighted average price of 89.1 including commissions. As a result of this transaction, we recorded a gain of $3,045, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. As of June 30, 2020, the outstanding aggregate principal amount of the 2022 Notes is $258,240.

*2025 Notes*

On March 1, 2019, we issued $175,000 aggregate principal amount of senior convertible notes that mature on March 1, 2025 (the "2025 Notes"), unless previously converted or repurchased in accordance with their terms. We granted the underwriters a 13-day over-allotment option to purchase up to an additional $26,250 aggregate principal amount of the 2025 Notes. The underwriters fully exercised the over-allotment option on March 11, 20l9 and we issued $26,250 aggregate principal amount of 2025 Notes at settlement on March 13, 2019. The 2025 Notes bear interest at a rate of 6.375% per year, payable semi-annually on March 1 and September 1 each year, beginning September 1, 2019. Total proceeds from the issuance of the 2025 Notes, net of underwriting discounts and offering costs, were $198,674. As of June 30, 2020, the outstanding aggregate principal amount of the 2025 Notes is $201,250.

Certain key terms related to the convertible features for the 2020 Notes, the 2022 Notes and the 2025 Notes (collectively, the "Convertible Notes") are listed below.

| | 2022 Notes | 2025 Notes |
|---|---|---|
| Initial conversion rate(1) | 100.2305 | 110.7420 |
| Initial conversion price | $ 9.98 | $ 9.03 |
| Conversion rate at June 30, 2020(1)(2) | 100.2305 | 110.7420 |
| Conversion price at June 30, 2020(2)(3) | $ 9.98 | $ 9.03 |
| Last conversion price calculation date | 4/11/2020 | 3/1/2020 |
| Dividend threshold amount (per share)(4) | $ 0.083330 | $ 0.060000 |

(1) Conversion rates denominated in shares of common stock per $1 principal amount of the Convertible Notes converted.

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

(3) The conversion price will increase only if the current monthly dividends (per share) exceed the dividend threshold amount (per share).

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment. Current dividend rates are at or below the minimum dividend threshold amount for further conversion rate adjustments for all bonds.

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the notes surrendered for conversion representing accrued and unpaid interest to, but not including, the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the Convertible Notes.

No holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Convertible Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Convertible Notes through and including the maturity date.

In connection with the issuance of the Convertible Notes, we recorded a discount of $4,025 and debt issuance costs of $21,148, which are being amortized over the terms of the Convertible Notes. As of June 30, 2020, $3,263 of the original issue discount and $5,629 of the debt issuance costs remain to be amortized and is included as a reduction within Convertible Notes on the *Consolidated Statement of Assets and Liabilities*.

During the years ended June 30, 2020, 2019 and 2018, we recorded $37,661, $44,492 and $51,020, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

**Note 6. Public Notes**

*2023 Notes*

On March 15, 2013, we issued $250,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Original 2023 Notes”). The Original 2023 Notes bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2013. Total proceeds from the issuance of the Original 2023 Notes, net of underwriting discounts and offering costs, were $243,641. On June 20, 2018, we issued an additional $70,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Additional 2023 Notes”, and together with the Original 2023 Notes, the “2023 Notes”). The Additional 2023 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2023 Notes and bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the Additional 2023 Notes, net of underwriting discounts, were $69,403. As of June 30, 2020, the outstanding aggregate principal amount of the 2023 Notes is $320,000.

*5.00% 2019 Notes*

On April 7, 2014, we issued $300,000 aggregate principal amount of unsecured notes that mature on July 15, 2019 (the “5.00% 2019 Notes”). Included in the issuance is $45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were $295,998. On June 7, 2018, we commenced a tender offer to purchase for cash any and all of the $300,000 aggregate principal amount outstanding of the 5.00% 2019 Notes. On June 20, 2018, $146,464 aggregate principal amount of the 5.00% 2019 Notes, representing 48.8% of the previously outstanding 5.00% 2019 Notes, were validly tendered and accepted. The transaction resulted in our recognizing a $3,705 loss during the three months ended June 30, 2018. On September 26, 2018, we repurchased the remaining $153,536 aggregate principal amount of the 5.00% 2019 Notes at a price of 101.645, including commissions. The transaction resulted in our recognizing a loss of $2,874 during the year ended June 30, 2019.

*2024 Notes*

On December 10, 2015, we issued $160,000 aggregate principal amount of unsecured notes that mature on June 15, 2024 (the “2024 Notes”). The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2016. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and offering costs, were $155,043. On June 16, 2016, we entered into an at-the-market (“ATM”) program with FBR Capital Markets & Co. through which we could sell, by means of ATM offerings, from time to time, up to $100,000 in aggregate principal amount of our existing 2024 Notes (“Initial 2024 Notes ATM”). Following the initial 2024 Notes ATM, the aggregate principal amount of the 2024 Notes issued was $199,281 for net proceeds of $193,253, after commissions and offering costs. On

July 2, 2018, we entered into a second ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of the 2024 Notes ("Second 2024 Notes ATM", and together with the Initial 2024 Notes ATM, the "2024 Notes Follow on Program"). The 2024 Notes are listed on the New York Stock Exchange ("NYSE") and trade thereon under the ticker "PBB".

During the year ended June 30, 2019, we issued an additional $35,162 aggregate principal amount under the Second 2024 Notes ATM, for net proceeds of $34,855, after commissions and offering costs. On March 20, 2020, we commenced a tender offer to purchase for cash any and all of the $234,443 aggregate principal amount of the 2024 Notes ("2024 Notes March Tender Offer"). On March 31, 2020, $655 aggregate principal amount of the 2024 Notes, representing 0.3% of the previously outstanding 2024 Notes, were validly tendered and accepted. The 2024 Notes March Tender Offer, resulted in our recognizing a gain of $203 during the three months ended March 31, 2020. As of June 30, 2020, the outstanding aggregate principal amount of the 2024 Notes is $233,788.

*2028 Notes*

On June 7, 2018, we issued $55,000 aggregate principal amount of unsecured notes that mature on June 15, 2028 (the "2028 Notes"). The 2028 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the 2028 Notes, net of underwriting discounts and offering costs were $53,119. On July 2, 2018, we entered into an ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2028 Notes ("2028 Notes ATM" or "2028 Notes Follow-on Program"). The 2028 Notes are listed on the NYSE and trade thereon under the ticker "PBY." During the year ended June 30, 2019, we issued an additional $15,761 aggregate principal amount under the 2028 Notes ATM, for net proceeds of $15,530, after commissions and offering costs. As of June 30, 2020, the outstanding aggregate principal amount of the 2028 Notes is $70,761.

*6.375% 2024 Notes*

On October 1, 2018, we issued $100,000 aggregate principal amount of unsecured notes that mature on January 15, 2024 (the "6.375% 2024 Notes"). The 6.375% 2024 Notes bear interest at a rate of 6.375% per year, payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2019. Total proceeds from the issuance of the 6.375% 2024 Notes, net of underwriting discounts and offering costs, were $98,985. As of June 30, 2020, the outstanding aggregate principal amount of the 6.375% 2024 Notes is $100,000.

*2029 Notes*

On December 5, 2018, we issued $50,000 aggregate principal amount of unsecured notes that mature on June 15, 2029 (the "2029 Notes"). The 2029 Notes bear interest at a rate of 6.875% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning March 15, 2019. Total proceeds from the issuance of the 2029 Notes, net of underwriting discounts and offering costs, were $48,057. On February 9, 2019, we entered into an ATM program with B. Riley FBR, Inc., BB&T Capital Markets, and Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2029 Notes ("2029 Notes ATM" or "2029 Notes Follow-on Program"). The 2029 Notes are listed on the NYSE and trade thereon under the ticker "PBC." During the year ended June 30, 2019, we issued an additional $19,170 aggregate principal amount under the 2029 Notes ATM, for net proceeds of $18,523, after commissions and offering costs. As of June 30, 2020, the outstanding aggregate principal amount of the 2029 Notes is $69,170.

The 2023 Notes, the 2024 Notes, the 2028 Notes, the 6.375% 2024 Notes, and the 2029 Notes (collectively, the "Public Notes") are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes we recorded a discount of $4,112 and debt issuance costs of $16,226, which are being amortized over the term of the notes. As of June 30, 2020, $2,053 of the original issue discount and $9,560 of the debt issuance costs remain to be amortized and are included as a reduction within Public Notes on the *Consolidated Statement of Assets and Liabilities.*

During the years ended June 30, 2020, 2019 and 2018, we recorded $51,294, $47,931 and $44,269, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

(in thousands, except share and per share data)

**Note 7. Prospect Capital InterNotes®**

On February 16, 2012, we entered into a selling agent agreement (the "Original Selling Agent Agreement") with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes®, which was increased to $1,500,000 in May 2014. On May 10, 2019, the Original Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "May 2019 Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $1,000,000 of Prospect Capital InterNotes®.

On September 16, 2019, the May 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "September 2019 Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes®. We sold approximately $1,700,000 in aggregate principal amount of Prospect Capital InterNotes® under the Original Selling Agent Agreement, May 2019 Selling Agent Agreement, and September 2019 Selling Agent Agreement (collectively the "Previous Selling Agent Agreements").

On February 13, 2020, the September 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $1,000,000 of Prospect Capital InterNotes® (collectively with the previously authorized selling agent agreements, the "InterNotes® Offerings"). Additional agents may be appointed by us from time to time in connection with the InterNotes® Offering and become parties to the Selling Agent Agreement. We have, from time to time, repurchased certain notes issued through the InterNotes® Offerings and, therefore, as of June 30, 2020, $680,229 aggregate principal amount of Prospect Capital InterNotes® were outstanding.

These notes are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding. Each series of notes will be issued by a separate trust. These notes bear interest at fixed interest rates and offer a variety of maturities no less than twelve months from the original date of issuance.

During the year ended June 30, 2020, we issued $233,988 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $230,117. These notes were issued with stated interest rates ranging from 3.75% to 6.00% with a weighted average interest rate of 4.34%. These notes will mature between July 15, 2024 and July 15, 2030. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2020.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|
| 5 | $ 113,064 | 3.75% - 5.50% | 4.19% | July 15, 2024 – July 15, 2025 |
| 7 | 45,075 | 4.00% - 5.75% | 4.27% | July 15, 2026 – July 15, 2027 |
| 10 | 75,849 | 3.75% - 6.00% | 4.60% | July 15, 2029 – July 15, 2030 |
| | $ 233,988 | | | |

During the year ended June 30, 2019, we issued $236,971 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $233,140. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2019.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|
| 5 | $ 119,426 | 5.00% - 5.75% | 5.43% | July 15, 2023 - June 15, 2024 |
| 7 | 54,880 | 5.25% - 6.00% | 5.80% | July 15, 2025 - June 15, 2026 |
| 8 | 385 | 5.75% | 5.75% | July 15, 2026 |
| 10 | 62,280 | 5.50% - 6.25% | 6.02% | July 15, 2028 - June 15, 2029 |
| | $ 236,971 | | | |

**(in thousands, except share and per share data)**

During the year ended June 30, 2020, we redeemed, prior to maturity, $255,822 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 5.06% in order to replace shorter maturity debt with longer-term debt. During the year ended June 30, 2020, we repaid $5,636 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2020 was $2,470. The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2020.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|
| 5 | $ 218,240 | 3.75% - 5.75% | 4.81% | September 15, 2023 – July 15, 2025 |
| 7 | 104,529 | 4.00% - 6.00% | 5.11% | July 15, 2024 – July 15, 2027 |
| 8 | 24,325 | 4.50% - 5.75% | 4.67% | August 15, 2025 – July 15, 2026 |
| 10 | 159,802 | 3.75% - 6.25% | 5.32% | January 15, 2024 – July 15, 2030 |
| 12 | 2,978 | 6.00% | 6.00% | November 15, 2025 – December 15, 2025 |
| 15 | 16,851 | 5.75% - 6.00% | 5.79% | May 15, 2028 – November 15, 2028 |
| 18 | 18,741 | 4.50% - 6.25% | 5.58% | December 15, 2030 – August 15, 2031 |
| 20 | 3,847 | 5.75% - 6.00% | 5.89% | November 15, 2032 – October 15, 2033 |
| 25 | 30,710 | 6.25% - 6.50% | 6.39% | August 15, 2038 – May 15, 2039 |
| 30 | 100,206 | 5.50% - 6.75% | 6.25% | November 15, 2042 – October 15, 2043 |
| | $ 680,229 | | | |

During the year ended June 30, 2019, we redeemed, prior to maturity, $279,841 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.91% in order to replace shorter maturity debt with longer-term debt. During the year ended June 30, 2019, we repaid $10,355 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2019 was $2,047.

The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2019.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---|---|---|---|---|
| 5 | $ 283,450 | 4.00% – 5.75% | 5.10% | January 15, 2021 - June 15, 2024 |
| 5.5 | 1,399 | 4.25% | 4.25% | July 15, 2020 |
| 6.5 | 34,745 | 5.10% – 5.25% | 5.24% | January 15, 2022 - May 15, 2022 |
| 7 | 83,731 | 4.00% – 6.00% | 5.56% | January 15, 2020 - June 15, 2026 |
| 7.5 | 1,996 | 5.75% | 5.75% | February 15, 2021 |
| 8 | 24,500 | 4.50% – 5.75% | 4.67% | August 15, 2025 - July 15, 2026 |
| 10 | 99,529 | 5.50% – 7.00% | 6.09% | March 15, 2022 - June 15, 2029 |
| 12 | 2,978 | 6.00% | 6.00% | November 15, 2025 - December 15, 2025 |
| 15 | 17,077 | 5.25% – 6.00% | 5.35% | May 15, 2028 - November 15, 2028 |
| 18 | 19,306 | 4.13% – 6.25% | 5.58% | December 15, 2030 - August 15, 2031 |
| 20 | 3,887 | 5.75% - 6.00% | 5.90% | November 15, 2032 - October 15, 2033 |
| 25 | 31,855 | 6.25% – 6.50% | 6.39% | August 15, 2038 - May 15, 2039 |
| 30 | 103,246 | 5.50% – 6.75% | 6.24% | November 15, 2042 - October 15, 2043 |
| | $ 707,699 | | | |

In connection with the issuance of Prospect Capital InterNotes®, we incurred $28,878 of fees which are being amortized over the term of the notes, of which $12,802 remains to be amortized and is included as a reduction within Prospect Capital InterNotes® on the *Consolidated Statement of Assets and Liabilities* as of June 30, 2020.

During the years ended June 30, 2020, 2019, and 2018, we recorded $37,563, $41,711 and $46,580, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

**Note 8. Fair Value and Maturity of Debt Outstanding**

As of June 30, 2020, our asset coverage stood at 239.2% based on aggregate outstanding principal of $2,170,974. As of June 30, 2019, our asset coverage stood at 234.8% based on aggregate outstanding principal of $2,422,937.

Information about our senior securities is shown in the following table as of the end of each of the last ten fiscal years and as of June 30, 2020. (All figures in this item are in thousands except per unit data)

| | Total Amount Outstanding(1) | Asset Coverage per Unit(2) | Involuntary Liquidating Preference per Unit(3) | Average Market Value per Unit(4) |
|---|---|---|---|---|
| **Credit Facility** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 237,536 | $ 22,000 | — | — |
| Fiscal 2019 (as of June 30, 2019) | 167,000 | 34,298 | — | — |
| Fiscal 2018 (as of June 30, 2018) | 37,000 | 155,503 | — | — |
| Fiscal 2017 (as of June 30, 2017) | — | — | — | — |
| Fiscal 2016 (as of June 30, 2016) | — | — | — | — |
| Fiscal 2015 (as of June 30, 2015) | 368,700 | 18,136 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 92,000 | 69,470 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 124,000 | 34,996 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 96,000 | 22,668 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 84,200 | 18,065 | — | — |
| Fiscal 2010 (as of June 30, 2010) | 100,300 | 8,093 | — | — |
| | | | | |
| **2015 Notes(5)** | | | | |
| Fiscal 2015 (as of June 30, 2015) | $ 150,000 | $ 2,241 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 150,000 | 2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 150,000 | 2,578 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 150,000 | 3,277 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 150,000 | 3,740 | — | — |
| | | | | |
| **2016 Notes(6)** | | | | |
| Fiscal 2016 (as of June 30, 2016) | $ 167,500 | $ 2,269 | — | — |
| Fiscal 2015 (as of June 30, 2015) | 167,500 | 2,241 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 167,500 | 2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 167,500 | 2,578 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 167,500 | 3,277 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 172,500 | 3,740 | — | — |
| | | | | |
| **2017 Notes(7)** | | | | |
| Fiscal 2017 (as of June 30, 2017) | $ 50,734 | $ 2,251 | — | — |
| Fiscal 2016 (as of June 30, 2016) | 129,500 | 2,269 | — | — |
| Fiscal 2015 (as of June 30, 2015) | 130,000 | 2,241 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 130,000 | 2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 130,000 | 2,578 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 130,000 | 3,277 | — | — |
| | | | | |
| **2018 Notes(8)** | | | | |
| Fiscal 2017 (as of June 30, 2017) | $ 85,419 | $ 2,251 | — | — |
| Fiscal 2016 (as of June 30, 2016) | 200,000 | 2,269 | — | — |
| Fiscal 2015 (as of June 30, 2015) | 200,000 | 2,241 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 200,000 | 2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 200,000 | 2,578 | — | — |

(in thousands, except share and per share data)

| | | | | | | |
|---|---|---|---|---|---|---|
| **2019 Notes(10)** | | | | | | |
| Fiscal 2018 (as of June 30, 2018) | $ | 101,647 | $ | 2,452 | — | | — |
| Fiscal 2017 (as of June 30, 2017) | | 200,000 | | 2,251 | — | | — |
| Fiscal 2016 (as of June 30, 2016) | | 200,000 | | 2,269 | — | | — |
| Fiscal 2015 (as of June 30, 2015) | | 200,000 | | 2,241 | — | | — |
| Fiscal 2014 (as of June 30, 2014) | | 200,000 | | 2,305 | — | | — |
| Fiscal 2013 (as of June 30, 2013) | | 200,000 | | 2,578 | — | | — |
| | | | | | | | |
| **5.00% 2019 Notes(11)** | | | | | | | |
| Fiscal 2018 (as of June 30, 2018) | $ | 153,536 | $ | 2,452 | — | | — |
| Fiscal 2017 (as of June 30, 2017) | | 300,000 | | 2,251 | — | | — |
| Fiscal 2016 (as of June 30, 2016) | | 300,000 | | 2,269 | — | | — |
| Fiscal 2015 (as of June 30, 2015) | | 300,000 | | 2,241 | — | | — |
| Fiscal 2014 (as of June 30, 2014) | | 300,000 | | 2,305 | — | | — |
| | | | | | | | |
| **2020 Notes (14)** | | | | | | | |
| Fiscal 2019 (as of June 30, 2019) | $ | 224,114 | $ | 2,365 | — | | — |
| Fiscal 2018 (as of June 30, 2018) | | 392,000 | | 2,452 | — | | — |
| Fiscal 2017 (as of June 30, 2017) | | 392,000 | | 2,251 | — | | — |
| Fiscal 2016 (as of June 30, 2016) | | 392,000 | | 2,269 | — | | — |
| Fiscal 2015 (as of June 30, 2015) | | 392,000 | | 2,241 | — | | — |
| Fiscal 2014 (as of June 30, 2014) | | 400,000 | | 2,305 | — | | — |
| | | | | | | | |
| **6.95% 2022 Notes(9)** | | | | | | | |
| Fiscal 2014 (as of June 30, 2014) | $ | 100,000 | $ | 2,305 | — | $ | 1,038 |
| Fiscal 2013 (as of June 30, 2013) | | 100,000 | | 2,578 | — | | 1,036 |
| Fiscal 2012 (as of June 30, 2012) | | 100,000 | | 3,277 | — | | 996 |
| | | | | | | | |
| **2022 Notes** | | | | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ | 258,240 | $ | 2,408 | — | | — |
| Fiscal 2019 (as of June 30, 2019) | | 328,500 | | 2,365 | — | | — |
| Fiscal 2018 (as of June 30, 2018) | | 328,500 | | 2,452 | — | | — |
| Fiscal 2017 (as of June 30, 2017) | | 225,000 | | 2,251 | — | | — |
| | | | | | | | |
| **2023 Notes(12)** | | | | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ | 319,145 | $ | 2,408 | — | | — |
| Fiscal 2019 (as of June 30, 2019) | | 318,863 | | 2,365 | — | | — |
| Fiscal 2018 (as of June 30, 2018) | | 318,675 | | 2,452 | — | | — |
| Fiscal 2017 (as of June 30, 2017) | | 248,507 | | 2,251 | — | | — |
| Fiscal 2016 (as of June 30, 2016) | | 248,293 | | 2,269 | — | | — |
| Fiscal 2015 (as of June 30, 2015) | | 248,094 | | 2,241 | — | | — |
| Fiscal 2014 (as of June 30, 2014) | | 247,881 | | 2,305 | — | | — |
| Fiscal 2013 (as of June 30, 2013) | | 247,725 | | 2,578 | — | | — |
| | | | | | | | |
| **2024 Notes** | | | | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ | 233,788 | $ | 2,408 | — | $ | 959 |
| Fiscal 2019 (as of June 30, 2019) | | 234,443 | | 2,365 | — | | 1,002 |
| Fiscal 2018 (as of June 30, 2018) | | 199,281 | | 2,452 | — | | 1,029 |
| Fiscal 2017 (as of June 30, 2017) | | 199,281 | | 2,251 | — | | 1,027 |
| Fiscal 2016 (as of June 30, 2016) | | 161,364 | | 2,269 | — | | 951 |

**(in thousands, except share and per share data)**

| | | | | |
|---|---|---|---|---|
| **6.375% 2024 Notes(12)** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 99,780 | $ 2,408 | — | — |
| Fiscal 2019 (as of June 30, 2019) | 99,726 | 2,365 | — | — |
| | | | | |
| **2025 Notes** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 201,250 | $ 2,408 | — | — |
| Fiscal 2019 (as of June 30, 2019) | 201,250 | 2,365 | — | — |
| | | | | |
| **2028 Notes** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 70,761 | $ 2,408 | — | $ 950 |
| Fiscal 2019 (as of June 30, 2019) | 70,761 | 2,365 | — | 984 |
| Fiscal 2018 (as of June 30, 2018) | 55,000 | 2,452 | — | 1,004 |
| | | | | |
| **2029 Notes** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 69,170 | $ 2,408 | — | $ 970 |
| Fiscal 2019 (as of June 30, 2019) | 69,170 | 2,365 | | 983 |
| | | | | |
| **Prospect Capital InterNotes®** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 680,229 | $ 2,408 | — | — |
| Fiscal 2019 (as of June 30, 2019) | 707,699 | 2,365 | — | — |
| Fiscal 2018 (as of June 30, 2018) | 760,924 | 2,452 | — | — |
| Fiscal 2017 (as of June 30, 2017) | 980,494 | 2,251 | — | — |
| Fiscal 2016 (as of June 30, 2016) | 908,808 | 2,269 | — | — |
| Fiscal 2015 (as of June 30, 2015) | 827,442 | 2,241 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 785,670 | 2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 363,777 | 2,578 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 20,638 | 3,277 | — | — |
| | | | | |
| **All Senior Securities(12)(13)** | | | | |
| Fiscal 2020 (as of June 30, 2020) | $ 2,169,899 | $ 2,408 | — | — |
| Fiscal 2019 (as of June 30, 2019) | 2,421,526 | 2,365 | — | — |
| Fiscal 2018 (as of June 30, 2018) | 2,346,563 | 2,452 | — | — |
| Fiscal 2017 (as of June 30, 2017) | 2,681,435 | 2,251 | — | — |
| Fiscal 2016 (as of June 30, 2016) | 2,707,465 | 2,269 | — | — |
| Fiscal 2015 (as of June 30, 2015) | 2,983,736 | 2,241 | — | — |
| Fiscal 2014 (as of June 30, 2014) | 2,773,051 | 2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 1,683,002 | 2,578 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 664,138 | 3,277 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 406,700 | 3,740 | — | — |
| Fiscal 2010 (as of June 30, 2010) | 100,300 | 8,093 | — | — |

(1) Except as noted, the total amount of each class of senior securities outstanding at the end of the year/period presented (in 000's).
(2) The asset coverage ratio for a class of secured senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by secured senior securities representing indebtedness. The asset coverage ratio for a class of unsecured senior securities is inclusive of all senior securities. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit.
(3) This column is inapplicable.
(4) This column is inapplicable, except for the 6.95% 2022 Notes, the 2024 Notes, the 2028 Notes and the 2029 Notes. The average market value per unit is calculated as an average of quarter-end prices and shown as the market value per $1,000 of indebtedness.
(5) We repaid the outstanding principal amount of the 2015 Notes on December 15, 2015.
(6) We repaid the outstanding principal amount of the 2016 Notes on August 15, 2016.
(7) We repaid the outstanding principal amount of the 2017 Notes on October 15, 2017.
(8) We repaid the outstanding principal amount of the 2018 Notes on March 15, 2018.
(9) We redeemed the 6.95% 2022 Notes on May 15, 2015.
(10) We repaid the outstanding principal amount of the 2019 Notes on January 15, 2019.

**(in thousands, except share and per share data)**

(11) We redeemed the 5.00% 2019 Notes on September 26, 2018.
(12) For the period ended June 30, 2020 and all fiscal years ended June 30th, the notes are presented net of unamortized discount.
(13) While we do not consider commitments to fund under revolving arrangements to be Senior Securities, if we were to elect to treat such unfunded commitments, which were $41,487 as of June 30, 2020 as Senior Securities for purposes of Section 18 of the 1940 Act, our asset coverage per unit would be $2,363.
(14) We repaid the outstanding principal amount of the 2020 Notes on April 15, 2020.

The following table shows our outstanding debt as of June 30, 2020.

| | Principal Outstanding | Unamortized Discount & Debt Issuance Costs | Net Carrying Value | | Fair Value (1) | | Effective Interest Rate | |
|---|---|---|---|---|---|---|---|---|
| Revolving Credit Facility(2) | $ 237,536 | $ 9,145 | $ 237,536 | (3) | $ 237,536 | | 1ML+2.20% | (6) |
| | | | | | | | | |
| 2022 Notes | 258,240 | 3,615 | 254,625 | | 247,133 | (4) | 5.65% | (7) |
| 2025 Notes | 201,250 | 5,277 | 195,973 | | 194,279 | (4) | 6.63% | (7) |
| Convertible Notes | 459,490 | | 450,598 | | 441,412 | | | |
| | | | | | | | | |
| 6.375% 2024 Notes | 100,000 | 762 | 99,238 | | 100,771 | (4) | 6.64% | (7) |
| 2023 Notes | 320,000 | 2,426 | 317,574 | | 325,395 | (4) | 6.09% | (7) |
| 2024 Notes | 233,788 | 3,939 | 229,849 | | 229,580 | (4) | 6.76% | (7) |
| 2028 Notes | 70,761 | 2,142 | 68,619 | | 66,842 | (4) | 6.77% | (7) |
| 2029 Notes | 69,170 | 2,344 | 66,826 | | 67,233 | (4) | 7.38% | (7) |
| Public Notes | 793,719 | | 782,106 | | 789,821 | | | |
| | | | | | | | | |
| Prospect Capital InterNotes® | 680,229 | 12,802 | 667,427 | | 658,292 | (5) | 6.06% | (8) |
| **Total** | $ 2,170,974 | | $ 2,137,667 | | $ 2,127,061 | | | |

(1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2020.

(2) The maximum draw amount of the Revolving Credit facility as of June 30, 2020 is $1,077,500.

(3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See Note 2 for accounting policy details.

(4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.

(5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.

(6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.

(7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the 2028 Notes, and the 2029 Notes, the rate presented is a combined effective interest rate of their respective original Note issuances and Note Follow-On Programs.

(8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation which approximates level yield, are weighted against the average year-to-date principal balance.

(in thousands, except share and per share data)

The following table shows our outstanding debt as of June 30, 2019.

| | Principal Outstanding | Unamortized Discount & Debt Issuance Costs | Net Carrying Value | | Fair Value (1) | | Effective Interest Rate | |
|---|---|---|---|---|---|---|---|---|
| Revolving Credit Facility(2) | $ 167,000 | $ 8,529 | $ 167,000 | (3) | $ 167,000 | | 1ML+2.20% | (6) |
| | | | | | | | | |
| 2020 Notes | 224,114 | 1,012 | 223,102 | | 226,933 | (4) | 5.38% | (7) |
| 2022 Notes | 328,500 | 6,681 | 321,819 | | 330,964 | (4) | 5.71% | (7) |
| 2025 Notes | 201,250 | 6,174 | 195,076 | | 207,847 | (4) | 6.63% | (7) |
| Convertible Notes | 753,864 | | 739,997 | | 765,744 | | | |
| | | | | | | | | |
| 6.375% 2024 Notes | 100,000 | 1,020 | 98,980 | | 106,747 | (4) | 5.29% | (7) |
| 2023 Notes | 320,000 | 3,270 | 316,730 | | 340,314 | (4) | 6.09% | (7) |
| 2024 Notes | 234,443 | 4,746 | 229,697 | | 239,788 | (4) | 6.74% | (7) |
| 2028 Notes | 70,761 | 2,303 | 68,458 | | 73,025 | (4) | 6.72% | (7) |
| 2029 Notes | 69,170 | 2,487 | 66,683 | | 71,245 | (4) | 7.38% | (7) |
| Public Notes | 794,374 | | 780,548 | | 831,119 | | | |
| | | | | | | | | |
| Prospect Capital InterNotes® | 707,699 | 12,349 | 695,350 | | 741,227 | (5) | 6.16% | (8) |
| **Total** | $ 2,422,937 | | $ 2,382,895 | | $ 2,505,090 | | | |

(1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2019.

(2) The maximum draw amount of the Revolving Credit facility as of June 30, 2019 is $1,132,500.

(3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See Note 2 for accounting policy details.

(4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.

(5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.

(6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.

(7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the rate presented is a combined effective interest rate of the 2024 Notes and 2024 Notes Follow-on Program.

(8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation which approximates level yield, are weighted against the average year-to-date principal balance.

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2020.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | $ 237,536 | $ — | $ — | $ 237,536 | $ — |
| Convertible Notes | 459,490 | — | 258,240 | 201,250 | — |
| Public Notes | 793,719 | — | 320,000 | 333,788 | 139,931 |
| Prospect Capital InterNotes® | 680,229 | — | — | 243,062 | 437,167 |
| Total Contractual Obligations | $ 2,170,974 | $ — | $ 578,240 | $ 1,015,636 | $ 577,098 |

**(in thousands, except share and per share data)**

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2019.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | $ 167,000 | $ — | $ — | $ 167,000 | $ — |
| Convertible Notes | 753,864 | 224,114 | — | 328,500 | 201,250 |
| Public Notes | 794,374 | — | — | 654,443 | 139,931 |
| Prospect Capital InterNotes® | 707,699 | 4,402 | 188,037 | 189,795 | 325,465 |
| Total Contractual Obligations | $ 2,422,937 | $ 228,516 | $ 188,037 | $ 1,339,738 | $ 666,646 |

We may from time to time seek to cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including secured debt, unsecured debt and/or debt securities convertible into common stock. Any such purchases or exchanges of outstanding debt would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors.

**Note 9. Stock Repurchase Program, Equity Offerings, Offering Expenses, and Distributions**

On August 24, 2011, our Board of Directors approved a share repurchase plan (the “Repurchase Program”) under which we may repurchase up to $100,000 of our common stock at prices below our net asset value per share. Prior to any repurchase, we are required to notify stockholders of our intention to purchase our common stock. Our last notice was delivered with our annual proxy mailing on September 19, 2019.

We did not repurchase any shares of our common stock under the Repurchase Program for the years ended June 30, 2020, June 30, 2019, and June 30, 2018. As of June 30, 2020, the approximate dollar value of shares that may yet be purchased under the Repurchase Program is $65,860.

On February 13, 2020, we filed a registration statement on Form N-2 (File No. 333-236415) that was effective upon filing pursuant to Rule 462(e) under the Securities Act as permitted under the Small Business Credit Availability Act. The registration statement permits us to issue, through one or more transactions, an indeterminate amount of securities, consisting of common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities.

Our stockholders’ equity accounts as of June 30, 2020 and June 30, 2019 reflect cumulative shares issued as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters, our dividend reinvestment plan and in connection with the acquisition of certain controlled portfolio companies. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

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.

Excluding dividend reinvestments, we issued 1,158,222 shares of our common stock by means of at-the-market offerings during the year ended June 30, 2020. Excluding dividend reinvestments, we did not issue any shares of our common stock during the prior years ended June 30, 2019 and June 30, 2018. The following table summarizes our issuances of common stock during the year ended June 30, 2020.

| Issuances of Common Stock | Number of Shares Issued | Gross Proceeds | Underwriting Fees | Offering Expenses | Average Offering Price |
|---|---|---|---|---|---|
| During the year ended June 30, 2020: | | | | | |
| June 15, 2020 – June 30, 2020(1) | 1,158,222 | $ 6,208 | $ 62 | $ — | $ 5.36 |

(1) Shares were issued in connection with our at-the-market offering program which we enter into from time to time with various counterparties.

On February 9, 2016, we amended our dividend reinvestment plan that provided for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash, to add the ability of stockholders to purchase additional shares by making optional cash investments. Under the revised dividend reinvestment and direct stock repurchase plan, stockholders may elect to purchase additional shares through our transfer agent in the open market or in negotiated transactions.

On April 17, 2020, our Board of Directors approved further amendments to our dividend reinvestment plan, effective May 21, 2020, that principally provide for the number of newly-issued shares of our common stock to be credited to a stockholder's account shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by 95% of the market price per share of our common stock at the close of regular trading on the Nasdaq Global Select Market on the date fixed by the Board of Directors for such distribution.

During the years ended June 30, 2020 and June 30, 2019, we distributed approximately $265,277 and $263,624, respectively, to our stockholders. The following table summarizes our distributions declared and payable for the years ended June 30, 2019 and June 30, 2020.

| Declaration Date | Record Date | Payment Date | Amount Per Share | Amount Distributed (in thousands) |
|---|---|---|---|---|
| 5/9/2018 | 7/31/2018 | 8/23/2018 | $ 0.06 | $ 21,881 |
| 5/9/2018 | 8/31/2018 | 9/20/2018 | 0.06 | 21,898 |
| 8/28/2018 | 9/28/2018 | 10/18/2018 | 0.06 | 21,914 |
| 8/28/2018 | 10/31/2018 | 11/21/2018 | 0.06 | 21,930 |
| 11/6/2018 | 11/30/2018 | 12/20/2018 | 0.06 | 21,945 |
| 11/6/2018 | 1/2/2019 | 1/24/2019 | 0.06 | 21,963 |
| 11/6/2018 | 1/31/2019 | 2/21/2019 | 0.06 | 22,003 |
| 2/6/2019 | 2/28/2018 | 3/21/2019 | 0.06 | 22,008 |
| 2/6/2019 | 3/29/2019 | 4/18/2019 | 0.06 | 22,013 |
| 2/6/2019 | 4/30/2019 | 5/23/2019 | 0.06 | 22,018 |
| 5/8/2019 | 5/31/2019 | 6/20/2019 | 0.06 | 22,023 |
| 5/8/2019 | 6/28/2019 | 7/18/2019 | 0.06 | 22,028 |
| | | Total declared and payable for the year ended June 30, 2019 | | $ 263,624 |
| | | | | |
| 5/8/2019 | 7/31/2019 | 8/22/2019 | $ 0.06 | $ 22,032 |
| 5/8/2019 | 8/30/2019 | 9/19/2019 | 0.06 | 22,037 |
| 8/27/2020 | 9/30/2019 | 10/24/2019 | 0.06 | 22,042 |
| 8/27/2020 | 10/31/2019 | 11/20/2019 | 0.06 | 22,046 |
| 11/6/2019 | 11/29/2019 | 12/19/2019 | 0.06 | 22,051 |
| 11/6/2019 | 1/2/2020 | 1/23/2020 | 0.06 | 22,055 |
| 11/6/2019 | 1/31/2020 | 2/20/2020 | 0.06 | 22,059 |
| 2/10/2020 | 2/28/2020 | 3/19/2020 | 0.06 | 22,064 |
| 2/10/2020 | 3/31/2020 | 4/23/2020 | 0.06 | 22,069 |
| 2/10/2020 | 4/30/2020 | 5/21/2020 | 0.06 | 22,161 |
| 5/11/2020 | 5/29/2020 | 6/18/2020 | 0.06 | 22,249 |
| 5/11/2020 | 6/30/2020 | 7/23/2020 | 0.06 | 22,412 |
| | | Total declared and payable for the year ended June 30, 2020 | | $ 265,277 |

Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during years ended June 30, 2020 and June 30, 2019. It does not include distributions previously declared to stockholders of record on any future dates, as those amounts are not yet determinable. The following dividends were previously declared and will be recorded and payable subsequent to June 30, 2020:

- $0.06 per share for July 2020 to holders of record on July 31, 2020 with a payment date of August 20, 2020.

(in thousands, except share and per share data)

- $0.06 per share for August 2020 to holders of record on August 31, 2020 with a payment date of September 17, 2020.

During the years ended June 30, 2020 and June 30, 2019, we issued 5,249,252 and 2,721,087 shares of our common stock, respectively, in connection with the dividend reinvestment plan.

During the year ended June 30, 2020, Prospect officers and directors purchased 32,559,053 shares of our stock, or 8.72% of total outstanding shares as of June 30, 2020, both through the open market transactions and shares issued in connection with our dividend reinvestment plan.

As of June 30, 2020, we have reserved 48,170,352 shares of our common stock for issuance upon conversion of the Convertible Notes (see Note 5).

**Note 10. Other Income**

Other income consists of structuring fees, overriding royalty interests, revenue receipts related to net profit interests, deal deposits, administrative agent fees, and other miscellaneous and sundry cash receipts. The following table shows income from such sources during the years ended June 30, 2020, 2019 and 2018.

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Structuring, advisory and amendment fees (refer to Note 3) | $ 25,586 | $ 23,552 | $ 29,658 |
| Royalty and Net Revenue interests | 31,601 | 19,494 | 7,652 |
| Administrative agent fees | 523 | 576 | 477 |
| Total Other Income | $ 57,710 | $ 43,622 | $ 37,787 |

**Note 11. Net Increase in Net Assets per Share**

The following information sets forth the computation of net increase in net assets resulting from operations per share during the years ended June 30, 2020, 2019, and 2018.

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net (decrease) increase in net assets resulting from operations | $ (16,224) | $ 144,487 | $ 299,863 |
| Weighted average common shares outstanding | 368,094,299 | 365,984,541 | 361,456,075 |
| Net (decrease) increase in net assets resulting from operations per share | $ (0.04) | $ 0.39 | $ 0.83 |

**Note 12. Income Taxes**

While our fiscal year end for financial reporting purposes is June 30 of each year, our tax year end is August 31 of each year. The information presented in this footnote is based on our tax year end for each period presented, unless otherwise specified.

For income tax purposes, dividends paid and distributions made to stockholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The tax character of dividends paid to stockholders during the tax years ended August 31, 2019, 2018 and 2017 were as follows:

| | Tax Year Ended August 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Ordinary income | $ 263,773 | $ 269,095 | $ 359,215 |
| Capital gain | — | — | — |
| Return of capital | — | — | — |
| Total dividends paid to stockholders | $ 263,773 | $ 269,095 | $ 359,215 |

We generate certain types of income that may be exempt from U.S. withholding tax when distributed to non-U.S. stockholders. Under IRC Section 871(k), a RIC is permitted to designate distributions of qualified interest income and short-term capital gains as exempt from U.S. withholding tax when paid to non-U.S. stockholders with proper documentation. For the 2020 calendar year, 49.60% of our distributions as of June 30, 2020 qualified as interest related dividends which are exempt from U.S. withholding tax applicable to non-U.S. stockholders.

**(in thousands, except share and per share data)**

For the tax year ending August 31, 2020, the tax character of dividends paid to stockholders through June 30, 2020 is expected to be ordinary income, however, due to the difference between our fiscal and tax year ends, the final determination of the tax character of dividends between ordinary income, capital gains, and return of capital will not be made until we file our tax return for the tax year ending August 31, 2020.

Taxable income generally differs from net increase in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized gains or losses, as unrealized gains or losses are generally not included in taxable income until they are realized. The following reconciles the net increase in net assets resulting from operations to taxable income for the tax years ended August 31, 2019, 2018 and 2017:

| | Tax Year Ended August 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Net increase in net assets resulting from operations | $ 93,093 | $ 389,732 | $ 254,904 |
| Net realized (gains) losses on investments | (5,923) | 26,762 | 100,765 |
| Net unrealized (gains) losses on investments | 217,159 | (105,599) | (61,939) |
| Other temporary book-to-tax differences | (87,511) | (42,583) | (32,117) |
| Permanent differences | 78 | 31 | (772) |
| Taxable income before deductions for distributions | $ 216,896 | $ 268,343 | $ 260,841 |

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. As of August 31, 2019, we had capital loss carryforwards of approximately $193,893 available for use in later tax years. The unused balance each year will be carried forward and utilized as gains are realized, subject to limitations. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, some of the Company's capital loss carryforwards may become permanently unavailable due to limitations by the Code.

For the tax year ended August 31, 2019, we had no cumulative taxable income in excess of cumulative distributions.

As of June 30, 2020, the cost basis of investments for tax purposes was $5,778,417 resulting in an estimated net unrealized loss of $546,088. As of June 30, 2020,the gross unrealized gains and losses were $654,709 and $1,200,797, respectively. As of June 30, 2019, the cost basis of investments for tax purposes was $5,905,269 resulting in an estimated net unrealized loss of $251,716. As of June 30, 2019, the gross unrealized gains and losses were $595,002 and $846,718, respectively. Due to the difference between our fiscal year end and tax year end, the cost basis of our investments for tax purposes as of June 30, 2020 and June 30, 2019 was calculated based on the book cost of investments as of June 30, 2020 and June 30, 2019, respectively, with cumulative book-to-tax adjustments for investments through August 31, 2019 and 2018, respectively.

In general, we may make certain adjustments to the classification of net assets as a result of permanent book-to-tax differences, which may include merger-related items, differences in the book and tax basis of certain assets and liabilities, and nondeductible federal excise taxes, among other items. During the tax year ended August 31, 2019, we decreased overdistributed net investment income by $78 and decreased capital in excess of par value by $78. During the tax year ended August 31, 2018, we decreased overdistributed net investment income by $31, and decreased capital in excess of par value by $31. Due to the difference between our fiscal and tax year end, the reclassifications for the taxable year ended August 31, 2019 is being recorded in the fiscal year ending June 30, 2020 and the reclassifications for the taxable year ended August 31, 2018 were recorded in the fiscal year ended June 30, 2019.

**Note 13. Related Party Agreements and Transactions**

*Investment Advisory Agreement*

We have entered into an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, the Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies), and (iii) closes and monitors investments we make.

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our total assets. For services currently rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The total gross base management fee incurred to the favor of the Investment Adviser was $108,910, $121,943 and $118,768 during the years ended June 30, 2020, 2019, and 2018, respectively. Included in the gross base management fee for the year ended June 30, 2019 is a $2,757 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser, for which we incurred $64 in accrued interest on those past due amounts. The interest on the amount owed to the Investment Adviser was calculated using the average of 1-month LIBOR rates from September 2010 through the date of payment. The Investment Adviser has entered into a servicing agreement with certain institutions that purchased loans with us, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. During the years ended June 30, 2020, 2019 and 2018, we received payments of $0, $110 and $722, respectively, from these institutions, on behalf of the Investment Adviser, for providing such services under the servicing agreement. We were given a credit for these payments, which reduced the base management fees to $108,910, $121,833 and $118,046 for the years ended June 30, 2020, 2019, and 2018, respectively.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and
- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in our portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which may be asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate amortized cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

The total income incentive fee incurred was $68,057, $78,215 and $71,713 during the years ended June 30, 2020, 2019 and 2018, respectively. No capital gains incentive fee was incurred during the years ended June 30, 2020, 2019 and 2018. Income incentive fee for the three months ended June 30, 2020 includes a $1,306 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser.

*Administration Agreement*

We have also entered into an administration agreement (the "Administration Agreement") with Prospect Administration under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and her staff, including the internal legal staff. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see *Managerial Assistance* section below). The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a wholly-owned subsidiary of the Investment Adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as administrator for us. Our payments to Prospect Administration are reviewed quarterly by our Board of Directors.

The allocation of net overhead expense from Prospect Administration was $18,247, $14,837 and $10,031, during the years ended June 30, 2020, 2019 and 2018 respectively. Prospect Administration received estimated payments of $1,530, $607 and $10,684 directly from our portfolio companies and certain funds managed by the Investment Adviser for legal services during the years ended June 30, 2020, 2019 and 2018, respectively. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by this amount.

*Managerial Assistance*

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. “Making available significant managerial assistance” refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us to controlled and non-controlled portfolio companies will vary according to the particular needs of each portfolio company. Examples of such activities include (i) advice on recruiting, hiring, management and termination of employees, officers and directors, succession planning and other human resource matters; (ii) advice on capital raising, capital budgeting, and capital expenditures; (iii) advice on advertising, marketing, and sales; (iv) advice on fulfillment, operations, and execution; (v) advice on managing relationships with unions and other personnel organizations, financing sources, vendors, customers, lessors, lessees, lawyers, accountants, regulators and other important counterparties; (vi) evaluating acquisition and divestiture opportunities, plant expansions and closings, and market expansions; (vii) participating in audit committee, nominating committee, board and management meetings; (viii) consulting with and advising board members and officers of portfolio companies (on overall strategy and other matters); and (ix) providing other organizational, operational, managerial and financial guidance.

Prospect Administration, when performing a managerial assistance agreement executed with each portfolio company to which we provide managerial assistance, arranges for the provision of such managerial assistance on our behalf. When doing so, Prospect Administration utilizes personnel of our Investment Adviser. We, on behalf of Prospect Administration, invoice portfolio companies receiving and paying for managerial assistance, and we remit to Prospect Administration its cost of providing such services, including the charges deemed appropriate by our Investment Adviser for providing such managerial assistance. No income is recognized by Prospect.

During the years ended June 30, 2020, 2019 and 2018, we received payments of $5,234, $8,359 and $6,343, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration.

*Co-Investments*

On January 13, 2020, we received an exemptive order from the SEC (the “Order”), which suspended 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 TP 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 Order, 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 a co-investment with one or more funds managed or owned 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.

We reimburse CLO investment valuation services fees initially incurred by Priority Income Fund, Inc. During the years ended June 30, 2020, 2019 and 2018, we recognized expenses that were reimbursed for valuation services of $155, $205 and $207, respectively. Conversely, Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. reimburse us for software fees, expenses which were initially incurred by Prospect. As of June 30, 2020, June 30, 2019 and June 30, 2018, we accrued a receivable from Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. for software fees of $8, $21 and $34, respectively, that will be reimbursed to us.

(in thousands, except share and per share data)

**Note 14. Transactions with Controlled Companies**

The descriptions below detail the transactions which Prospect Capital Corporation ("Prospect") has entered into with each of our controlled companies. Certain of the controlled entities discussed below were consolidated effective July 1, 2014 (see Note 1). As such, transactions with these Consolidated Holding Companies are presented on a consolidated basis.

*Arctic Energy Services, LLC*

Prospect owned 100% of the equity of Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a Consolidated Holding Company. Arctic Equipment owns 70% of the equity of Arctic Energy Services, LLC ("Arctic Energy"), with Ailport Holdings, LLC ("Ailport") (100% owned and controlled by Arctic Energy management) owning the remaining 30% of the equity of Arctic Energy. Arctic Energy provides oilfield service personnel, well testing flowback equipment, frac support systems and other services to exploration and development companies in the Rocky Mountains. As of June 30, 2017, we reported Arctic Energy as a separate controlled company. On April 6, 2018, Arctic Equipment merged with CP Energy Services, Inc. ("CP Energy") and our equity interest was exchanged for newly issued common shares of CP Energy. Refer to discussion on CP Energy ownership below.

*CCPI Inc.*

Prospect owns 100% of the equity of CCPI Holdings Inc. ("CCPI Holdings"), a Consolidated Holding Company. CCPI Holdings held 94.59% of the equity of CCPI Inc. ("CCPI") as of June 30, 2018, with CCPI management owning the remaining 5.41% of the equity. CCPI owns 100% of each of CCPI Europe Ltd. and MEFEC B.V., and 45% of Gulf Temperature Sensors W.L.L. On March 1, 2019, we converted the $2,797 Senior Secured Term Loan A and the $17,566 Senior Secured Term Loan B to preferred equity and subsequently sold our $6,759 common equity interest in CCPI, Inc. and our new $20,363 preferred shares. We recorded a realized gain of $12,105 on the sale of our equity position in CCPI, Inc. In addition, there is $2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ — | $ 2,629 | $ 3,704 |
| Other Income | | | |
| Advisory Fee | — | 1,301 | — |
| Total Other Income | $ — | $ 1,301 | $ — |
| Managerial Assistance (1) | $ — | $ 165 | $ 180 |
| Reimbursement of Legal, Tax, etc.(2) | 54 | 54 | 45 |

(1) No income recognized by Prospect. MA payments were paid from CCPI to Prospect and subsequently remitted to PA.
(2) Paid from CCPI to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to CCPI (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Repayment of loan receivable | $ — | 20,700 | $ 338 |

*CP Energy Services Inc.*

Prospect owns 100% of the equity of CP Holdings of Delaware LLC ("CP Holdings"), a Consolidated Holding Company. CP Holdings owns 99.8% of the equity of CP Energy Services, Inc. ("CP Energy"), and the remaining equity is owned by CP Energy management. CP Energy owns directly or indirectly 100% of each of CP Well; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On October 1, 2017 we restructured our investment in CP Energy. Concurrent with the restructuring, we exchanged $35,048 of Series B Convertible Preferred Stock for $35,048 of senior secured debt. We received $228 of an advisory fee related to the above transaction, which we recognized as other income.

**(in thousands, except share and per share data)**

On January 18, 2018, CP Energy redeemed common shares belonging to senior management, which increased our ownership percentage from 82.3% to 94.2% as of March 31, 2018.

On April 6, 2018, Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. On the date of the merger, our common equity investment cost in the amount of $60,876 in Arctic Equipment was exchanged for newly issued common shares of CP Energy. As a result of this merger between these controlled portfolio companies, our equity ownership percentage in CP Energy increased to 99.8%. There were no realized gain or loss recognized by us since this was a merger amongst two portfolio companies under our control.

In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Energy Holdings, Inc. (“Spartan Holdings”), which owns 100% of Spartan Energy Services, LLC (“Spartan”) a portfolio company of Prospect with $34,399 in senior secured term loans (the “Spartan Term Loans”) due to us as of June 30, 2019. As a result of CP Energy’s purchase, and given Prospect’s controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans.

In December 2019, Wolf Energy Holdings, Inc. (“Wolf Energy Holdings”), our Consolidated Holding Company that previously owned 100% of Appalachian Energy LLC (“AEH”); Wolf Energy Services Company, LLC (“Wolf Energy Services”); and Wolf Energy, LLC (collectively our previously controlled membership interest and net profit interest investments in “Wolf Energy”), merged with and into CP Energy, with CP Energy continuing as the surviving entity. CP Energy acquired 100% of our equity investment in Wolf Energy, which is reflected in our valuation of the CP Energy common stock as of December 31, 2019.

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Interest Income | | | |
| Interest Income from CP Energy | $ 4,636 | $ 4,810 | $ 3,394 |
| Interest Income from Spartan | 3,115 | — | — |
| Total Interest Income | $ 7,751 | $ 4,810 | $ 3,394 |
| Other Income | | | |
| Administrative Agent | $ 13 | $ — | $ — |
| Total Other Income | $ 13 | $ — | $ — |
| Managerial Assistance (1) | $ 150 | $ 450 | $ 425 |
| Reimbursement of Legal, Tax, etc. (3) | — | 54 | — |

(1) No income recognized by Prospect. MA payments were paid from CP Energy to Prospect and subsequently remitted to PA.

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Additions | $ 5,039 | $ — | $ — |
| Interest Income Capitalized as PIK | 3,815 | 871 | — |

| | As of | |
|---|---|---|
| | **June 30, 2020** | **June 30, 2019** |
| Interest Receivable (2) | $ 15 | $ 1,624 |
| Other Receivables - Due to PA (3) | — | 150 |
| Other Receivables (4) | 16 | 35 |

(2) Interest income recognized but not yet paid.
(3) Managerial assistance recognized but not yet paid by CP Energy and is included by Prospect within Other Receivable and Due to PA.
(4) Represents amounts due from CP Energy and Spartan to Prospect for reimbursement of expenses paid by Prospect on behalf of CP Energy and Spartan.

**(in thousands, except share and per share data)**

*Credit Central Loan Company, LLC*

Prospect owns 100% of the equity of Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), a Consolidated Holding Company. Credit Central Delaware owns 98.63% of the equity of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) ("Credit Central"), with entities owned by Credit Central management owning the remaining equity. Credit Central owns 100% of each of Credit Central, LLC; Credit Central South, LLC; Credit Central of Texas, LLC; and Credit Central of Tennessee, LLC. Credit Central is a branch-based provider of installment loans.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 12,145 | $ 11,886 | $ 12,755 |
| Other Income | | | |
| Structuring Fee | $ 112 | $ — | $ — |
| Total Other Income | $ 112 | $ — | $ — |
| Managerial Assistance (1) | $ 350 | $ 700 | $ 148 |
| Reimbursement of Legal, Tax, etc.(2) | 7 | 7 | — |

(1) No income recognized by Prospect. MA payments were paid from Credit Central to Prospect and subsequently remitted to PA.
(2) Paid from Credit Central to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to Credit Central (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions (3) | $ 5,600 | $ — | $ — |
| Accreted Original Issue Discount | 331 | 1,039 | 2,240 |
| Interest Income Capitalized as PIK | 6,960 | 4,042 | — |

(3) During the year ended June 30, 2020, Prospect provided $5,600 of equity financing to support growth in Credit Central's loan portfolio.

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (4) | $ 35 | $ 963 |
| Other Receivables - Due to PA (5) | — | 175 |
| Other Receivables (6) | 2 | — |

(4) Interest income recognized but not yet paid.
(5) Managerial assistance recognized but not yet paid by Credit Central and is included by Prospect within Other Receivable and Due to PA.(6) Represents amounts due from Credit Central to Prospect for reimbursement of expenses paid by Prospect on behalf of Credit Central.

*Echelon Transportation LLC (f/k/a Echelon Aviation LLC)*

Prospect owns 100% of the membership interests of Echelon Transportation LLC ("Echelon"). Echelon owns 60.7% of the equity of AerLift Leasing Limited ("AerLift").

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 8,349 | $ 7,102 | $ 6,360 |
| Managerial Assistance (1) | 125 | 250 | 188 |
| Reimbursement of Legal, Tax, etc.(2) | — | 735 | — |

(1) No income recognized by Prospect. MA payments were paid from Echelon to Prospect and subsequently remitted to PA.

**(in thousands, except share and per share data)**

(2) Paid from Echelon to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to Echelon (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions (3) | $ 3,000 | $ 2,250 | $ — |
| Interest Income Capitalized as PIK | 7,630 | 5,492 | — |

(3) During the six months ended December 31, 2019, Prospect made a follow-on $500 first lien senior secured debt.

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (4) | $ 3,606 | $ 3,162 |
| Other Receivables - Due to PA (5) | — | 63 |
| Other Receivables (6) | 7 | 3 |

(4) Interest income recognized but not yet paid.
(5) Managerial assistance recognized but not yet paid by Echelon as is included by Prospect within Other Receivable and Due to PA.
(6) Represents amounts due from Echelon to Prospect for reimbursement of expenses paid by Prospect on behalf of Echelon.

*Energy Solutions Holdings Inc.*

Prospect owns 100% of the equity of Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings Inc.) (“Energy Solutions”), a Consolidated Holding Company. Energy Solutions owns 100% of each of Change Clean Energy Company, LLC (f/k/a Change Clean Energy Holdings, LLC) (“Change Clean”); Freedom Marine Solutions, LLC (f/k/a Freedom Marine Services Holdings, LLC) (“Freedom Marine”); and Yatesville Coal Company, LLC (f/k/a Yatesville Coal Holdings, LLC) (“Yatesville”). Change Clean owns 100% of each of Change Clean Energy, LLC and Down East Power Company, LLC, and 50.1% of BioChips LLC. Freedom Marine owns 100% of each of Vessel Company, LLC (f/k/a Vessel Holdings, LLC) (“Vessel”); Vessel Company II, LLC (f/k/a Vessel Holdings II, LLC) (“Vessel II”); and Vessel Company III, LLC (f/k/a Vessel Holdings III, LLC) (“Vessel III”). Yatesville owns 100% of North Fork Collieries, LLC.

Energy Solutions owns interests in companies operating in the energy sector. These include companies operating offshore supply vessels, ownership of a non-operating biomass electrical generation plant and several coal mines. Energy Solutions subsidiaries formerly owned interests in gathering and processing business in east Texas.

Transactions between Prospect and Freedom Marine are separately discussed below under “Freedom Marine Solutions, LLC.”

*First Tower Finance Company LLC*

Prospect owns 100% of the equity of First Tower Holdings of Delaware LLC (“First Tower Delaware”), a Consolidated Holding Company. First Tower Delaware owns 80.1% of First Tower Finance Company LLC (f/k/a First Tower Holdings LLC) (“First Tower Finance”). First Tower Finance owns 100% of First Tower, LLC (“First Tower”), a multiline specialty finance company.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 57,802 | $ 56,125 | $ 47,422 |
| Managerial Assistance (1) | 2,400 | 2,400 | 1,200 |
| Reimbursement of Legal, Tax, etc. (2) | 1 | 1 | — |

(1) No income recognized by Prospect. MA payments were paid from First Tower to Prospect and subsequently remitted to PA.
(2) Paid from First Tower to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to First Tower (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

**(in thousands, except share and per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Interest Income Capitalized as PIK | $ 6,178 | $ 6,823 | $ 1,767 |
| Repayment of loan receivable | 6,518 | 2,478 | 6,735 |

| | As of | |
|---|---|---|
| | **June 30, 2020** | **June 30, 2019** |
| Interest Receivable (3) | $ 158 | $ 4,897 |
| Other Receivables (4) | 10 | 7 |

(3) Interest income recognized but not yet paid.
(4) Represents amounts due from First Tower to Prospect for reimbursement of expenses paid by Prospect on behalf of First Tower.

*Freedom Marine Solutions, LLC*

As discussed above, Prospect owns 100% of the equity of Energy Solutions, a Consolidated Holding Company. Energy Solutions owns 100% of Freedom Marine. Freedom Marine owns 100% of each of Vessel, Vessel II, and Vessel III.

During the year ended June 30, 2018, Prospect purchased an additional $982 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

During the year ended June 30, 2019, Prospect purchased an additional $300 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

| | As of | |
|---|---|---|
| | **June 30, 2020** | **June 30, 2019** |
| Other Receivables - Due to PA (1) | $ — | $ 1,125 |

(1) Managerial assistance recognized but not yet paid by Freedom Marine as is included by Prospect within Other Receivable and Due to PA.

*InterDent, Inc.*

During the year ended June 30, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent, Inc. ("InterDent") and to appoint a new Board of Directors of InterDent, all the members of which are our Investment Adviser's professionals. As a result, Prospect's investment in InterDent is classified as a control investment.

During the year ended ended June 30, 2019, Prospect purchased $14,000 of first lien Senior Secured Term Loan A/B from
a third-party. In addition, Prospect purchased $5,000 of first lien Senior Secured Term Loan D and transferred $31,558 from Senior Secured Term Loan B to Senior Secured Term Loan C.

On May 3, 2019 Prospect executed warrants to purchase 99.9% of the 100,000 shares of common stock outstanding of InterDent Inc. at a purchase price of $0.01 per share.

**(in thousands, except share and per share data)**

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 18,823 | $ 24,779 | $ 4,775 |

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions (1) | $ 4,350 | $ 19,000 | $ — |
| Interest Income Capitalized as PIK | 13,830 | 17,173 | 582 |

(1) During the year ended June 30, 2019, Prospect purchased $14,000 of first lien Senior Secured Term Loan A/B from a third-party. In addition, Prospect purchased $5,000 of first lien Senior Secured Term Loan D and transferred $31,558 from Senior Secured Term Loan B to Senior Secured Term Loan C.

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (2) | $ 52 | $ 209 |
| Other Receivables (3) | — | 6 |

(2) Interest income recognized but not yet paid.
(3) Represents amounts due from InterDent to Prospect for reimbursement of expenses paid by Prospect on behalf of InterDent.

*Kickapoo Ranch Pet Resort*

Prospect owns 100% of the membership interest of Kickapoo Ranch Pet Resort ("Kickapoo"). Kickapoo is a luxury pet boarding facility.

During the year ended June 30, 2020, we provided $2,378 of equity financing to Kickapoo.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Other Income | | | |
| Royalty/Net Interest | $ 36 | $ — | $ — |
| Total Other Income | $ 36 | $ — | $ — |

*MITY, Inc.*

Prospect owns 100% of the equity of MITY Holdings of Delaware Inc. ("MITY Delaware"), a Consolidated Holding Company. MITY Delaware owns 100% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) ("MITY"). MITY owns 100% of each of MITY-Lite, Inc. ("MITY-Lite"); Broda USA, Inc. (f/k/a Broda Enterprises USA, Inc.) ("Broda USA"); and Broda Enterprises ULC ("Broda Canada"). MITY is a designer, manufacturer and seller of multipurpose room furniture and specialty healthcare seating products.

During the three months ended December 31, 2016, Prospect formed a separate legal entity, MITY FSC, Inc., ("MITY FSC") in which Prospect owns 100% of the equity. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distributes it to its shareholder. We recognize such commission, if any, as other income.

(in thousands, except share and per share data)

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | | | |
| Interest Income from MITY-Lite | $ 9,027 | $ 7,721 | $ 7,618 |
| Interest Income from Broda Canada | — | 428 | 588 |
| Total Interest Income | $ 9,027 | $ 8,149 | $ 8,206 |
| Other Income | | | |
| Structuring Fee | $ 294 | $ 75 | $ — |
| Advisory Fee | 293 | $ — | $ 175 |
| Royalty/Net Interest | — | 201 | 918 |
| Total Other Income | $ 587 | $ 276 | $ 1,093 |
| Managerial Assistance (1) | $ 300 | $ 300 | $ 300 |
| Reimbursement of Legal, Tax, etc. (3) | 29 | — | — |
| Realized Gain (2) | — | — | 13 |

(1) No income recognized by Prospect. MA payments were paid from MITY to Prospect and subsequently remitted to PA

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions | $ — | $ 3,000 | $ — |
| Interest Income Capitalized as PIK | 3,421 | 2,143 | — |
| Repayment of loan receivable | 566 | 284 | — |

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (2) | $ 26 | $ 252 |
| Other Receivables - Due to PA (3) | — | 75 |
| Other Receivables (4) | 1 | 1 |

(2) Interest income recognized but not yet paid.
(3) Managerial assistance recognized but not yet paid by MITY and is included by Prospect within Other Receivable and Due to PA.
(4) Represents amounts due from MITY to Prospect for reimbursement of expenses paid by Prospect on behalf of MITY.

*National Property REIT Corp.*

Prospect owns 100% of the equity of NPH Property Holdings, LLC (“NPH”), a consolidated holding company. NPH owns 100% of the common equity of National Property REIT Corp. (“NPRC”).

NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, NPRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of NPRC.

NPRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity (the “JV”). Additionally, through its wholly-owned subsidiaries, NPRC invests in online consumer loans and rated secured structured notes (“RSSN”).

On July 10, 2017, Prospect made a $653 investment in NPRC, of which $450 was a Senior Term Loan and $202 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in a multi-family JV for $639 and pay $1 of legal services provided by attorneys at Prospect Administration. The remaining proceeds were used to pay $13 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income). The minority interest holder also purchased additional ownership interest in the JV for $163. The proceeds were used by the JV to fund $802 of capital expenditures.

On August 24, 2017, Prospect purchased additional common equity of NPRC through NPH for $2,401. The proceeds were utilized by NPRC to purchase additional ownership interest in a JV that owns eight student housing properties for $2,400 and pay $1 of legal services provided by attorneys at Prospect Administration. The proceeds were used by the JV to fund $2,400 of capital expenditures.

On September 13, 2017, Prospect made a $826 investment in NPRC, of which $662 was a Senior Term Loan and $164 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in a JV entity that owns five multi-family properties for $825 and pay $2 of legal services provided by attorneys at Prospect Administration. The minority interest holder also purchased additional ownership interest in the JV for $92. The proceeds were used by the JV to fund $917 of capital expenditures.

On October 10, 2017, Prospect purchased additional common equity of NPRC though NPH for $4,094. NPRC utilized $4,091 of the proceeds as a capital contribution in multiple JV entities that own ten multi-family properties and to pay $3 for legal services provided by attorneys at Prospect Administration. The minority interest holder also contributed $87 of additional capital in the JV entities. The proceeds were utilized by he JV entities to fun $4,178 of capital expenditures.

On October 31, 2017, Prospect purchased additional common equity of NPRC though NPH for $27,004. The proceeds were utilized by NPRC to purchase a 92.5% ownership interest in Baymeadows Holdings LLC for $26,974 and to pay $30 for tax and legal services provided by professionals at Prospect Administration. The minority interest holder purchased ownership interest in the JV for $2,187. The JV utilized the total proceeds, which included debt financing of $88,800, to acquire $111,000 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $539 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $802 of third party expenses, $546 of pre-funded capital expenditures, $3,016 of prepaid assets, and $2,058 was retained by the JV as working capital.

On November 8, 2017, Prospect purchased additional common equity of NPRC through NPH for $15,911. The proceeds were utilized by NPRC to purchase a 92.5% ownership interest in Southfield Holdings LLC for $15,849, pay $10 for tax and legal services provided by professionals at Prospect Administration, and $52 was retained as working capital. The minority interest holder purchased ownership interest in the JV for $1,285. The JV utilized the total proceeds, which included debt financing of $58,229, to acquire $68,500 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $317 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $263 of third party expenses, $3,138 of pre-funded capital expenditures, $2,860 of prepaid assets, and $285 was retained by the JV as working capital.

On November 17, 2017, Prospect purchased additional common equity of NPRC through NPH for $1,019. NPRC utilized $1,018 of the proceeds as a capital contribution in multiple JV entities that own seven multi-family properties and to pay $1 for legal services provided by attorneys at Prospect Administration. The minority interest holder also contributed $82 of additional capital in the JV entities The proceeds were used by the JV entities to fund $1,100 of capital expenditures.

On December 29, 2017, Prospect purchased additional company equity of NPRC through NPH for $10,000. NPRC utilized $200 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). On January 10, 2018, NPRC utilized $9,790 of proceeds provided by Prospect on December 29, 2017 to purchase a 92.5% interest in Steeplechase Holdings LLC. The remaining $10 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for $794. The JV utilized the total proceeds, which included debt financing of $36,668, to acquire $44,500 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $196 of structuring fees to NPRC, $986 of third party expenses, $370 of pre-funded capital expenditures, $911 of prepaid assets, and $289 was retained by the JV as working capital.

On January 26, 2018, Prospect purchased additional common equity of NPRC through NPH for $1,586. NPRC utilized the proceeds to purchase additional ownership interest in a JV that owns eight student housing properties for $1,585 and to pay $1 for legal services provided by attorneys at Prospect Administration. The proceeds were utilized by the JV entity to fund $1,585 of capital expenditures.

On March 1, 2018, Prospect exchanged $47,000 of ACLL Senior Secured Term Loan C for $47,000 of NPRC Senior Secured Term Loan E.

On March 19, 2018, Prospect exchanged $50,000 of ACLL Senior Secured Term Loan C for $50,000 of NPRC Senior Secured Term Loan E.

On March 29, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,134. NPRC utilized $3,131 of the proceeds as a capital contribution in multiple JV entities that own nine multi-family properties and to pay $3 for legal services provided by attorneys at Prospect Administration. The minority interest holder also contributed $71 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund $3,202 of capital expenditures.

On March 29, 2018 Prospect exchanged $578 of ACLL Senior Secured Term Loan C and $14,274 of ACLLH Senior Secured Term Loan C for $14,852 of NPRC Senior Secured Term Loan E.

On March 30, 2018, Prospect purchased additional common equity of NPRC through NPH for $7,997. NPRC utilized $797 of the proceeds to fund the lender rate-lock deposit and initial deposits required under the purchase and sale agreement of a JV real estate transaction. NPRC utilized $200 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). On May 9, 2018, NPRC utilized the remaining $7,000 of proceeds and $159 of working capital to purchase a 61.4% interest in Forest Park Holdings, LLC. The minority interest holder purchased ownership interest in the JV for $5,000. The JV utilized the total proceeds, which included debt financing of $36,400, to acquire $45,505 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $192 of structuring fees to NPRC, $1,184 of third party expenses, $1,168 of pre-funded capital expenditures, $1,011 of prepaid assets, and $296 was retained by the JV as working capital.

On March 30, 2018 Prospect contributed $48,832 to NPRC as an increase to the NPRC Senior Secured Term Loan E. On the same day, NPRC distributed $48,832 as a return of capital to Prospect.

On April 13, 2018, Prospect purchased additional common equity of NPRC through NPH for $8,256. NPRC utilized $8,255 of the proceeds as a capital contribution in a JV entity that own eight multi-family properties and $1 was retained by NPRC as working capital. The proceeds were utilized by the JV entities to fund $8,255 of capital expenditures.

On May 11, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,343. NPRC utilized $3,342 of the proceeds as a capital contribution in multiple JV entities that own eight multi-family properties and $1 was retained by NPRC as working capital. The minority interest holder also contributed $270 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund $3,612 of capital expenditures.

On May 25, 2018, Prospect purchased additional common equity of NPRC through NPH for $24,507. NPRC utilized $490 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). On June 1, 2018, NPRC utilized $23,271 of proceeds provided by Prospect on May 25, 2018 to purchase a 92.5% interest in Olentangy Commons Holdings, LLC. The remaining $746 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for $1,887. The JV utilized the total proceeds, which included debt financing of $92,876, to acquire $113,000 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $465 of structuring fees to NPRC, $861 of third party expenses, $1,706 of pre-funded capital expenditures, $798 of prepaid assets, and $1,204 was retained by the JV as working capital.

On June 14, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,192. NPRC utilized $3,190 of the proceeds as a capital contribution in multiple JV entities that own three multi-family properties and $2 was retained by NPRC as working capital. The proceeds were utilized by the JV entities to fund $3,190 of capital expenditures.

On June 29, 2018, Prospect purchased additional common equity of NPRC through NPH for $10,780. NPRC utilized $1,471 of the proceeds to fund the lender rate-lock deposit and initial deposits required under the purchase and sale agreement of a JV real estate transaction. NPRC utilized $216 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). The remaining $9,093 of proceeds were retained by NPRC to acquire a controlling interest in the JV real estate transaction.

During the year ended June 30, 2018, we provided $21,858 and $13,434 of debt and equity financing, respectively, to NPRC and its wholly-owned subsidiaries to support the online consumer loans and online consumer loan backed products. In addition, during the year ended June 30, 2018, we received partial repayments of $113,675 of our loans previously outstanding with NPRC and its wholly-owned subsidiaries and $10,403 as a return of capital on our equity investment in NPRC.

On July 19, 2018, Prospect purchased additional common equity of NPRC through NPH for $6,921. NPRC utilized $138 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). NPRC utilized $6,697 of proceeds provided by Prospect to purchase a 90% interest in Falling Creek Holdings LLC. The remaining $86 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for $744. The JV utilized the total proceeds, which included debt financing of $19,335, to acquire a $25,000 multi-family real estate asset. The remaining proceeds were used by the JV to pay $134 of structuring fees to NPRC, $709 of third party expenses, $430 of pre-funded capital expenditures, $312 of prepaid assets, and $191 was retained by the JV as working capital.

**(in thousands, except share and per share data)**

On September 20, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,285. NPRC utilized $66 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). NPRC applied the remaining proceeds provided by Prospect to purchase $3,284 of additional ownership interest in a JV entity. The JV utilized the total proceeds, which included debt financing of $7,300, to acquire a $9,600 multi-family real estate asset. The remaining proceeds were used by the JV to pay $79 of structuring fees to NPRC, $277 of third party expenses, $20 of pre-funded capital expenditures, $482 of prepaid assets, and $126 was retained by the JV as working capital.

On October 19, 2018, Prospect purchased additional common equity of NPRC through NPH for $1,377. NPRC applied the proceeds to purchase $1,376 of additional ownership interest in multiple JV entities that own 9 multi-family properties and retained $1 as working capital. The minority interest holder also contributed $35 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund $1,411 of capital expenditures.

Effective December 31, 2018, we amended and restated the terms of our credit agreement with NPRC. As part of the amendment, we increased our investment through a New Term Loan A Secured Note (“New TLA”) in the aggregate principal amount of $433,553 and a New Term Loan B Secured Note (“New TLB”) in the aggregate principal amount of $205,000. NPRC utilized a portion of the proceeds from the New TLA and New TLB to repay the previously outstanding Senior Secured Term Loan A and Senior Secured Term Loan E. The remaining proceeds of $140,351 were returned to us as a return of capital, reducing our equity investment in NPRC.

During the year ended June 30, 2019, partial repayments of $54,181 of our loans previously outstanding with NPRC and its wholly owned subsidiary and $15,000 as a return of capital on our equity investment in NPRC.

Effective October 31, 2019, we amended the terms of our credit agreement to increase our investment in NPRC and its wholly-owned subsidiaries through a new Senior Secured Term Loan C (“TLC”). During the three months ended December 31, 2019, we provided $51,428 and $12,857 in TLC and equity financing, respectively. NPRC used the proceeds to fund purchases of rated secured structured notes.

Effective June 19, 2020, we amended and restated the terms of our credit agreement with NPRC, as part of the amendment we increased our investment through a new Term Loan D secured note in the aggregate principal amount of $183,425 and the proceeds were returned to us as a return of capital, reducing our equity investment in NPRC. We received structuring fees of $3,669 as a result of the amendment.

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Interest Income | $ 67,303 | $ 75,249 | $ 90,582 |
| Dividend Income (1) | — | 21,000 | 11,279 |
| Other Income | | | |
| Structuring Fee | $ 6,859 | $ 14,313 | $ 2,303 |
| Advisory Fee | 7,595 | 496 | — |
| Royalty/Net Interest | 30,891 | 4,255 | 6,531 |
| Residual Profit Interest | — | 14,570 | — |
| Total Other Income | $ 45,345 | $ 33,634 | $ 8,834 |
| Managerial Assistance (2) | $ 1,050 | $ 2,100 | $ 1,700 |
| Reimbursement of Legal, Tax, etc.(3) | 748 | 454 | 1,823 |

(1) All dividends were paid from earnings and profits.
(2) No income recognized by Prospect. MA payments were paid from NPRC to Prospect and subsequently remitted to PA.

**(in thousands, except share and per share data)**

(3) Paid from NPRC to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to NPRC (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions (4) | $ 118,309 | $ 11,583 | $ 160,769 |
| Repayment of loan receivable | 276,279 | 54,181 | 113,675 |

(4) During the year ended June 30, 2019 we provided $10,206 of equity financing to NPRC for the acquisition of real estate properties and $1,377 of equity financing to NPRC to fund capital expenditures for existing real estate properties. During the year ended June 30, 2020, we provided $19,309 of debt to NPRC and its wholly-owned subsidiaries to fund capital expenditures for existing real estate properties and provide working capital, and provided $79,200 of debt and $19,800 of equity to fund purchases of rated secured structured notes, expenses and structuring fees.

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (5) | $ 212 | $ 4,565 |
| Other Receivables - Due to PA (6) | — | 2,100 |
| Other Receivables (7) | 2 | 32 |

(5) Interest income recognized but not yet paid.
(6) Managerial assistance recognized but not yet paid by NPRC and is included by Prospect within Other Receivable and Due to PA.
(7) Represents amounts due from NPRC to Prospect for reimbursement of expenses paid by Prospect on behalf of NPRC.

*Nationwide Loan Company LLC*

Prospect owns 100% of the membership interests of Nationwide Acceptance Holdings LLC (“Nationwide Holdings”), a Consolidated Holding Company. Nationwide Holdings owns 94.48% of the equity of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC) (“Nationwide”), with members of Nationwide management owning the remaining 5.52% of the equity.

On October 31, 2017, Prospect made an additional equity investment totaling $3,779, and Prospect’s ownership in Nationwide did not change.

On March 24, 2020, Prospect received distributions of $1,500 that were paid from Nationwide Holdings to Prospect and were recognized as a return of capital by Prospect.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 3,917 | $ 3,621 | $ 3,485 |
| Dividend Income (1) | — | 165 | — |
| Managerial Assistance (2) | 300 | 400 | 400 |

(1) All dividends were paid from earnings and profits of Nationwide
(2) No income recognized by Prospect. MA payments were paid from Nationwide to Prospect and subsequently remitted to PA.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income Capitalized as PIK | $ 1,470 | $ 1,206 | $ 591 |

(in thousands, except share and per share data)

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (3) | $ 11 | $ — |
| Other Receivables - Due to PA (4) | — | 100 |
| Other Receivables (5) | 2 | 4 |

(3) Interest income recognized but not yet paid.
(4) Managerial assistance recognized but not yet paid by Nationwide and is included by Prospect within Other Receivable and Due to PA.
(5) Represents amounts due from Nationwide to Prospect for reimbursement of expenses paid by Prospect on behalf of Nationwide.

*NMMB, Inc.*

Prospect owns 100% of the equity of NMMB Holdings, Inc. ("NMMB Holdings"), a Consolidated Holding Company. NMMB Holdings owns 92.25% and 94.10% of the fully-diluted equity of NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) ("NMMB") as of June 30, 2020 and June 30, 2019, with NMMB management owning the remaining equity. NMMB owns 100% of Refuel Agency, Inc. ("Refuel Agency"). Refuel Agency owns 100% of Armed Forces Communications, Inc. ("Armed Forces"). NMMB is an advertising media buying business.

On December 30, 2019, NMMB executed a dividend recapitalization whereby Prospect invested $15,100 of a first lien term loan to repay NMMB's existing term loan, provide a shareholder distribution, and pay fees and expenses. As part of the recapitalization, Prospect converted it Series A and Series B preferred securities into 92.42% common equity and received a dividend distribution of $2,797.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | | | |
| Interest Income from Armed Forces | $ — | $ 431 | $ 929 |
| Interest Income from NMMB | 653 | 527 | 526 |
| Total Interest Income | $ 653 | $ 958 | $ 1,455 |
| Dividend Income (1) | $ 2,797 | $ — | $ — |
| Other Income | | | |
| Structuring Fee | $ 453 | $ — | $ — |
| Total Other Income | $ 453 | $ — | $ — |
| Managerial Assistance (2) | $ 200 | $ 400 | $ 400 |

(1) All dividends were paid from earnings and profits of NMMB.
(2) No income recognized by Prospect. MA payments were paid from NMMB to Prospect and subsequently remitted to PA.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions | 15,100 | — | — |
| Repayment of loan receivable | | | |
| Repayment from Armed Forces | $ 3,114 | $ 4,900 | $ 1,999 |
| Repayment from NMMB | 10,076 | 600 | — |
| Total Repayment of loan receivable (3) | $ 13,190 | $ 5,500 | $ 1,999 |

(3) During the year ended June 30, 2020, Prospect received partial repayments totaling $10,076 for our Senior Secured Notes outstanding with NMMB, Inc.

(in thousands, except share and per share data)

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (4) | $ 1 | $ 4 |
| Other Receivables - Due to PA (5) | 100 | 100 |
| Other Receivables (6) | 2 | — |

(4) Interest income recognized but not yet paid.
(5) Managerial assistance recognized but not yet paid by NMMB and is included by Prospect within Other Receivable and Due to PA.
(6) Represents amounts due from NMMB to Prospect for reimbursement of expenses paid by Prospect on behalf of NMMB.

*Pacific World Corporation*

Prospect owns 100% of the preferred equity of Pacific World Corporation ("Pacific World"), which represents a 99.96% and 99.94% ownership interest of Pacific World as of June 30, 2020 and June 30, 2019, respectively. As a result, Prospect's investment in Pacific World is classified as a control investment.

Effective June 30, 2020, we restructured our investment in Pacific World whereby we contributed 100% of the outstanding aggregate principal amount of our Senior Secured Term Loan B and all but $39,082 of the outstanding aggregate principal amount of our Senior Secured Term Loan A to the capital of Pacific World. The principal contributions were made gross of all previously accrued and unpaid interest paid-in-kind.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 2,457 | $ 3,762 | $ 3,742 |

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions (1) | $ 12,456 | $ 19,000 | $ 15,000 |
| Repayment of loan receivable (2) | 3,722 | 9,250 | 250 |

(1) On June 15, 2018, we made a $15,000 convertible preferred equity investment in Pacific World Corporation. During the year ended June 30, 2019, Prospect provided $10,000 of equity financing and $9,000 in revolver funding to Pacific World. During the nine months ended March 31, 2020, Prospect provided $12,100 of equity financing to Pacific World to fund working capital needs.
(2) During the year ended June 30, 2020, a portion of litigation proceeds received were used to partially repay $3,366 of the debt outstanding with Pacific World.

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (3) | $ 10 | $ — |
| Other Receivables (4) | 19 | 46 |

(3) Interest income recognized but not yet paid.
(4) Represents amounts due from Pacific World to Prospect for reimbursement of expenses paid by Prospect on behalf of Pacific World.

*R-V Industries, Inc.*

Prospect owns 88.27% of the fully-diluted equity of R-V Industries, Inc. ("R-V"), with R-V management owning the remaining 11.73% of the equity.

**(in thousands, except share and per share data)**

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Interest Income | $ 3,087 | $ 3,295 | $ 3,064 |
| Managerial Assistance (1) | 90 | 180 | 180 |
| Reimbursement of Legal, Tax, etc.(2) | 12 | 1 | 2 |

(1) No income recognized by Prospect. MA payments were paid from R-V to Prospect and subsequently remitted to PA.
(2) Paid from R-V to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to R-V (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (3) | $ 8 | $ 9 |
| Other Receivables - Due to PA (4) | — | 46 |

(3) Interest income recognized but not yet paid.
(4) Managerial assistance recognized but not yet paid by R-V and is included by Prospect within Other Receivable and Due to PA.

*SB Forging Company, Inc.*

As of June 30, 2014, Prospect owned 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100% of the Series B Preferred equity of ARRM Services, Inc. (f/k/a ARRM Holdings, Inc.) (“ARRM”). ARRM owned 100% of the equity of Ajax Rolled Ring & Machine, LLC (f/k/a Ajax Rolled Ring & Machine, Inc.) (“Ajax”). Ajax forges large seamless steel rings on two forging mills in the company’s York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

*SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)*

Prospect owns 100% of the preferred equity of Gulf Coast Machine & Supply Company (“Gulf Coast”). Gulf Coast is a provider of value-added forging solutions to energy and industrial end markets.

On November 14, 2017, we received proceeds of $1,363 from our insurance carrier related to our investment in Gulfco. The $1,363 reimbursed us for covered third-party legal expenses incurred and expensed in prior periods, for which we recorded the amount received as a reduction to our legal fees for the current period. Prospect Administration also received $1,430 from the insurance carrier related to covered legal services provided by Prospect Administration which was recorded as a reduction of allocation of overhead from Prospect Administration.

In June 2018, SB Forging Company II, Inc. received escrow proceeds of $2,050 related to the sale. The escrow proceeds and $154 of excess cash held at SB Forging Company II, Inc. were subsequently distributed and in connection with the liquidation of our investment, we recorded a realized gain of $2,204 in our *Consolidated Statement of Operations* during the year ended June 30, 2019.

*Universal Turbine Parts, LLC*

On December 10, 2018, UTP Holdings Group, Inc. (“UTP Holdings”) purchased all of the voting stock of Universal Turbine Parts, LLC (“UTP”) and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly-owned holding company controlled by Prospect and therefore Prospect’s investment in UTP is classified as a control investment.

**(in thousands, except share and per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Interest Income | $ 2,528 | $ 1,970 | N/A |
| Other Income | | | |
| Structuring Fee | 100 | — | N/A |
| Total Other Income | $ 100 | $ — | N/A |
| Managerial Assistance (1) | 8 | 3 | N/A |

(1) No income recognized by Prospect. MA payments were paid from UTP to Prospect and subsequently remitted to PA.

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Additions (2) | $ 2,900 | $ — | N/A |
| Repayment of loan receivable | 664 | 488 | N/A |

(2) During the year ended June 30, 2020, Prospect provided $2,900 of Delayed Draw Term Loan financing to UTP.

| | As of | |
|---|---|---|
| | **June 30, 2020** | **June 30, 2019** |
| Interest Receivable (3) | $ 6 | $ — |
| Other Receivables - Due to PA (4) | — | 3 |
| Other Receivables (5) | 1 | 1 |

(3) Interest income recognized but not yet paid.
(4) Managerial assistance recognized but not yet paid by UTP and is included by Prospect within Other Receivable and Due to PA.
(5) Represents amounts due from UTP to Prospect for reimbursement of expenses paid by Prospect on behalf of UTP.

*USES Corp.*

On June 15, 2016, we provided additional $1,300 debt financing to USES Corp. (“USES”) and its subsidiaries in the form of additional Term Loan A debt and, in connection with such Term Loan A debt financing, USES issued to us 99,900 shares of its common stock. On June 29, 2016, we provided additional $2,200 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt and, in connection with such Term Loan A debt financing, USES issued to us 169,062 shares of its common stock. As a result of such debt financing and recapitalization, as of June 29, 2016, we held 268,962 shares of USES common stock representing a 99.96% common equity ownership interest in USES. As such, USES became a controlled company on June 30, 2016.

During the year ended June 30, 2018, Prospect provided additional $3,000 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

During the year ended June 30, 2018, we entered into a participation agreement with USES management, and sold $3 of Prospect’s investment in the Term Loan A debt.

During the six months ended December 31, 2018, Prospect provided additional $3,500 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

During the year ended June 30, 2019, Prospect provided additional $3,500 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

**(in thousands, except share and per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Additions (1) | $ 1,500 | $ 3,500 | $ 3,000 |
| Repayment of loan receivable | 5,950 | — | 3 |

(1) During the year ended June 30, 2020, Prospect provided $1,500 of equity financing to USES to fund capital expenditures and repayment of accounts payable.

| | As of | |
|---|---|---|
| | **June 30, 2020** | **June 30, 2019** |
| Other Receivables - Due to PA (2) | $ — | $ 925 |

(2) Managerial assistance recognized but not yet paid by USES and is included by Prospect within Other Receivable and Due to PA.

*Valley Electric Company, Inc.*

Prospect owns 100% of the common stock of Valley Electric Holdings I, Inc. (“Valley Holdings I”), a Consolidated Holding Company. Valley Holdings I owns 100% of Valley Electric Holdings II, Inc. (“Valley Holdings II”), a Consolidated Holding Company. Valley Holdings II owns 94.99% of Valley Electric Company, Inc. (“Valley Electric”), with Valley Electric management owning the remaining 5.01% of the equity. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. (“Valley”), a leading provider of specialty electrical services in the state of Washington and among the top 50 electrical contractors in the United States.

During the year ended June 30, 2019, Prospect provided $5,100 of additional debt financing to Valley Electric.

During the nine months ended March 31, 2020, distributions of $3,329 that were declared and paid from Valley to Prospect were recognized as a return of capital by Prospect. During the three months ended March 31, 2020, a portion of the distributions in the amount of $2,267 was reclassified as dividend income.

| | Year Ended | | |
|---|---|---|---|
| | **June 30, 2020** | **June 30, 2019** | **June 30, 2018** |
| Interest Income | | | |
| Interest Income from Valley | $ 1,115 | $ 1,111 | $ 1,110 |
| Interest Income from Valley Electric | 5,991 | 5,766 | 4,861 |
| Total Interest Income | $ 7,106 | $ 6,877 | $ 5,971 |
| Dividend Income (1) | $ 7,538 | $ 12,962 | $ — |
| Other Income | | | |
| Structuring Fee | $ — | $ 153 | $ — |
| Royalty/Net Interest | 665 | 647 | — |
| Residual Profit Interest | — | — | 138 |
| Total Other Income | $ 665 | $ 800 | $ 138 |
| Reimbursement of Legal, Tax, etc. (3) | $ 29 | | |
| Managerial Assistance (2) | 300 | 525 | 5 |

(1) All dividends were paid from earnings and profits.
(2) No income recognized by Prospect. MA payments were paid from Valley Electric to Prospect and subsequently remitted to PA.
(3) Paid from Valley to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to Valley (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

(in thousands, except share and per share data)

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Additions | $ — | $ 5,100 | $ — |
| Interest Income Capitalized as PIK | — | 421 | 2,157 |
| Repayment of loan receivable | 1,062 | — | — |

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Interest Receivable (4) | $ 15 | $ 17 |
| Other Receivables (5) | 2 | 9 |

(4) Interest income recognized but not yet paid.
(5) Represents amounts due from Valley Electric to Prospect for reimbursement of expenses paid by Prospect on behalf of Valley Electric.

*Wolf Energy, LLC*

Prospect owns 100% of the equity of Wolf Energy Holdings Inc. ("Wolf Energy Holdings"), a Consolidated Holding Company. Wolf Energy Holdings owns 100% of each of Appalachian Energy LLC (f/k/a Appalachian Energy Holdings, LLC) ("AEH"); Coalbed, LLC ("Coalbed"); and Wolf Energy, LLC ("Wolf Energy"). AEH owns 100% of C&S Operating, LLC.

Wolf Energy Holdings is a holding company formed to hold 100% of the outstanding membership interests of each of AEH and Coalbed. The membership interests and associated operating company debt of AEH and Coalbed, which were previously owned by Manx Energy, Inc. ("Manx"), were assigned to Wolf Energy Holdings effective June 30, 2012. The purpose of assignment was to remove those activities from Manx deemed non-core by the Manx convertible debt investors who were not interested in funding those operations. On June 30, 2012, AEH and Coalbed loans with a cost basis of $7,991 were assigned by Prospect to Wolf Energy Holdings from Manx.

During the year ended June 30, 2018 Wolf Energy Services received $3,009 from the sale of assets.

During the year ended June 30, 2019, Wolf Energy Services received $104 from the sale of assets.

In December 2019, Wolf Energy Holdings, Inc. ("Wolf Energy Holdings"), our Consolidated Holding Company that previously owned 100% of Appalachian Energy LLC ("AEH"); Wolf Energy Services Company, LLC ("Wolf Energy Services"); and Wolf Energy, LLC (collectively our previously controlled membership interest and net profit interest investments in "Wolf Energy"), merged with and into CP Energy, with CP Energy continuing as the surviving entity. CP Energy acquired 100% of our equity in Wolf Energy, which is reflected in our valuation of CP Energy common stock as of December 31, 2019. During the six months ended December 31, 2019, the cost basis in Wolf Energy Holdings of $3,914 was transferred to CP Energy.

During the year ended June 30, 2020, cash distributions of $18 that were declared and paid from Wolf to Prospect were recognized as a return of capital by Prospect.

| | Year Ended | | |
|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Managerial Assistance (1) | $ 14 | $ 14 | $ 14 |

(1) No income recognized by Prospect. MA payments were paid from Wolf Energy to Prospect and subsequently remitted to PA.

| | As of | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Other Receivables - Due to PA (2) | $ — | $ 41 |
| Other Receivables (3) | — | 15 |

**(in thousands, except share and per share data)**

(2) Managerial assistance recognized but not yet paid by Wolf and is included by Prospect within Other Receivable and Due to PA.
(3) Represents amounts due from Wolf to Prospect for reimbursement of expenses paid by Prospect on behalf of Wolf.

**Note 15. Litigation**

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of such matters as may arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources.

In 2018, Prospect and Pacific World filed lawsuits against certain third parties in connection with a loan Prospect made to Pacific World in 2014. During the quarter ended March 31, 2020, these and certain related matters were settled, and Prospect received $11,000 in settlement proceeds. The settlement was a voluntary compromise of the lawsuits, and none of the defendants admitted or acknowledged any wrongdoing.

Except as disclosed above, we are not aware of any material legal proceedings as of June 30, 2020.

**Note 16. Financial Highlights**

The following is a schedule of financial highlights for each of the five years ended in the period ended June 30, 2020:

| | Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| **Per Share Data** | | | | | |
| Net asset value at beginning of year | $ 9.01 | $ 9.35 | $ 9.32 | $ 9.62 | $ 10.31 |
| Net investment income(1) | 0.72 | 0.85 | 0.79 | 0.85 | 1.04 |
| Net realized and change in unrealized (losses) gains(1) | (0.76) | (0.46) | 0.04 | (0.15) | (0.75) |
| Net increase from operations | (0.04) | 0.39 | 0.83 | 0.70 | 0.29 |
| Distributions of net investment income | (0.72) | (0.72) | (0.77) | (1.00) | (1.00) |
| Common stock transactions(2) | (0.07) | (0.01) | (0.03) | — (4) | 0.02 |
| Net asset value at end of year | $ 8.18 | $ 9.01 | $ 9.35 | $ 9.32 | $ 9.62 |
| | | | | | |
| Per share market value at end of year | $ 5.11 | $ 6.53 | $ 6.71 | $ 8.12 | $ 7.82 |
| Total return based on market value(3) | (11.35%) | 8.23% | (7.42%) | 16.80% | 21.84% |
| Total return based on net asset value(3) | 2.84% | 7.17% | 12.39% | 8.98% | 7.15% |
| Shares of common stock outstanding at end of year | 373,538,499 | 367,131,025 | 364,409,938 | 360,076,933 | 357,107,231 |
| Weighted average shares of common stock outstanding | 368,094,299 | 365,984,541 | 361,456,075 | 358,841,714 | 356,134,297 |
| | | | | | |
| **Ratios/Supplemental Data** | | | | | |
| Net assets at end of year | $ 3,055,861 | $ 3,306,275 | $ 3,407,047 | $ 3,354,952 | $ 3,435,917 |
| Portfolio turnover rate | 16.46% | 10.86% | 30.70% | 23.65% | 15.98% |
| Ratio of operating expenses to average net assets | 11.37% | 11.65% | 11.08% | 11.57% | 11.95% |
| Ratio of net investment income to average net assets | 8.44% | 9.32% | 8.57% | 8.96% | 10.54% |

(1) Per share data amount is based on the weighted average number of common shares outstanding for the year presented (except for dividends to stockholders which is based on actual rate per share).

(in thousands, except share and per share data)

(2) Common stock transactions include the effect of our issuance of common stock in public offerings (net of underwriting and offering costs), shares issued in connection with our dividend reinvestment plan, shares issued to acquire investments and shares repurchased below net asset value pursuant to our Repurchase Program.

(3) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. For periods less than a year, total return is not annualized.

(4) Amount is less than $0.01.

**Note 17. Selected Quarterly Financial Data (Unaudited)**

The following table sets forth selected financial data for each quarter within the three years ended June 30, 2020.

| | Investment Income | | Net Investment Income | | Net Realized and Unrealized (Losses) Gains | | Net Increase (Decrease) in Net Assets from Operations | |
|---|---|---|---|---|---|---|---|---|
| **Quarter Ended** | **Total** | **Per Share (1)** | **Total** | **Per Share (1)** | **Total** | **Per Share (1)** | **Total** | **Per Share (1)** |
| September 30, 2017 | $ 158,579 | $ 0.44 | $ 63,732 | $ 0.18 | $ (51,759) | $ (0.15) | $ 11,973 | $ 0.03 |
| December 31, 2017 | 162,400 | 0.45 | 73,192 | 0.20 | 48,535 | 0.14 | 121,727 | 0.34 |
| March 31, 2018 | 162,835 | 0.45 | 70,446 | 0.19 | (18,587) | (0.04) | 51,859 | 0.14 |
| June 30, 2018 | 174,031 | 0.48 | 79,480 | 0.22 | 34,823 | 0.09 | 114,304 | 0.31 |
| | | | | | | | | |
| September 30, 2018 | $ 180,422 | $ 0.49 | $ 85,159 | $ 0.23 | $ (1,364) | $ — (2) | $ 83,795 | $ 0.23 |
| December 31, 2018 | 187,883 | 0.51 | 80,811 | 0.22 | (148,200) | (0.40) | (67,389) | (0.18) |
| March 31, 2019 | 171,109 | 0.47 | 77,262 | 0.21 | 11,933 | 0.03 | 89,195 | 0.24 |
| June 30, 2019 | 164,353 | 0.45 | 69,627 | 0.19 | (30,741) | (0.08) | 38,886 | 0.11 |
| | | | | | | | | |
| September 30, 2019 | $ 161,883 | $ 0.44 | $ 71,060 | $ 0.19 | $ (52,995) | $ (0.14) | $ 18,065 | $ 0.05 |
| December 31, 2019 | 161,917 | 0.44 | 67,885 | 0.18 | (79,088) | (0.21) | (11,203) | (0.03) |
| March 31, 2020 | 154,501 | 0.42 | 68,476 | 0.19 | (254,175) | (0.70) | (185,699) | (0.51) |
| June 30, 2020 | 145,229 | 0.39 | 58,273 | 0.16 | 104,340 | 0.28 | 162,613 | 0.44 |

(1) Per share amounts are calculated using the weighted average number of common shares outstanding for the period presented. As such, the sum of the quarterly per share amounts above will not necessarily equal the per share amounts for the fiscal year.

(2) Amount is less than $0.01.

**Note 18. Subsequent Events**

On July 15, 2020, H.I.G ECI Merger Sub, Inc. fully repaid the $43,792 Senior Secured Term Loan A and the $29,900 Senior Secured Term Loan B receivable to us at par.

On July 15, 2020, we issued $48,214 of First Lien Senior Secured Notes and $1,786 of Delayed Draw Term Loan (“DDTL”) commitments to Eze Castle Integration, Inc. (“ECI”). Our DDTL commitment was unfunded at close. ECI is a provider of managed services and technology solutions.

On July 23, 2020, we commenced a cash tender offer (the “Tender Offer”) to purchase up to $100,000 aggregate principal amount of our 2022 Notes, of which $258,240 aggregate principal amount was then outstanding. The Tender Offer expired at 12:00 midnight, New York City time, on August 20, 2020 (one minute after 11:59 p.m., New York City time, on August 19, 2020). As of the expiration date, $29,420 aggregate principal amount of the 2022 Notes, representing 11.4% of the previously outstanding 2022 Notes, were validly tendered and accepted. Following the settlement of the Tender Offer on August 24, 2020, approximately $228,820 aggregate principal amount of the 2022 Notes remain outstanding.

On August 3, 2020, we entered into a Dealer Manager Agreement with Preferred Capital Securities, LLC (the "Dealer Manager") (the "Dealer Manager Agreement"), pursuant to which the Dealer Manager has agreed to serve as the Company's agent, principal distributor and exclusive dealer manager for the Company's offering of up to 40,000,000 shares, par value $0.001 per share, of preferred stock, with a $1,000,000,000 aggregate liquidation preference (the "Preferred Stock"). The Preferred Stock will be issued in multiple series, including the 5.50% Series A1 Preferred Stock ("Series A1 Preferred Stock"), the 5.50% Series M1 Preferred Stock ("Series M1 Preferred Stock"), and the 5.50% Series M2 Preferred Stock ("Series M2 Preferred Stock", and together with the Series M1 Preferred Stock, the "Series M 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 shall not exceed 40,000,000 shares. The Preferred Stock may be convertible by the holder of the Preferred Stock ("Holder Optional Conversion") at any time prior to the listing of the Preferred Stock on a national securities exchange, subject to certain conditions, including a conversion fee and our election to settle conversions in cash or shares of our common stock or a combination thereof. Prior to the five year anniversary of the date on which a share of Preferred Stock is issued, our election to settle all or a portion of any Holder Optional Conversion in cash is subject to certain limitations and restrictions. Subject to certain limitations, including a two year restriction that is subject to certain limited exceptions, a share of Preferred Stock may also be converted at our option at any time or from time to time, for cash or shares of our common stock upon not less than 30 calendar days nor more than 90 calendar days written notice to the holder prior to the date fixed for conversion thereof (however, settlement in cash is subject to a five year restriction). Subject to certain limitations, including a five year restriction that is subject to certain exceptions, a share of Preferred Stock may also be redeemed by us at our option, at any time or from time to time, for cash 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. In connection with such offering, on August 3, 2020, we filed an amendment to our charter with the State Department of Assessments and Taxation of Maryland ("SDAT") to increase our authorized shares of common stock from 1,000,000,000 shares of common stock to 2,000,000,000 shares of common stock and filed Articles Supplementary with the SDAT, reclassifying and designating 120,000,000 shares of the Company's authorized and unissued shares of common stock into shares of Preferred Stock as "Convertible Preferred Stock."

On August 6, 2020, we made a new $21,500 First Lien Term Loan investment in First Brands Group, LLC, an after-market automotive repair parts supplier. On August 19, 2020, we made a follow-on $5,850 First Lien Term Loan investment in First Brands Group, LLC.

During the period of July 29, 2020 through August 14, 2020, we provided $14,740 of Senior Secured Term Loan A funding to National Property REIT Corp. ("NPRC") and its wholly-owned subsidiaries to provide working capital and support real estate capital expenditures and provided $22,000 of Senior Secured Term Loan C investments to fund operating expenses. On July 31, 2020, we received partial repayments of $5,035 of our Senior Secured Term Loan B outstanding with NPRC and its wholly-owned subsidiaries.

During the period from July 1, 2020 through August 26, 2020, we issued $26,192 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $25,794.

On August 26, 2020, we announced the declaration of monthly base dividends in the following amounts and with the following dates:

- $0.06 per share for September 2020 to holders of record on September 30, 2020 with a payment date of October 22, 2020.
- $0.06 per share for October 2020 to holders of record on October 30, 2020 with a payment date of November 19, 2020.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## Item 9A. Controls and Procedures

*Evaluation of Disclosure Controls and Procedures*

As of June 30, 2020, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

*Report of Management on Internal Control Over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of June 30, 2020. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2020 based upon criteria in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of June 30, 2020 based on the criteria on Internal Control—Integrated Framework (2013) issued by COSO. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Our management's assessment of the effectiveness of our internal control over financial reporting as of June 30, 2020 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which appears herein.

## Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Prospect Capital Corporation
New York, New York

**Opinion on Internal Control over Financial Reporting**

We have audited Prospect Capital Corporation and subsidiaries' (the "Company's") internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of assets and liabilities of the Company, including the consolidated schedules of investments, as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2020, and the related notes and our report dated August 26, 2020 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Report of Management on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

BDO USA, LLP
New York, New York
August 26, 2020

**Item 9B. Other Information**

Not applicable.

## PART III

We will file a definitive Proxy Statement for our 2020 Annual Meeting of Stockholders (the "2020 Proxy Statement") with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2020 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 is hereby incorporated by reference from our 2020 Proxy Statement.

**Item 11. Executive Compensation**

The information required by Item 11 is hereby incorporated by reference from our 2020 Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 is hereby incorporated by reference from our 2020 Proxy Statement.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 is hereby incorporated by reference from our 2020 Proxy Statement.

**Item 14. Principal Accountant Fees and Services**

The information required by Item 14 is hereby incorporated by reference from our 2020 Proxy Statement.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Annual Report:

1. Financial Statements – See the Index to Consolidated Financial Statements in Item 8 of this report.

2. Financial Statement Schedules – The financial statements of National Property REIT Corp. required by Rule 3-09 of Regulation S-X will be provided as Exhibit 99.1 and Exhibit 99.2 to this report. The financial statements of First Tower Finance Company LLC required by Rule 3-09 of Regulation S-X will be provided as Exhibit 99.3 to this report.

3. Exhibits – The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC (according to the number assigned to them in Item 601 of Regulation S-K):

| Exhibit No. | |
|---|---|
| 3.1 | Articles of Amendment and Restatement(1) |
| 3.2 | Amended and Restated Bylaws(3) |
| 4.1 | Form of Share Certificate(2) |
| 4.2 | Form of Indenture(9) |
| 4.3 | Indenture dated as of December 21, 2010 relating to the 6.25% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee and Form of 6.25% Senior Convertible Note due 2015(7) |
| 4.4 | Indenture dated as of February 18, 2011 relating to the 5.50% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee(8) |
| 4.5 | Form of 5.50% Senior Convertible Note due 2016(6) |
| 4.6 | Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee(10) |
| 4.7 | First Supplemental Indenture dated as of March 1, 2012, to the Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee and Form of 7.00% Prospect Capital InterNote® due 2022(10) |
| 4.8 | Second Supplemental Indenture dated as of March 8, 2012, to the Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee(11) |
| 4.9 | Joinder Supplemental Indenture dated as of March 8, 2012, to the Indenture dated as of February 16, 2012, by and among the Registrant, American Stock Transfer & Trust Company, LLC, as Original Trustee, and U.S. Bank National Association, as Series Trustee and Form of 6.900% Prospect Capital InterNote® due 2022(11) |

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| 4.10 | Agreement of Resignation, Appointment and Acceptance dated as of March 12, 2012, by and among the Registrant, American Stock Transfer & Trust Company, LLC, as Retiring Trustee, and U.S. Bank National Association, as Successor Trustee (the “U.S. Bank Indenture”)(12) |
| 4.11 | Third Supplemental Indenture dated as of April 5, 2012, to the U.S. Bank Indenture and Form of 6.850% Prospect Capital InterNote® due 2022(14) |
| 4.12 | Fourth Supplemental Indenture dated as of April 12, 2012, to the U.S. Bank Indenture and Form of 6.700% Prospect Capital InterNote® due 2022(15) |
| 4.13 | Indenture dated as of April 16, 2012 relating to the 5.375% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, as Trustee(16) |
| 4.14 | Form of 5.375% Senior Convertible Note due 2017(17) |
| 4.15 | Fifth Supplemental Indenture dated as of April 26, 2012, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2022(18) |
| 4.16 | Indenture dated as of August 14, 2012 relating to the 5.75% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, as Trustee(19) |
| 4.17 | Form of 5.75% Senior Convertible Note due 2018(20) |
| 4.18 | Nineteenth Supplemental Indenture dated as of September 27, 2012, to the U.S. Bank Indenture and Form of 5.850% Prospect Capital InterNote® due 2019(21) |
| 4.19 | Twentieth Supplemental Indenture dated as of October 4, 2012, to the U.S. Bank Indenture and Form of 5.700% Prospect Capital InterNote® due 2019(22) |
| 4.20 | Twenty-First Supplemental Indenture dated as of November 23, 2012, to the U.S. Bank Indenture and Form of 5.125% Prospect Capital InterNote® due 2019(23) |
| 4.21 | Twenty-Second Supplemental Indenture dated as of November 23, 2012, to the U.S. Bank Indenture and Form of 6.625% Prospect Capital InterNote® due 2042(23) |

**Exhibit No.**

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| 4.22 | Twenty-Third Supplemental Indenture dated as of November 29, 2012, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(24) |
| 4.23 | Twenty-Fourth Supplemental Indenture dated as of November 29, 2012, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2032(24) |
| 4.24 | Twenty-Fifth Supplemental Indenture dated as of November 29, 2012, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2042(24) |
| 4.25 | Twenty-Sixth Supplemental Indenture dated as of December 6, 2012, to the U.S. Bank Indenture and Form of 4.875% Prospect Capital InterNote® due 2019(25) |
| 4.26 | Twenty-Eighth Supplemental Indenture dated as of December 6, 2012, to the U.S. Bank Indenture and Form of 6.375% Prospect Capital InterNote® due 2042(25) |
| 4.27 | Twenty-Ninth Supplemental Indenture dated as of December 13, 2012, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(26) |
| 4.28 | Thirty-First Supplemental Indenture dated as of December 13, 2012, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2042(26) |
| 4.29 | Thirty-Second Supplemental Indenture dated as of December 20, 2012, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2019(27) |
| 4.30 | Thirty-Fourth Supplemental Indenture dated as of December 20, 2012, to the U.S. Bank Indenture and Form of 6.125% Prospect Capital InterNote® due 2042(27) |
| 4.31 | Indenture dated as of December 21, 2012, by and between the Registrant and American Stock Transfer & Trust Company, as Trustee and Form of Global Note 5.875% Convertible Senior Note Due 2019(28) |
| 4.32 | Thirty-Fifth Supplemental Indenture dated as of December 28, 2012, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(29) |
| 4.33 | Thirty-Sixth Supplemental Indenture dated as of December 28, 2012, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2030(29) |
| 4.34 | Thirty-Seventh Supplemental Indenture dated as of December 28, 2012, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2042(29) |
| 4.35 | Thirty-Eighth Supplemental Indenture dated as of January 4, 2013, to the U.S. Bank Indenture and Form of 4.375% Prospect Capital InterNote® due 2020(30) |

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| 4.36 | Thirty-Ninth Supplemental Indenture dated as of January 4, 2013, to the U.S. Bank Indenture and Form of 4.875% Prospect Capital InterNote® due 2031(30) |
| 4.37 | Fortieth Supplemental Indenture dated as of January 4, 2013, to the U.S. Bank Indenture and Form of 5.875% Prospect Capital InterNote® due 2043(30) |
| 4.38 | Forty-First Supplemental Indenture dated as of January 10, 2013, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(31) |
| 4.39 | Forty-Second Supplemental Indenture dated as of January 10, 2013, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2031(31) |
| 4.40 | Forty-Third Supplemental Indenture dated as of January 10, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2043(31) |
| 4.41 | Forty-Fourth Supplemental Indenture dated as of January 17, 2013, to the U.S. Bank Indenture and Form of 4.125% Prospect Capital InterNote® due 2020(32) |
| 4.42 | Forty-Fifth Supplemental Indenture dated as of January 17, 2013, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2031(32) |
| 4.43 | Forty-Sixth Supplemental Indenture dated as of January 17, 2013, to the U.S. Bank Indenture and Form of 5.625% Prospect Capital InterNote® due 2043(32) |
| 4.44 | Forty-Seventh Supplemental Indenture dated as of January 25, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(33) |
| 4.45 | Forty-Eighth Supplemental Indenture dated as of January 25, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(33) |
| 4.46 | Forty-Ninth Supplemental Indenture dated as of January 25, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(33) |
| 4.47 | Fiftieth Supplemental Indenture dated as of January 31, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(34) |
| 4.48 | Fifty-First Supplemental Indenture dated as of January 31, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(34) |
| 4.49 | Fifty-Second Supplemental Indenture dated as of January 31, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(34) |

**Exhibit No.**

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| 4.50 | Fifty-Third Supplemental Indenture dated as of February 7, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(35) |
| 4.51 | Fifty-Fourth Supplemental Indenture dated as of February 7, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(35) |
| 4.52 | Fifty-Fifth Supplemental Indenture dated as of February 7, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(35) |
| 4.53 | Fifty-Sixth Supplemental Indenture dated as of February 22, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(36) |
| 4.54 | Fifty-Seventh Supplemental Indenture dated as of February 22, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(36) |
| 4.55 | Fifty-Eighth Supplemental Indenture dated as of February 22, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(36) |
| 4.56 | Fifty-Ninth Supplemental Indenture dated as of February 28, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(37) |
| 4.57 | Sixtieth Supplemental Indenture dated as of February 28, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(37) |
| 4.58 | Sixty-First Supplemental Indenture dated as of February 28, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(37) |
| 4.59 | Sixty-Second Supplemental Indenture dated as of March 7, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(38) |
| 4.60 | Sixty-Third Supplemental Indenture dated as of March 7, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(38) |
| 4.61 | Sixty-Fourth Supplemental Indenture dated as of March 7, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(38) |
| 4.62 | Sixty-Fifth Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(39) |
| 4.63 | Sixty-Sixth Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of 4.125% to 6.000% Prospect Capital InterNote® due 2031(39) |

4.64 Sixty-Seventh Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(39)

4.65 Sixty-Eighth Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(39)

4.66 Supplemental Indenture dated as of March 15, 2013, to the U.S. Bank Indenture(40)

4.67 Form of Global Note 5.875% Senior Note due 2023(41)

4.68 Sixty-Ninth Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(42)

4.69 Seventieth Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of 4.125% to 6.000% Prospect Capital InterNote® due 2031(42)

4.70 Seventy-First Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(42)

4.71 Seventy-Second Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(42)

4.72 Seventy-Third Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(43)

4.73 Seventy-Fourth Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of 4.125% to 6.000% Prospect Capital InterNote® due 2031(43)

4.74 Seventy-Fifth Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(43)

4.75 Seventy-Sixth Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(43)

4.76 Seventy-Seventh Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2020(44)

4.77 Seventy-Eighth Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of 4.625% to 6.500% Prospect Capital InterNote® due 2031(44)

4.78 Seventy-Ninth Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(44)

**Exhibit No.**

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| 4.79 | Eightieth Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(44) |
| 4.80 | Eighty-First Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2020(45) |
| 4.81 | Eighty-Second Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(45) |
| 4.82 | Eighty-Third Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(45) |
| 4.83 | Eighty-Fourth Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(45) |
| 4.84 | Eighty-Fifth Supplemental Indenture dated as of April 18, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(46) |
| 4.85 | Eighty-Sixth Supplemental Indenture dated as of April 18, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(46) |
| 4.86 | Eighty-Seventh Supplemental Indenture dated as of April 18, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(46) |
| 4.87 | Eighty-Eighth Supplemental Indenture dated as of April 25, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(47) |
| 4.88 | Eighty-Ninth Supplemental Indenture dated as of April 25, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(47) |
| 4.89 | Ninetieth Supplemental Indenture dated as of April 25, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(47) |
| 4.90 | Ninety-First Supplemental Indenture dated as of May 2, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(48) |
| 4.91 | Ninety-Second Supplemental Indenture dated as of May 2, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(48) |
| 4.92 | Ninety-Third Supplemental Indenture dated as of May 2, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(48) |

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| 4.93 | Ninety-Fourth Supplemental Indenture dated as of May 9, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(49) |
| 4.94 | Ninety-Fifth Supplemental Indenture dated as of May 9, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(49) |
| 4.95 | Ninety-Sixth Supplemental Indenture dated as of May 9, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(49) |
| 4.96 | Ninety-Seventh Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(50) |
| 4.97 | Ninety-Eighth Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(50) |
| 4.98 | Ninety-Ninth Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(50) |
| 4.99 | One Hundredth Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 5.000% to 7.000% Prospect Capital InterNote® due 2028(50) |
| 4.100 | One Hundred-First Supplemental Indenture dated as of May 31, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(51) |
| 4.101 | One Hundred-Second Supplemental Indenture dated as of May 31, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(51) |
| 4.102 | One Hundred-Third Supplemental Indenture dated as of May 31, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(51) |
| 4.103 | One Hundred-Fourth Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(52) |
| 4.104 | One Hundred-Fifth Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(52) |
| 4.105 | One Hundred-Sixth Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(52) |
| 4.106 | One Hundred-Seventh Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 5.000% to 7.000% Prospect Capital InterNote® due 2028(52) |

**Exhibit No.**

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| 4.107 | One Hundred-Eighth Supplemental Indenture dated as of June 13, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(53) |
| 4.108 | One Hundred-Ninth Supplemental Indenture dated as of June 13, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(53) |
| 4.109 | One Hundred-Tenth Supplemental Indenture dated as of June 13, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(53) |
| 4.110 | One Hundred-Eleventh Supplemental Indenture dated as of June 20, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(54) |
| 4.111 | One Hundred-Twelfth Supplemental Indenture dated as of June 20, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(54) |
| 4.112 | One Hundred-Thirteenth Supplemental Indenture dated as of June 20, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(54) |
| 4.113 | One Hundred-Fifteenth Supplemental Indenture dated as of June 27, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2031(55) |
| 4.114 | One Hundred-Sixteenth Supplemental Indenture dated as of June 27, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(55) |
| 4.115 | One Hundred-Seventeenth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(56) |
| 4.116 | One Hundred-Eighteenth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(56) |
| 4.117 | One Hundred-Nineteenth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(56) |
| 4.118 | One Hundred-Twentieth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(56) |
| 4.119 | One Hundred Twenty-First Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(57) |
| 4.120 | One Hundred Twenty-Second Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(57) |

4.121 One Hundred Twenty-Third Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(57)

4.122 One Hundred Twenty-Fourth Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(57)

4.123 One Hundred Twenty-Fifth Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(58)

4.124 One Hundred Twenty-Sixth Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(58)

4.125 One Hundred Twenty-Seventh Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(58)

4.126 One Hundred Twenty-Eighth Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(58)

4.127 One Hundred Twenty-Ninth Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(59)

4.128 One Hundred Thirtieth Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(59)

4.129 One Hundred Thirty-First Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(59)

4.130 One Hundred Thirty-Second Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(59)

4.131 One Hundred Thirty-Third Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(60)

4.132 One Hundred Thirty-Fourth Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2021(60)

4.133 One Hundred Thirty-Fifth Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 6.125% Prospect Capital InterNote® due 2031(60)

4.134 One Hundred Thirty-Sixth Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 6.625% Prospect Capital InterNote® due 2043(60)

**Exhibit No.**

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| 4.135 | One Hundred Thirty-Seventh Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(61) |
| 4.136 | One Hundred Thirty-Eighth Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(61) |
| 4.137 | One Hundred Thirty-Ninth Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2031(61) |
| 4.138 | One Hundred Fortieth Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(61) |
| 4.139 | One Hundred Forty-First Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(62) |
| 4.140 | One Hundred Forty-Second Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(62) |
| 4.141 | One Hundred Forty-Third Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(62) |
| 4.142 | One Hundred Forty-Fourth Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(62) |
| 4.143 | One Hundred Forty-Fifth Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(63) |
| 4.144 | One Hundred Forty-Sixth Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(63) |
| 4.145 | One Hundred Forty-Seventh Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(63) |
| 4.146 | One Hundred Forty-Eighth Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(63) |
| 4.147 | One Hundred Forty-Ninth Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(64) |
| 4.148 | One Hundred Fiftieth Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(64) |

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| 4.149 | One Hundred Fifty-First Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(64) |
| 4.150 | One Hundred Fifty-Second Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(64) |
| 4.151 | One Hundred Fifty-Third Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(65) |
| 4.152 | One Hundred Fifty-Fourth Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(65) |
| 4.153 | One Hundred Fifty-Fifth Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(65) |
| 4.154 | One Hundred Fifty-Sixth Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(65) |
| 4.155 | One Hundred Fifty-Seventh Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(66) |
| 4.156 | One Hundred Fifty-Eighth Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(66) |
| 4.157 | One Hundred Fifty-Ninth Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(66) |
| 4.158 | One Hundred Sixtieth Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(66) |
| 4.159 | One Hundred Sixty-First Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(67) |
| 4.160 | One Hundred Sixty-Second Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(67) |
| 4.161 | One Hundred Sixty-Third Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(67) |
| 4.162 | One Hundred Sixty-Fourth Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(67) |

**Exhibit No.**

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| 4.163 | One Hundred Sixty-Fifth Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(68) |
| 4.164 | One Hundred Sixty-Sixth Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(68) |
| 4.165 | One Hundred Sixty-Seventh Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(68) |
| 4.166 | One Hundred Sixty-Eighth Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(68) |
| 4.167 | One Hundred Sixty-Ninth Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(69) |
| 4.168 | One Hundred Seventieth Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(69) |
| 4.169 | One Hundred Seventy-First Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(69) |
| 4.170 | One Hundred Seventy-Second Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(69) |
| 4.171 | One Hundred Seventy-Third Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(70) |
| 4.172 | One Hundred Seventy-Fourth Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(70) |
| 4.173 | One Hundred Seventy-Fifth Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(70) |
| 4.174 | One Hundred Seventy-Sixth Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(70) |
| 4.175 | One Hundred Seventy-Seventh Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2016(71) |
| 4.176 | One Hundred Seventy-Eighth Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(71) |

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| 4.177 | One Hundred Seventy-Ninth Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(71) |
| 4.178 | One Hundred Eightieth Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(71) |
| 4.179 | One Hundred Eighty-First Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(71) |
| 4.180 | One Hundred Eighty-Second Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(72) |
| 4.181 | One Hundred Eighty-Third Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(72) |
| 4.182 | One Hundred Eighty-Fourth Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(72) |
| 4.183 | One Hundred Eighty-Fifth Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(72) |
| 4.184 | One Hundred Eighty-Sixth Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(72) |
| 4.185 | One Hundred Eighty-Seventh Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(73) |
| 4.186 | One Hundred Eighty-Eighth Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(73) |
| 4.187 | One Hundred Eighty-Ninth Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(73) |
| 4.188 | One Hundred Ninetieth Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(73) |
| 4.189 | One Hundred Ninety-First Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(73) |
| 4.190 | One Hundred Ninety-Second Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(74) |

**Exhibit No.**

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| 4.191 | One Hundred Ninety-Third Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(74) |
| 4.192 | One Hundred Ninety-Fourth Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(74) |
| 4.193 | One Hundred Ninety-Fifth Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(74) |
| 4.194 | One Hundred Ninety-Sixth Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(74) |
| 4.195 | One Hundred Ninety-Seventh Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(75) |
| 4.196 | One Hundred Ninety-Eighth Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(75) |
| 4.197 | One Hundred Ninety-Ninth Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(75) |
| 4.198 | Two Hundredth Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(75) |
| 4.199 | Two Hundred First Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(75) |
| 4.200 | Two Hundred Second Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(76) |
| 4.201 | Two Hundred Third Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(76) |
| 4.202 | Two Hundred Fourth Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(76) |
| 4.203 | Two Hundred Fifth Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(76) |
| 4.204 | Two Hundred Sixth Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(76) |

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| 4.205 | Two Hundred Seventh Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(77) |
| 4.206 | Two Hundred Eighth Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(77) |
| 4.207 | Two Hundred Tenth Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(77) |
| 4.208 | Two Hundred Eleventh Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(77) |
| 4.209 | Two Hundred Twelfth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(78) |
| 4.210 | Two Hundred Thirteenth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(78) |
| 4.211 | Two Hundred Fifteenth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(78) |
| 4.212 | Two Hundred Sixteenth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(78) |
| 4.213 | Two Hundred Seventeenth Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(79) |
| 4.214 | Two Hundred Eighteenth Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(79) |
| 4.215 | Two Hundred Twentieth Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(79) |
| 4.216 | Two Hundred Twenty-First Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(79) |
| 4.217 | Two Hundred Twenty-Second Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(80) |
| 4.218 | Two Hundred Twenty-Third Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(80) |

**Exhibit No.**

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| 4.219 | Two Hundred Twenty-Fifth Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(80) |
| 4.220 | Two Hundred Twenty-Sixth Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(80) |
| 4.221 | Two Hundred Twenty-Seventh Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(81) |
| 4.222 | Two Hundred Twenty-Eighth Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(81) |
| 4.223 | Two Hundred Twenty-Ninth Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(81) |
| 4.224 | Two Hundred Thirtieth Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(81) |
| 4.225 | Two Hundred Thirty-First Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(81) |
| 4.226 | Two Hundred Thirty-Second Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(82) |
| 4.227 | Two Hundred Thirty-Third Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(82) |
| 4.228 | Two Hundred Thirty-Fourth Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(82) |
| 4.229 | Two Hundred Thirty-Fifth Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(82) |
| 4.230 | Two Hundred Thirty-Sixth Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(82) |
| 4.231 | Two Hundred Thirty-Seventh Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(83) |
| 4.232 | Two Hundred Thirty-Eighth Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(83) |

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| 4.233 | Two Hundred Thirty-Ninth Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(83) |
| 4.234 | Two Hundred Fortieth Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(83) |
| 4.235 | Two Hundred Forty-First Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(83) |
| 4.236 | Two Hundred Forty-Second Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(84) |
| 4.237 | Two Hundred Forty-Third Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(84) |
| 4.238 | Two Hundred Forty-Fourth Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(84) |
| 4.239 | Two Hundred Forty-Fifth Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(84) |
| 4.240 | Two Hundred Forty-Sixth Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(84) |
| 4.241 | Two Hundred Forty-Seventh Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(85) |
| 4.242 | Two Hundred Forty-Eighth Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(85) |
| 4.243 | Two Hundred Forty-Ninth Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(85) |
| 4.244 | Two Hundred Fiftieth Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(85) |
| 4.245 | Two Hundred Fifty-First Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(85) |
| 4.246 | Two Hundred Fifty-Second Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(86) |

**Exhibit No.**

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| 4.247 | Two Hundred Fifty-Third Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(86) |
| 4.248 | Two Hundred Fifty-Fourth Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(86) |
| 4.249 | Two Hundred Fifty-Fifth Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(86) |
| 4.250 | Two Hundred Fifty-Sixth Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(86) |
| 4.251 | Two Hundred Fifty-Seventh Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(87) |
| 4.252 | Two Hundred Fifty-Eighth Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(87) |
| 4.253 | Two Hundred Fifty-Ninth Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(87) |
| 4.254 | Two Hundred Sixtieth Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(87) |
| 4.255 | Two Hundred Sixty-First Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(87) |
| 4.256 | Two Hundred Sixty-Seventh Supplemental Indenture dated as of February 19, 2014, to the U.S. Bank Indenture and Form of 4.75% Prospect Capital InterNote® due 2019(88) |
| 4.257 | Two Hundred Sixty-Second Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(89) |
| 4.258 | Two Hundred Sixty-Third Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(89) |
| 4.259 | Two Hundred Sixty-Fourth Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(89) |
| 4.260 | Two Hundred Sixty-Fifth Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(89) |

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| 4.261 | Two Hundred Sixty-Sixth Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(89) |
| 4.262 | Two Hundred Sixty-Eighth Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(90) |
| 4.263 | Two Hundred Sixty-Ninth Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(90) |
| 4.264 | Two Hundred Seventieth Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(90) |
| 4.265 | Two Hundred Seventy-First Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(90) |
| 4.266 | Two Hundred Seventy-Second Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(90) |
| 4.267 | Two Hundred Seventy-Third Supplemental Indenture dated as March 6, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(91) |
| 4.268 | Two Hundred Seventy-Fourth Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(91) |
| 4.269 | Two Hundred Seventy-Fifth Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(91) |
| 4.270 | Two Hundred Seventy-Sixth Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(91) |
| 4.271 | Two Hundred Seventy-Seventh Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(91) |
| 4.272 | Supplement No. 1 to the Two Hundred Sixty-Seventh Supplemental Indenture dated as of March 11, 2014, to the U.S. Bank Indenture and Form of 4.75% Prospect Capital InterNote® due 2019(92) |
| 4.273 | Two Hundred Seventy-Eighth Supplemental Indenture dated as March 13, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(93) |
| 4.274 | Two Hundred Seventy-Ninth Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(93) |

**Exhibit No.**

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| 4.275 | Two Hundred Eightieth Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(93) |
| 4.276 | Two Hundred Eighty-First Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(93) |
| 4.277 | Two Hundred Eighty-Second Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(93) |
| 4.278 | Two Hundred Eighty-Fourth Supplemental Indenture dated as March 20, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(94) |
| 4.279 | Two Hundred Eighty-Fifth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(94) |
| 4.280 | Two Hundred Eighty-Sixth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(94) |
| 4.281 | Two Hundred Eighty-Seventh Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(94) |
| 4.282 | Two Hundred Eighty-Eighth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(94) |
| 4.283 | Two Hundred Eighty-Ninth Supplemental Indenture dated as March 27, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(95) |
| 4.284 | Two Hundred Ninetieth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(95) |
| 4.285 | Two Hundred Ninety-First Supplemental Indenture dated as of March 27, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(95) |
| 4.286 | Two Hundred Ninety-Second Supplemental Indenture dated as of March 27, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(95) |
| 4.287 | Two Hundred Ninety-Third Supplemental Indenture dated as of March 27, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(95) |
| 4.288 | Two Hundred Ninety-Fourth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(96) |

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| 4.289 | Two Hundred Ninety-Fifth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(96) |
| 4.290 | Two Hundred Ninety-Sixth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(96) |
| 4.291 | Two Hundred Ninety-Seventh Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(96) |
| 4.292 | Two Hundred Ninety-Eighth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(96) |
| 4.293 | Supplemental Indenture dated as of April 7, 2014, to the U.S. Bank Indenture and Form of 5.000% Senior Notes due 2019(97) |
| 4.294 | Two Hundred Ninety-Ninth Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(98) |
| 4.295 | Three Hundredth Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2019(98) |
| 4.296 | Three Hundred First Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(98) |
| 4.297 | Three Hundred Second Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(98) |
| 4.298 | Three Hundred Third Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(98) |
| 4.299 | Indenture dated as of April 11, 2014, by and between Prospect Capital Corporation and American Stock Transfer & Trust Company, as Trustee and Form of Global Note of 4.75% Senior Convertible Notes Due 2020(99) |
| 4.300 | Three Hundred Fourth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(100) |
| 4.301 | Three Hundred Fifth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2019(100) |
| 4.302 | Three Hundred Sixth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(100) |

**Exhibit No.**

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| 4.303 | Three Hundred Seventh Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(100) |
| 4.304 | Three Hundred Eighth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(100) |
| 4.305 | Three Hundred Ninth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(101) |
| 4.306 | Three Hundred Tenth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(101) |
| 4.307 | Three Hundred Eleventh Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(101) |
| 4.308 | Three Hundred Twelfth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(101) |
| 4.309 | Three Hundred Thirteenth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(101) |
| 4.310 | Three Hundred Fourteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(102) |
| 4.311 | Three Hundred Fifteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(102) |
| 4.312 | Three Hundred Sixteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(102) |
| 4.313 | Three Hundred Seventeenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(102) |
| 4.314 | Three Hundred Eighteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(102) |
| 4.315 | Three Hundred Nineteenth Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(103) |
| 4.316 | Three Hundred Twentieth Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(103) |

4.317 Three Hundred Twenty-First Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(103)

4.318 Three Hundred Twenty-Second Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(103)

4.319 Three Hundred Twenty-Third Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(103)

4.320 Three Hundred Twenty-Fourth Supplemental Indenture dated as of November 17, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(110)

4.321 Three Hundred Twenty-Fifth Supplemental Indenture dated as of November 28, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(111)

4.322 Three Hundred Twenty-Sixth Supplemental Indenture dated as of December 4, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(112)

4.323 Three Hundred Twenty-Seventh Supplemental Indenture dated as of December 11, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(113)

4.324 Three Hundred Twenty-Eighth Supplemental Indenture dated as of December 18, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(114)

4.325 Three Hundred Twenty-Ninth Supplemental Indenture dated as of December 29, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(115)

4.326 Three Hundred Thirtieth Supplemental Indenture dated as of January 2, 2015, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(116)

4.327 Three Hundred Thirty-First Supplemental Indenture dated as of January 8, 2015, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(117)

4.328 Three Hundred Thirty-Second Supplemental Indenture dated as of January 15, 2015, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2020(118)

4.329 Three Hundred Thirty-Third Supplemental Indenture dated as of January 23, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(119)

4.330 Three Hundred Thirty-Fourth Supplemental Indenture dated as of January 29, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(120)

**Exhibit No.**

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| 4.331 | Three Hundred Thirty-Fifth Supplemental Indenture dated as of February 5, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(121) |
| 4.332 | Three Hundred Thirty-Sixth Supplemental Indenture dated as of February 20, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(122) |
| 4.333 | Three Hundred Thirty-Seventh Supplemental Indenture dated as of February 26, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(123) |
| 4.334 | Three Hundred Thirty-Eighth Supplemental Indenture dated as of March 5, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(124) |
| 4.335 | Three Hundred Thirty-Ninth Supplemental Indenture dated as of March 12, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(125) |
| 4.336 | Three Hundred Fortieth Supplemental Indenture dated as of March 19, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(126) |
| 4.337 | Three Hundred Forty-First Supplemental Indenture dated as of March 26, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(127) |
| 4.338 | Three Hundred Forty-Second Supplemental Indenture dated as of April 2, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(128) |
| 4.339 | Three Hundred Forty-Third Supplemental Indenture dated as of April 9, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(129) |
| 4.340 | Three Hundred Forty-Fourth Supplemental Indenture dated as of April 16, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(130) |
| 4.341 | Three Hundred Forty-Fifth Supplemental Indenture dated as of April 16, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(130) |
| 4.342 | Three Hundred Forty-Sixth Supplemental Indenture dated as of April 23, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(131) |
| 4.343 | Three Hundred Forty-Seventh Supplemental Indenture dated as of April 23, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(131) |
| 4.344 | Three Hundred Forty-Eighth Supplemental Indenture dated as of April 30, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(132) |

4.345 Three Hundred Forty-Ninth Supplemental Indenture dated as of April 30, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(132)

4.346 Three Hundred Fiftieth Supplemental Indenture dated as of May 7, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(133)

4.347 Three Hundred Fifty-First Supplemental Indenture dated as of May 7, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(133)

4.348 Three Hundred Fifty-Second Supplemental Indenture dated as of May 21, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(134)

4.349 Three Hundred Fifty-Third Supplemental Indenture dated as of May 29, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(135)

4.350 Three Hundred Fifty-Fourth Supplemental Indenture dated as of May 29, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2022(135)

4.351 Three Hundred Fifty-Fifth Supplemental Indenture dated as of June 4, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(136)

4.352 Three Hundred Fifty-Sixth Supplemental Indenture dated as of June 4, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2022(136)

4.353 Three Hundred Fifty-Seventh Supplemental Indenture dated as of June 11, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(137)

4.354 Three Hundred Fifty-Eighth Supplemental Indenture dated as of June 11, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2022(137)

4.355 Three Hundred Fifty-Ninth Supplemental Indenture dated as of June 18, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(138)

4.356 Three Hundred Sixtieth Supplemental Indenture dated as of June 18, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2021(138)

4.357 Three Hundred Sixty-First Supplemental Indenture dated as of June 25, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(139)

4.358 Three Hundred Sixty-Second Supplemental Indenture dated as of June 25, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2021(139)

**Exhibit No.**

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| 4.359 | Three Hundred Sixty-Third Supplemental Indenture dated as of July 2, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(140) |
| 4.360 | Three Hundred Sixty-Fourth Supplemental Indenture dated as of July 2, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2021(140) |
| 4.361 | Three Hundred Sixty-Fifth Supplemental Indenture dated as of July 9, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(141) |
| 4.362 | Three Hundred Sixty-Sixth Supplemental Indenture dated as of July 9, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(141) |
| 4.363 | Three Hundred Sixty-Seventh Supplemental Indenture dated as of July 16, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(142) |
| 4.364 | Three Hundred Sixty-Eighth Supplemental Indenture dated as of July 16, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(142) |
| 4.365 | Three Hundred Sixty-Ninth Supplemental Indenture dated as of July 23, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(143) |
| 4.366 | Three Hundred Seventieth Supplemental Indenture dated as of July 23, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(143) |
| 4.367 | Three Hundred Seventy-First Supplemental Indenture dated as of July 30, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(144) |
| 4.368 | Three Hundred Seventy-Second Supplemental Indenture dated as of July 30, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(144) |
| 4.369 | Three Hundred Seventy-Third Supplemental Indenture dated as of August 6, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(145) |
| 4.370 | Three Hundred Seventy-Fourth Supplemental Indenture dated as of August 6, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(145) |
| 4.371 | Three Hundred Seventy-Fifth Supplemental Indenture dated as of August 13, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(146) |
| 4.372 | Three Hundred Seventy-Sixth Supplemental Indenture dated as of August 13, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(146) |

4.373 Three Hundred Seventy-Fifth Supplemental Indenture dated as of August 20, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(147)

4.374 Three Hundred Seventy-Sixth Supplemental Indenture dated as of August 20, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(147)

4.375 Three Hundred Seventy-Ninth Supplemental Indenture dated as of August 27, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(148)

4.376 Three Hundred Eightieth Supplemental Indenture dated as of August 27, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(148)

4.377 Three Hundred Eighty-One Supplemental Indenture dated as of September 11, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(153)

4.378 Three Hundred Eighty-Second Supplemental Indenture dated as of September 11, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(153)

4.379 Three Hundred Eighty-Third Supplemental Indenture dated as of September 17, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(154)

4.380 Three Hundred Eighty-Fourth Supplemental Indenture dated as of September 17, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(154)

4.381 Three Hundred Eighty-Fifth Supplemental Indenture dated as of September 24, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(155)

4.382 Three Hundred Eighty-Sixth Supplemental Indenture dated as of September 24, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(155)

4.383 Three Hundred Eighty-Seventh Supplemental Indenture dated as of October 1, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(156)

4.384 Three Hundred Eighty-Eighth Supplemental Indenture dated as of October 1, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(156)

4.385 Three Hundred Eighty-Ninth Supplemental Indenture dated as of October 8, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(157)

4.386 Three Hundred Ninetieth Supplemental Indenture dated as of October 8, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(157)

**Exhibit No.**

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| 4.387 | Three Hundred Ninety-First Supplemental Indenture dated as of October 16, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(159) |
| 4.388 | Three Hundred Ninety-Second Supplemental Indenture dated as of October 16, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(159) |
| 4.389 | Three Hundred Ninety-Third Supplemental Indenture dated as of October 22, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(160) |
| 4.390 | Three Hundred Ninety-Fourth Supplemental Indenture dated as of October 22, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(160) |
| 4.391 | Three Hundred Ninety-Fifth Supplemental Indenture dated as of October 29, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(161) |
| 4.392 | Three Hundred Ninety-Sixth Supplemental Indenture dated as of October 29, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(161) |
| 4.393 | Three Hundred Ninety-Seventh Supplemental Indenture dated as of November 4, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(163) |
| 4.394 | Three Hundred Ninety-Eighth Supplemental Indenture dated as of November 4, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(163) |
| 4.395 | Three Hundred Ninety-Ninth Supplemental Indenture dated as of November 19, 2015, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(164) |
| 4.396 | Four Hundredth Supplemental Indenture dated as of November 19, 2015, to the U.S. Bank Indenture and Form of 5.625% Prospect Capital InterNote® due 2022(164) |
| 4.397 | Four Hundred First Supplemental Indenture dated as of November 19, 2015, to the U.S. Bank Indenture and Form of 5.875% Prospect Capital InterNote® due 2025(164) |
| 4.398 | Four Hundred Second Supplemental Indenture dated as of November 27, 2015, to the U.S. Bank Indenture and Form of 5.125% Prospect Capital InterNote® due 2020(165) |
| 4.399 | Four Hundred Third Supplemental Indenture dated as of November 27, 2015, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2022(165) |
| 4.400 | Four Hundred Fourth Supplemental Indenture dated as of November 27, 2015, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(165) |

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| 4.401 | Four Hundred Fifth Supplemental Indenture dated as of December 3, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2020(166) |
| 4.402 | Four Hundred Sixth Supplemental Indenture dated as of December 3, 2015, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2022(166) |
| 4.403 | Four Hundred Seventh Supplemental Indenture dated as of December 3, 2015, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(166) |
| 4.404 | Supplemental Indenture dated as of December 10, 2015, to the U.S. Bank Indenture and Form of 6.250% Note due 2024(167) |
| 4.405 | Four Hundred Eighth Supplemental Indenture dated as of December 17, 2015, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2020(168) |
| 4.406 | Four Hundred Ninth Supplemental Indenture dated as of December 24, 2015, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2020(169) |
| 4.407 | Four Hundred Tenth Supplemental Indenture dated as of December 31, 2015, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2020(170) |
| 4.408 | Four Hundred Eleventh Supplemental Indenture dated as of January 7, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(171) |
| 4.409 | Four Hundred Twelfth Supplemental Indenture dated as of January 14, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(172) |
| 4.410 | Four Hundred Thirteenth Supplemental Indenture dated as of January 22, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(173) |
| 4.411 | Four Hundred Fourteenth Supplemental Indenture dated as of March 3, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(175) |
| 4.412 | Four Hundred Fifteenth Supplemental Indenture dated as of March 10, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(176) |
| 4.413 | Four Hundred Sixteenth Supplemental Indenture dated as of March 17, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(177) |
| 4.414 | Four Hundred Seventeenth Supplemental Indenture dated as of March 24, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(178) |

**Exhibit No.**

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| 4.415 | Four Hundred Eighteenth Supplemental Indenture dated as of March 31, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(179) |
| 4.416 | Four Hundred Nineteenth Supplemental Indenture dated as of April 7, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(180) |
| 4.417 | Four Hundred Twentieth Supplemental Indenture dated as of April 14, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(181) |
| 4.418 | Four Hundred Twenty-First Supplemental Indenture dated as of April 21, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(182) |
| 4.419 | Four Hundred Twenty-Second Supplemental Indenture dated as of April 28, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(183) |
| 4.420 | Four Hundred Twenty-Third Supplemental Indenture dated as of May 5, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(184) |
| 4.421 | Four Hundred Twenty-Fourth Supplemental Indenture dated as of May 12, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(185) |
| 4.422 | Four Hundred Twenty-Fifth Supplemental Indenture dated as of May 26, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(186) |
| 4.423 | Four Hundred Twenty-Sixth Supplemental Indenture dated as of June 3, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(187) |
| 4.424 | Four Hundred Twenty-Seventh Supplemental Indenture dated as of June 9, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(188) |
| 4.425 | Four Hundred Twenty-Eighth Supplemental Indenture dated as of June 16, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(189) |
| 4.426 | Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture, and Form of 6.250% Note due 2024(190) |
| 4.427 | Four Hundred Twenty-Ninth Supplemental Indenture dated as of June 23, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(190) |
| 4.428 | Form of 6.250% Notes due 2024, Note 1, of an aggregate principal amount of $650,775.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(191) |

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| 4.429 | Form of 6.250% Notes due 2024, Note 2, of an aggregate principal amount of $538,575.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(191) |
| 4.430 | Form of 6.250% Notes due 2024, Note 3, of an aggregate principal amount of $191,075.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(191) |
| 4.431 | Four Hundred Thirtieth Supplemental Indenture dated as of June 30, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(191) |
| 4.432 | Form of 6.250% Notes due 2024, Note 4, of an aggregate principal amount of $563,000.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192) |
| 4.433 | Form of 6.250% Notes due 2024, Note 5, of an aggregate principal amount of $323,825.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192) |
| 4.434 | Form of 6.250% Notes due 2024, Note 6, of an aggregate principal amount of $730,600.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192) |
| 4.435 | Form of 6.250% Notes due 2024, Note 7, of an aggregate principal amount of $265,125.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192) |
| 4.436 | Form of 6.250% Notes due 2024, Note 8, of an aggregate principal amount of $722,100.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192) |
| 4.437 | Four Hundred Thirty-First Supplemental Indenture dated as of July 8, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(192) |
| 4.438 | Form of 6.250% Notes due 2024, Note 9, of an aggregate principal amount of $599,050.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193) |
| 4.439 | Form of 6.250% Notes due 2024, Note 10, of an aggregate principal amount of $807,500.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193) |
| 4.440 | Form of 6.250% Notes due 2024, Note 11, of an aggregate principal amount of $799,475.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193) |
| 4.441 | Form of 6.250% Notes due 2024, Note 12, of an aggregate principal amount of $501,625.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193) |
| 4.442 | Four Hundred Thirty-Second Supplemental Indenture dated as of July 14, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(193) |
| 4.443 | Form of 6.250% Notes due 2024, Note 13, of an aggregate principal amount of $592,500.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194) |

**Exhibit No.**

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| 4.444 | Form of 6.250% Notes due 2024, Note 14, of an aggregate principal amount of $581,250.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194) |
| 4.445 | Form of 6.250% Notes due 2024, Note 15, of an aggregate principal amount of $463,750.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194) |
| 4.446 | Form of 6.250% Notes due 2024, Note 16, of an aggregate principal amount of $836,475.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194) |
| 4.447 | Form of 6.250% Notes due 2024, Note 17, of an aggregate principal amount of $536,725.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194) |
| 4.448 | Four Hundred Thirty-Third Supplemental Indenture dated as of July 21, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(194) |
| 4.449 | Form of 6.250% Notes due 2024, Note 18, of an aggregate principal amount of $1,746,400.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195) |
| 4.450 | Form of 6.250% Notes due 2024, Note 19, of an aggregate principal amount of $826,325.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195) |
| 4.451 | Form of 6.250% Notes due 2024, Note 20, of an aggregate principal amount of $838,525.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195) |
| 4.452 | Form of 6.250% Notes due 2024, Note 21, of an aggregate principal amount of $1,027,325.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195) |
| 4.453 | Form of 6.250% Notes due 2024, Note 22, of an aggregate principal amount of $1,329,050.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195) |
| 4.454 | Four Hundred Thirty-Fourth Supplemental Indenture dated as of July 28, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(195) |
| 4.455 | Form of 6.250% Notes due 2024, Note 23, of an aggregate principal amount of $1,232,075.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196) |
| 4.456 | Form of 6.250% Notes due 2024, Note 24, of an aggregate principal amount of $1,273,150.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196) |
| 4.457 | Form of 6.250% Notes due 2024, Note 25, of an aggregate principal amount of $1,825,850.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196) |

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| 4.458 | Form of 6.250% Notes due 2024, Note 26, of an aggregate principal amount of $902,650.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196) |
| 4.459 | Form of 6.250% Notes due 2024, Note 27, of an aggregate principal amount of $866,500.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196) |
| 4.460 | Four Hundred Thirty-Fifth Supplemental Indenture dated as of August 4, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(196) |
| 4.461 | Form of 6.250% Notes due 2024, Note 28, of an aggregate principal amount of $1,284,800.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197) |
| 4.462 | Form of 6.250% Notes due 2024, Note 29, of an aggregate principal amount of $1,423,275.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197) |
| 4.463 | Form of 6.250% Notes due 2024, Note 30, of an aggregate principal amount of $1,424,750.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197) |
| 4.464 | Form of 6.250% Notes due 2024, Note 31, of an aggregate principal amount of $1,525,475.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197) |
| 4.465 | Form of 6.250% Notes due 2024, Note 32, of an aggregate principal amount of $1,335,200.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197) |
| 4.466 | Four Hundred Thirty-Sixth Supplemental Indenture dated as of August 11, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(197) |
| 4.467 | Form of 6.250% Notes due 2024, Note 33, of an aggregate principal amount of $746,950.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198) |
| 4.468 | Form of 6.250% Notes due 2024, Note 34, of an aggregate principal amount of $1,254,725.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198) |
| 4.469 | Form of 6.250% Notes due 2024, Note 35, of an aggregate principal amount of $790,900.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198) |
| 4.470 | Form of 6.250% Notes due 2024, Note 36, of an aggregate principal amount of $1,477,725.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198) |
| 4.471 | Form of 6.250% Notes due 2024, Note 37, of an aggregate principal amount of $2,147,375.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198) |

**Exhibit No.**

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| 4.472 | Four Hundred Thirty-Seventh Supplemental Indenture dated as of August 18, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(198) |
| 4.473 | Form of 6.250% Notes due 2024, Note 38, of an aggregate principal amount of $1,502,000.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199) |
| 4.474 | Form of 6.250% Notes due 2024, Note 39, of an aggregate principal amount of $1,098,150.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199) |
| 4.475 | Form of 6.250% Notes due 2024, Note 40, of an aggregate principal amount of $719,375.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199) |
| 4.476 | Form of 6.250% Notes due 2024, Note 41, of an aggregate principal amount of $979,025.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199) |
| 4.477 | Four Hundred Thirty-Eighth Supplemental Indenture dated as of August 25, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(199) |
| 4.478 | Four Hundred Thirty-Ninth Supplemental Indenture dated as of September 15, 2016, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(201) |
| 4.479 | Four Hundred Fortieth Supplemental Indenture dated as of September 22, 2016, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(202) |
| 4.480 | Four Hundred Forty-First Supplemental Indenture dated as of September 29, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(203) |
| 4.481 | Four Hundred Forty-Second Supplemental Indenture dated as of October 6, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(204) |
| 4.482 | Four Hundred Forty-Third Supplemental Indenture dated as of October 14, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(205) |
| 4.483 | Four Hundred Forty-Fourth Supplemental Indenture dated as of October 20, 2016, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2021(206) |
| 4.484 | Four Hundred Forty-Fifth Supplemental Indenture dated as of October 27, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(207) |
| 4.485 | Four Hundred Forty-Sixth Supplemental Indenture dated as of November 3, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(208) |

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| 4.486 | Four Hundred Forty-Seventh Supplemental Indenture dated as of November 25, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(209) |
| 4.487 | Four Hundred Forty-Eighth Supplemental Indenture dated as of December 1, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(210) |
| 4.488 | Four Hundred Forty-Ninth Supplemental Indenture dated as of December 8, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(211) |
| 4.489 | Four Hundred Fiftieth Supplemental Indenture dated as of December 15, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(212) |
| 4.490 | Four Hundred Fifty-First Supplemental Indenture dated as of December 22, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(213) |
| 4.491 | Four Hundred Fifty-Second Supplemental Indenture dated as of December 30, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(214) |
| 4.492 | Four Hundred Fifty-Third Supplemental Indenture dated as of January 6, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(215) |
| 4.493 | Four Hundred Fifty-Fourth Supplemental Indenture dated as of January 12, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(216) |
| 4.494 | Four Hundred Fifty-Fifth Supplemental Indenture dated as of January 20, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(217) |
| 4.495 | Four Hundred Fifty-Sixth Supplemental Indenture dated as of January 26, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(218) |
| 4.496 | Four Hundred Fifty-Seventh Supplemental Indenture dated as of February 2, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(219) |
| 4.497 | Four Hundred Fifty-Eighth Supplemental Indenture dated as of February 9, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(220) |
| 4.498 | Four Hundred Fifty-Ninth Supplemental Indenture dated as of February 24, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(221) |
| 4.499 | Four Hundred Sixtieth Supplemental Indenture dated as of March 2, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(222) |

**Exhibit No.**

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| 4.500 | Four Hundred Sixty-First Supplemental Indenture dated as of March 9, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(223) |
| 4.501 | Four Hundred Sixty-Second Supplemental Indenture dated as of March 16, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(224) |
| 4.502 | Four Hundred Sixty-Third Supplemental Indenture dated as of March 23, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(225) |
| 4.503 | Four Hundred Sixty-Fourth Supplemental Indenture dated as of March 30, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(226) |
| 4.504 | Four Hundred Sixty-Fifth Supplemental Indenture dated as of April 6, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(227) |
| 4.505 | Supplemental Indenture dated as of April 11, 2017, to the U.S. Bank Indenture, and Form of 4.950% Convertible Note due 2022(228) |
| 4.506 | Four Hundred Sixty-Sixth Supplemental Indenture dated as of April 20, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(230) |
| 4.507 | Four Hundred Sixty-Seventh Supplemental Indenture dated as of April 27, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(231) |
| 4.508 | Four Hundred Sixty-Eighth Supplemental Indenture dated as of May 4, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(232) |
| 4.509 | Four Hundred Sixty-Ninth Supplemental Indenture dated as of May 11, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(233) |
| 4.510 | Four Hundred Seventieth Supplemental Indenture dated as of May 25, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(234) |
| 4.511 | Four Hundred Seventy-First Supplemental Indenture dated as of June 2, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(235) |
| 4.512 | Four Hundred Seventy-Second Supplemental Indenture dated as of June 8, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(236) |
| 4.513 | Four Hundred Seventy-Third Supplemental Indenture dated as of June 15, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(237) |

4.514 Four Hundred Seventy-Fourth Supplemental Indenture dated as of June 22, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(238)

4.515 Four Hundred Seventy-Fifth Supplemental Indenture dated as of June 29, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(239)

4.516 Four Hundred Seventy-Sixth Supplemental Indenture dated as of July 7, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(240)

4.517 Four Hundred Seventy-Seventh Supplemental Indenture dated as of July 7, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2024(240)

4.518 Four Hundred Seventy-Eighth Supplemental Indenture dated as of July 13, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(241)

4.519 Four Hundred Seventy-Ninth Supplemental Indenture dated as of July 13, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2024(241)

4.520 Four Hundred Eightieth Supplemental Indenture dated as of July 20, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(242)

4.521 Four Hundred Eighty-First Supplemental Indenture dated as of July 20, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2024(242)

4.522 Four Hundred Eighty-Second Supplemental Indenture dated as of July 27, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(243)

4.523 Four Hundred Eighty-Third Supplemental Indenture dated as of July 27, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2024(243)

4.524 Four Hundred Eighty-Fourth Supplemental Indenture dated as of August 3, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(244)

4.525 Four Hundred Eighty-Fifth Supplemental Indenture dated as of August 3, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2025(244)

4.526 Four Hundred Eighty-Sixth Supplemental Indenture dated as of August 10, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(245)

4.527 Four Hundred Eighty-Seventh Supplemental Indenture dated as of August 10, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2025(245)

**Exhibit No.**

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| 4.528 | Four Hundred Eighty-Eighth Supplemental Indenture dated as of August 17, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(246) |
| 4.529 | Four Hundred Eighty-Ninth Supplemental Indenture dated as of August 17, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2025(246) |
| 4.530 | Four Hundred Ninetieth Supplemental Indenture dated as of August 24, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2022(247) |
| 4.531 | Four Hundred Ninety-First Supplemental Indenture dated as of August 24, 2017, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(247) |
| 4.532 | Four Hundred Ninety-Second Supplemental Indenture dated as of August 31, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2022(249) |
| 4.533 | Four Hundred Ninety-Third Supplemental Indenture dated as of August 31, 2017, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(249) |
| 4.534 | Four Hundred Ninety-Fourth Supplemental Indenture dated as of September 14, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(250) |
| 4.535 | Four Hundred Ninety-Fifth Supplemental Indenture dated as of September 14, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(250) |
| 4.536 | Four Hundred Ninety-Sixth Supplemental Indenture dated as of September 21, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(251) |
| 4.537 | Four Hundred Ninety-Seventh Supplemental Indenture dated as of September 21, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(251) |
| 4.538 | Four Hundred Ninety-Eighth Supplemental Indenture dated as of September 28, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(252) |
| 4.539 | Four Hundred Ninety-Ninth Supplemental Indenture dated as of September 28, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(252) |
| 4.540 | Five Hundredth Supplemental Indenture dated as of October 5, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(253) |
| 4.541 | Five Hundred First Supplemental Indenture dated as of October 5, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(253) |

4.542 Five Hundred Second Supplemental Indenture dated as of October 13, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(254)

4.543 Five Hundred Third Supplemental Indenture dated as of October 13, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(254)

4.544 Five Hundred Fourth Supplemental Indenture dated as of October 19, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(255)

4.545 Five Hundred Fifth Supplemental Indenture dated as of October 19, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(255)

4.546 Five Hundred Sixth Supplemental Indenture dated as of October 26, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(256)

4.547 Five Hundred Seventh Supplemental Indenture dated as of October 26, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(256)

4.548 Five Hundred Eighth Supplemental Indenture dated as of November 2, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(257)

4.549 Five Hundred Ninth Supplemental Indenture dated as of November 2, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(257)

4.550 Five Hundred Tenth Supplemental Indenture dated as of November 24, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(258)

4.551 Five Hundred Eleventh Supplemental Indenture dated as of November 24, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(258)

4.552 Five Hundred Twelfth Supplemental Indenture dated as of November 30, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(259)

4.553 Five Hundred Thirteenth Supplemental Indenture dated as of November 30, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(259)

4.554 Five Hundred Fourteenth Supplemental Indenture dated as of December 7, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(260)

4.555 Five Hundred Fifteenth Supplemental Indenture dated as of December 7, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(260)

**Exhibit No.**

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| 4.556 | Five Hundred Sixteenth Supplemental Indenture dated as of December 14, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(261) |
| 4.557 | Five Hundred Seventeenth Supplemental Indenture dated as of December 14, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(261) |
| 4.558 | Five Hundred Eighteenth Supplemental Indenture dated as of December 21, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(262) |
| 4.559 | Five Hundred Nineteenth Supplemental Indenture dated as of December 21, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(262) |
| 4.560 | Five Hundred Twentieth Supplemental Indenture dated as of December 29, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(263) |
| 4.561 | Five Hundred Twenty-First Supplemental Indenture dated as of December 29, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(263) |
| 4.562 | Five Hundred Twenty-Second Supplemental Indenture dated as of January 5, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(264) |
| 4.563 | Five Hundred Twenty-Third Supplemental Indenture dated as of January 5, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(264) |
| 4.564 | Five Hundred Twenty-Fourth Supplemental Indenture dated as of January 11, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(265) |
| 4.565 | Five Hundred Twenty-Fifth Supplemental Indenture dated as of January 11, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(265) |
| 4.566 | Five Hundred Twenty-Sixth Supplemental Indenture dated as of January 19, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(266) |
| 4.567 | Five Hundred Twenty-Seventh Supplemental Indenture dated as of January 19, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(266) |
| 4.568 | Five Hundred Twenty-Eighth Supplemental Indenture dated as of January 25, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(267) |
| 4.569 | Five Hundred Twenty-Ninth Supplemental Indenture dated as of January 25, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(267) |

4.570 Five Hundred Thirtieth Supplemental Indenture dated as of February 1, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(268)

4.571 Five Hundred Thirty-First Supplemental Indenture dated as of February 1, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(268)

4.572 Five Hundred Thirty-Second Supplemental Indenture dated as of February 8, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(269)

4.573 Five Hundred Thirty-Third Supplemental Indenture dated as of February 8, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(269)

4.574 Five Hundred Thirty-Fourth Supplemental Indenture dated as of February 23, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(270)

4.575 Five Hundred Thirty-Fifth Supplemental Indenture dated as of February 23, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(270)

4.576 Five Hundred Thirty-Sixth Supplemental Indenture dated as of March 1, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(271)

4.577 Five Hundred Thirty-Seventh Supplemental Indenture dated as of March 1, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(271)

4.578 Five Hundred Thirty-Eighth Supplemental Indenture dated as of March 8, 2018, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2023(272)

4.579 Five Hundred Thirty-Ninth Supplemental Indenture dated as of March 8, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2026(272)

4.580 Five Hundred Fortieth Supplemental Indenture dated as of March 15, 2018, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2023(273)

4.581 Five Hundred Forty-First Supplemental Indenture dated as of March 15, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2026(273)

4.582 Five Hundred Forty-Second Supplemental Indenture dated as of March 22, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(274)

4.583 Five Hundred Forty-Third Supplemental Indenture dated as of March 22, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(274)

**Exhibit No.**

4.584 Five Hundred Forty-Fourth Supplemental Indenture dated as of March 29, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(275)

4.585 Five Hundred Forty-Fifth Supplemental Indenture dated as of March 29, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(275)

4.586 Five Hundred Forty-Sixth Supplemental Indenture dated as of April 5, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(276)

4.587 Five Hundred Forty-Seventh Supplemental Indenture dated as of April 5, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(276)

4.588 Five Hundred Forty-Eighth Supplemental Indenture dated as of April 12, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(277)

4.589 Five Hundred Forty-Ninth Supplemental Indenture dated as of April 12, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(277)

4.590 Five Hundred Fiftieth Supplemental Indenture dated as of April 19, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(278)

4.591 Five Hundred Fifty-First Supplemental Indenture dated as of April 19, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(278)

4.592 Five Hundred Fifty-Second Supplemental Indenture dated as of April 26, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(279)

4.593 Five Hundred Fifty-Third Supplemental Indenture dated as of April 26, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(279)

4.594 Five Hundred Fifty-Fourth Supplemental Indenture dated as of May 3, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(280)

4.595 Five Hundred Fifty-Fifth Supplemental Indenture dated as of May 3, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(280)

4.596 Five Hundred Fifty-Sixth Supplemental Indenture dated as of May 10, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(281)

4.597 Five Hundred Fifty-Seventh Supplemental Indenture dated as of May 10, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(281)

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| 4.598 | Form of Global Note of 4.95% Convertible Notes due 2022(282) |
| 4.599 | Five Hundred Fifty-Eighth Supplemental Indenture dated as of May 24, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(284) |
| 4.600 | Five Hundred Fifty-Ninth Supplemental Indenture dated as of May 24, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(284) |
| 4.601 | Five Hundred Sixtieth Supplemental Indenture dated as of June 1, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(285) |
| 4.602 | Five Hundred Sixty-First Supplemental Indenture dated as of June 1, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(285) |
| 4.603 | Supplemental Indenture dated as of June 7, 2018, to the U.S. Bank Indenture, and Form of 6.250% Note due 2028(286) |
| 4.604 | Form of Global Note of 5.875% Senior Notes due 2023(287) |
| 4.605 | Five Hundred Sixty-Second Supplemental Indenture dated as of June 21, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(288) |
| 4.606 | Five Hundred Sixty-Third Supplemental Indenture dated as of June 21, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(288) |
| 4.607 | Five Hundred Sixty-Fourth Supplemental Indenture dated as of June 28, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(289) |
| 4.608 | Five Hundred Sixty-Fifth Supplemental Indenture dated as of June 28, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(289) |
| 4.609 | Supplemental Indenture dated as of July 2, 2018, to the U.S. Bank Indenture, and Form of 6.250% Note due 2024(290) |
| 4.610 | Supplemental Indenture dated as of July 2, 2018, to the U.S. Bank Indenture, and Form of 6.250% Note due 2028(290) |
| 4.611 | Five Hundred Sixty-Sixth Supplemental Indenture dated as of July 6, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(291) |
| 4.612 | Five Hundred Sixty-Seventh Supplemental Indenture dated as of July 6, 2018, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(291) |

4.613 Five Hundred Sixty-Eighth Supplemental Indenture dated as of July 12, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(292)

**Exhibit No.**

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| 4.614 | Five Hundred Sixty-Ninth Supplemental Indenture dated as of July 12, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(292) |
| 4.615 | Five Hundred Seventieth Supplemental Indenture dated as of July 12, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(292) |
| 4.616 | Five Hundred Seventy-First Supplemental Indenture dated as of July 19, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(293) |
| 4.617 | Five Hundred Seventy-Second Supplemental Indenture dated as of July 19, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(293) |
| 4.618 | Five Hundred Seventy-Third Supplemental Indenture dated as of July 19, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(293) |
| 4.619 | Five Hundred Seventy-Fourth Supplemental Indenture dated as of July 26, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(294) |
| 4.620 | Five Hundred Seventy-Fifth Supplemental Indenture dated as of July 26, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(294) |
| 4.621 | Five Hundred Seventy-Sixth Supplemental Indenture dated as of July 26, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(294) |
| 4.622 | Five Hundred Seventy-Seventh Supplemental Indenture dated as of August 2, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(295) |
| 4.623 | Five Hundred Seventy-Eighth Supplemental Indenture dated as of August 2, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(295) |
| 4.624 | Five Hundred Seventy-Ninth Supplemental Indenture dated as of August 2, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(295) |
| 4.625 | Five Hundred Eightieth Supplemental Indenture dated as of August 9, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(297) |
| 4.626 | Five Hundred Eighty-First Supplemental Indenture dated as of August 9, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(297) |
| 4.627 | Five Hundred Eighty-Second Supplemental Indenture dated as of August 9, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(297) |

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| 4.628 | Five Hundred Eighty-Third Supplemental Indenture dated as of August 16, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(298) |
| 4.629 | Five Hundred Eighty-Fourth Supplemental Indenture dated as of August 16, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(298) |
| 4.630 | Five Hundred Eighty-Fifth Supplemental Indenture dated as of August 16, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(298) |
| 4.631 | Five Hundred Eighty-Sixth Supplemental Indenture dated as of August 23, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(299) |
| 4.632 | Five Hundred Eighty-Seventh Supplemental Indenture dated as of August 23, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(299) |
| 4.633 | Five Hundred Eighty-Eighth Supplemental Indenture dated as of August 23, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(299) |
| 4.634 | Five Hundred Eighty-Ninth Supplemental Indenture dated as of August 30, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(300) |
| 4.635 | Five Hundred Ninetieth Supplemental Indenture dated as of August 30, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(300) |
| 4.636 | Five Hundred Ninety-First Supplemental Indenture dated as of August 30, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(300) |
| 4.637 | Five Hundred Ninety-Second Supplemental Indenture dated as of September 13, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(301) |
| 4.638 | Five Hundred Ninety-Third Supplemental Indenture dated as of September 13, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(301) |
| 4.639 | Five Hundred Ninety-Fourth Supplemental Indenture dated as of September 13, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(301) |
| 4.640 | Five Hundred Ninety-Fifth Supplemental Indenture dated as of September 20, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(302) |
| 4.641 | Five Hundred Ninety-Sixth Supplemental Indenture dated as of September 20, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(302) |

**Exhibit No.**

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| 4.642 | Five Hundred Ninety-Seventh Supplemental Indenture dated as of September 20, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(302) |
| 4.643 | Five Hundred Ninety-Eighth Supplemental Indenture dated as of September 27, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(303) |
| 4.644 | Five Hundred Ninety-Ninth Supplemental Indenture dated as of September 27, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(303) |
| 4.645 | Six Hundredth Supplemental Indenture dated as of September 27, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(303) |
| 4.646 | Supplemental Indenture dated as of October 1, 2018, to the U.S. Bank Indenture(304) |
| 4.647 | Form of 6.375% Senior Note due 2024(304) |
| 4.648 | Six Hundred First Supplemental Indenture dated as of October 4, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2023(305) |
| 4.649 | Six Hundred Second Supplemental Indenture dated as of October 4, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(305) |
| 4.650 | Six Hundred Third Supplemental Indenture dated as of October 4, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(305) |
| 4.651 | Six Hundred Fourth Supplemental Indenture dated as of October 12, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(306) |
| 4.652 | Six Hundred Fifth Supplemental Indenture dated as of October 12, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(306) |
| 4.653 | Six Hundred Sixth Supplemental Indenture dated as of October 12, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(306) |
| 4.654 | Six Hundred Seventh Supplemental Indenture dated as of October 18, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(307) |
| 4.655 | Six Hundred Eighth Supplemental Indenture dated as of October 18, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(307) |
| 4.656 | Six Hundred Ninth Supplemental Indenture dated as of October 18, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(307) |
| 4.657 | Six Hundred Tenth Supplemental Indenture dated as of October 25, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(308) |
| 4.658 | Six Hundred Eleventh Supplemental Indenture dated as of October 25, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(308) |
| 4.659 | Six Hundred Twelfth Supplemental Indenture dated as of October 25, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(308) |
| 4.660 | Six Hundred Thirteenth Supplemental Indenture dated as of November 1, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(309) |
| 4.661 | Six Hundred Fourteenth Supplemental Indenture dated as of November 1, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(309) |
| 4.662 | Six Hundred Fifteenth Supplemental Indenture dated as of November 1, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(309) |
| 4.663 | Six Hundred Sixteenth Supplemental Indenture dated as of November 8, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(310) |
| 4.664 | Six Hundred Seventeenth Supplemental Indenture dated as of November 8, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(310) |
| 4.665 | Six Hundred Eighteenth Supplemental Indenture dated as of November 8, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(310) |
| 4.666 | Six Hundred Nineteenth Supplemental Indenture dated as of November 23, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(311) |
| 4.667 | Six Hundred Twentieth Supplemental Indenture dated as of November 23, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(311) |
| 4.668 | Six Hundred Twenty-First Supplemental Indenture dated as of November 23, 2018, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2028(311) |
| 4.669 | Six Hundred Twenty-Second Supplemental Indenture dated as of November 29, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(312) |
| 4.670 | Six Hundred Twenty-Third Supplemental Indenture dated as of November 29, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(312) |

**Exhibit No.**

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| 4.671 | Six Hundred Twenty-Fourth Supplemental Indenture dated as of November 29, 2018, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2028(312) |
| 4.672 | Supplemental Indenture dated as of December 5, 2018, to the U.S. Bank Indenture, and Form of 6.875% Senior Note due 2029(313) |
| 4.673 | Six Hundred Twenty-Fifth Supplemental Indenture dated as of December 13, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(314) |
| 4.674 | Six Hundred Twenty-Sixth Supplemental Indenture dated as of December 13, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(314) |
| 4.675 | Six Hundred Twenty-Seventh Supplemental Indenture dated as of December 20, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(315) |
| 4.676 | Six Hundred Twenty-Eighth Supplemental Indenture dated as of December 20, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(315) |
| 4.677 | Six Hundred Twenty-Ninth Supplemental Indenture dated as of December 28, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(316) |
| 4.678 | Six Hundred Thirtieth Supplemental Indenture dated as of December 28, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(316) |
| 4.679 | Six Hundred Thirty-First Supplemental Indenture dated as of January 4, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(317) |
| 4.680 | Six Hundred Thirty-Second Supplemental Indenture dated as of January 4, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(317) |
| 4.681 | Six Hundred Thirty-Third Supplemental Indenture dated as of January 10, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(318) |
| 4.682 | Six Hundred Thirty-Fourth Supplemental Indenture dated as of January 10, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(318) |
| 4.683 | Six Hundred Thirty-Fifth Supplemental Indenture dated as of January 17, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(319) |
| 4.684 | Six Hundred Thirty-Sixth Supplemental Indenture dated as of January 17, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(319) |
| 4.685 | Six Hundred Thirty-Seventh Supplemental Indenture dated as of January 25, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(320) |
| 4.686 | Six Hundred Thirty-Eighth Supplemental Indenture dated as of January 25, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(320) |
| 4.687 | Six Hundred Thirty-Ninth Supplemental Indenture dated as of January 25, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(320) |
| 4.688 | Six Hundred Fortieth Supplemental Indenture dated as of January 31, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(321) |
| 4.689 | Six Hundred Forty-First Supplemental Indenture dated as of January 31, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(321) |
| 4.690 | Six Hundred Forty-Second Supplemental Indenture dated as of January 31, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(321) |
| 4.691 | Six Hundred Forty-Third Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(322) |
| 4.692 | Six Hundred Forty-Fourth Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(322) |
| 4.693 | Six Hundred Forty-Fifth Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(322) |
| 4.694 | Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture and Form of 6.875% Note due 2029(323) |
| 4.695 | Six Hundred Forty-Sixth Supplemental Indenture dated as of February 22, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(324) |
| 4.696 | Six Hundred Forty-Seventh Supplemental Indenture dated as of February 22, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(324) |
| 4.697 | Six Hundred Forty-Eighth Supplemental Indenture dated as of February 22, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(324) |
| 4.698 | Six Hundred Forty-Ninth Supplemental Indenture dated as of February 28, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(325) |

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| 4.699 | Six Hundred Fiftieth Supplemental Indenture dated as of February 28, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(325) |

**Exhibit No.**

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| 4.700 | Six Hundred Fifty-First Supplemental Indenture dated as of February 28, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(325) |
| 4.701 | Supplemental Indenture dated as of March 1, 2019, to the U.S. Bank Indenture, and Form of 6.375% Convertible Note due 2025(326) |
| 4.702 | Six Hundred Fifty-Second Supplemental Indenture dated as of March 7, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(327) |
| 4.703 | Six Hundred Fifty-Third Supplemental Indenture dated as of March 7, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(327) |
| 4.704 | Six Hundred Fifty-Fourth Supplemental Indenture dated as of March 7, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(327) |
| 4.705 | Six Hundred Fifty-Fifth Supplemental Indenture dated as of March 14, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(328) |
| 4.706 | Six Hundred Fifty-Sixth Supplemental Indenture dated as of March 14, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(328) |
| 4.707 | Six Hundred Fifty-Seventh Supplemental Indenture dated as of March 14, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(328) |
| 4.708 | Six Hundred Fifty-Eighth Supplemental Indenture dated as of March 21, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(329) |
| 4.709 | Six Hundred Fifty-Ninth Supplemental Indenture dated as of March 21, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(329) |
| 4.710 | Six Hundred Sixtieth Supplemental Indenture dated as of March 21, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(329) |
| 4.711 | Six Hundred Sixty-First Supplemental Indenture dated as of March 28, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(330) |
| 4.712 | Six Hundred Sixty-Second Supplemental Indenture dated as of March 28, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(330) |
| 4.713 | Six Hundred Sixty-Third Supplemental Indenture dated as of March 28, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(330) |
| 4.714 | Six Hundred Sixty-Fourth Supplemental Indenture dated as of April 4, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(331) |
| 4.715 | Six Hundred Sixty-Fifth Supplemental Indenture dated as of April 4, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(331) |
| 4.716 | Six Hundred Sixty-Sixth Supplemental Indenture dated as of April 4, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(331) |
| 4.717 | Six Hundred Sixty-Seventh Supplemental Indenture dated as of April 11, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(332) |
| 4.718 | Six Hundred Sixty-Eighth Supplemental Indenture dated as of April 11, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(332) |
| 4.719 | Six Hundred Sixty-Ninth Supplemental Indenture dated as of April 11, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(332) |
| 4.720 | Six Hundred Seventieth Supplemental Indenture dated as of April 18, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(333) |
| 4.721 | Six Hundred Seventy-First Supplemental Indenture dated as of April 18, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(333) |
| 4.722 | Six Hundred Seventy-Second Supplemental Indenture dated as of April 18, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(333) |
| 4.723 | Six Hundred Seventy-Third Supplemental Indenture dated as of April 25, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2024(334) |
| 4.724 | Six Hundred Seventy-Fourth Supplemental Indenture dated as of April 25, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(334) |
| 4.725 | Six Hundred Seventy-Fifth Supplemental Indenture dated as of April 25, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2029(334) |
| 4.726 | Six Hundred Seventy-Sixth Supplemental Indenture dated as of May 2, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2024(335) |
| 4.727 | Six Hundred Seventy-Seventh Supplemental Indenture dated as of May 2, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(335) |

**Exhibit No.**

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| 4.728 | Six Hundred Seventy-Eighth Supplemental Indenture dated as of May 2, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2029(335) |
| 4.729 | Six Hundred Seventy-Ninth Supplemental Indenture dated as of May 9, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2024(336) |
| 4.730 | Six Hundred Eightieth Supplemental Indenture dated as of May 9, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2026(336) |
| 4.731 | Six Hundred Eighty-First Supplemental Indenture dated as of May 9, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2029(336) |
| 4.732 | Six Hundred Eighty-Second Supplemental Indenture dated as of May 23, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2024(338) |
| 4.733 | Six Hundred Eighty-Third Supplemental Indenture dated as of May 23, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2026(338) |
| 4.734 | Six Hundred Eighty-Fourth Supplemental Indenture dated as of May 23, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2029(338) |
| 4.735 | Six Hundred Eighty-Fifth Supplemental Indenture dated as of May 31, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2024(339) |
| 4.736 | Six Hundred Eighty-Sixth Supplemental Indenture dated as of May 31, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2026(339) |
| 4.737 | Six Hundred Eighty-Seventh Supplemental Indenture dated as of May 31, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2029(339) |
| 4.738 | Six Hundred Eighty-Eighth Supplemental Indenture dated as of June 6, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(340) |
| 4.739 | Six Hundred Eighty-Ninth Supplemental Indenture dated as of June 6, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(340) |
| 4.740 | Six Hundred Ninetieth Supplemental Indenture dated as of June 6, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(340) |
| 4.741 | Six Hundred Ninety-First Supplemental Indenture dated as of June 13, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(341) |
| 4.742 | Six Hundred Ninety-Second Supplemental Indenture dated as of June 13, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(341) |
| 4.743 | Six Hundred Ninety-Third Supplemental Indenture dated as of June 13, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(341) |
| 4.744 | Six Hundred Ninety-Fourth Supplemental Indenture dated as of June 20, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(342) |
| 4.745 | Six Hundred Ninety-Fifth Supplemental Indenture dated as of June 20, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(342) |
| 4.746 | Six Hundred Ninety-Sixth Supplemental Indenture dated as of June 20, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(342) |
| 4.747 | Six Hundred Ninety-Seventh Supplemental Indenture dated as of June 27, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(343) |
| 4.748 | Six Hundred Ninety-Eighth Supplemental Indenture dated as of June 27, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(343) |
| 4.749 | Six Hundred Ninety-Ninth Supplemental Indenture dated as of June 27, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(343) |
| 4.750 | Seven Hundredth Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(344) |
| 4.751 | Seven Hundred First Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(344) |
| 4.752 | Seven Hundred Second Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(344) |
| 4.753 | Seven Hundred Third Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.000% to 7.500% Prospect Capital InterNote® due 2029(344) |
| 4.754 | Seven Hundred Fourth Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2024(345) |
| 4.755 | Seven Hundred Fifth Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(345) |

**Exhibit No.**

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| 4.756 | Seven Hundred Sixth Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2029(345) |
| 4.757 | Seven Hundred Seventh Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 4.750% to 7.250% Prospect Capital InterNote® due 2029(345) |
| 4.758 | Seven Hundred Eighth Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2024(346) |
| 4.759 | Seven Hundred Ninth Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(346) |
| 4.760 | Seven Hundred Tenth Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2029(346) |
| 4.761 | Seven Hundred Eleventh Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 4.750% to 7.250% Prospect Capital InterNote® due 2029(346) |
| 4.762 | Seven Hundred Twelfth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2024(347) |
| 4.763 | Seven Hundred Thirteenth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2026(347) |
| 4.764 | Seven Hundred Fourteenth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2029(347) |
| 4.765 | Seven Hundred Fifteenth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 4.500% to 7.000% Prospect Capital InterNote® due 2029(347) |
| 4.766 | Seven Hundred Sixteenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2024(348) |
| 4.767 | Seven Hundred Seventeenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(348) |
| 4.768 | Seven Hundred Eighteenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2029(348) |
| 4.769 | Seven Hundred Nineteenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.250% to 6.750% Prospect Capital InterNote® due 2029(348) |
| 4.770 | Seven Hundred Twentieth Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2024(349) |
| 4.771 | Seven Hundred Twenty-First Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(349) |
| 4.772 | Seven Hundred Twenty-Second Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2029(349) |
| 4.773 | Seven Hundred Twenty-Third Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.250% to 6.750% Prospect Capital InterNote® due 2029(349) |
| 4.774 | Seven Hundred Twenty-Fourth Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(350) |
| 4.775 | Seven Hundred Twenty-Fifth Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(350) |
| 4.776 | Seven Hundred Twenty-Sixth Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(350) |
| 4.777 | Seven Hundred Twenty-Seventh Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.000% to 6.500% Prospect Capital InterNote® due 2029(350) |
| 4.778 | Seven Hundred Twenty-Eighth Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(351) |
| 4.779 | Seven Hundred Twenty-Ninth Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(351) |
| 4.780 | Seven Hundred Thirtieth Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(351) |
| 4.781 | Seven Hundred Thirty-First Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 3.750% to 6.250% Prospect Capital InterNote® due 2029(351) |
| 4.782 | Seven Hundred Thirty-Second Supplemental Indenture dated as of September 26, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(356) |
| 4.783 | Seven Hundred Thirty-Third Supplemental Indenture dated as of September 26, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(356) |

**Exhibit No.**

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| 4.784 | Seven Hundred Thirty-Fourth Supplemental Indenture dated as of September 26, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(356) |
| 4.785 | Seven Hundred Thirty-Fifth Supplemental Indenture dated as of September 26, 2019, to the U.S. Bank Indenture, and Form of 3.750% to 6.250% Prospect Capital InterNote® due 2029(356) |
| 4.786 | Seven Hundred Thirty-Sixth Supplemental Indenture dated as of October 3, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(357) |
| 4.787 | Seven Hundred Thirty-Seventh Supplemental Indenture dated as of October 3, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(357) |
| 4.788 | Seven Hundred Thirty-Eighth Supplemental Indenture dated as of October 3, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(357) |
| 4.789 | Seven Hundred Thirty-Ninth Supplemental Indenture dated as of October 3, 2019, to the U.S. Bank Indenture, and Form of 3.750% to 6.250% Prospect Capital InterNote® due 2029(357) |
| 4.790 | Seven Hundred Fortieth Supplemental Indenture dated as of October 10, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(358) |
| 4.791 | Seven Hundred Forty-First Supplemental Indenture dated as of October 10, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(358) |
| 4.792 | Seven Hundred Forty-Second Supplemental Indenture dated as of October 10, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(358) |
| 4.793 | Seven Hundred Forty-Third Supplemental Indenture dated as of October 10, 2019, to the U.S. Bank Indenture, and Form of 3.750% to 6.250% Prospect Capital InterNote® due 2029(358) |
| 4.794 | Seven Hundred Forty-Fourth Supplemental Indenture dated as of October 18, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(359) |
| 4.795 | Seven Hundred Forty-Fifth Supplemental Indenture dated as of October 18, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(359) |
| 4.796 | Seven Hundred Forty-Sixth Supplemental Indenture dated as of October 18, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(359) |
| 4.797 | Seven Hundred Forty-Seventh Supplemental Indenture dated as of October 24, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(360) |
| 4.798 | Seven Hundred Forty-Eighth Supplemental Indenture dated as of October 24, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(360) |
| 4.799 | Seven Hundred Forty-Ninth Supplemental Indenture dated as of October 24, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(360) |
| 4.800 | Seven Hundred Fiftieth Supplemental Indenture dated as of October 31, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(361) |
| 4.801 | Seven Hundred Fifty-First Supplemental Indenture dated as of October 31, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(361) |
| 4.802 | Seven Hundred Fifty-Second Supplemental Indenture dated as of October 31, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(361) |
| 4.803 | Seven Hundred Fifty-Third Supplemental Indenture dated as of November 7, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(362) |
| 4.804 | Seven Hundred Fifty-Fourth Supplemental Indenture dated as of November 7, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(362) |
| 4.805 | Seven Hundred Fifty-Fifth Supplemental Indenture dated as of November 7, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(362) |
| 4.806 | Seven Hundred Fifty-Sixth Supplemental Indenture dated as of November 21, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(363) |
| 4.807 | Seven Hundred Fifty-Seventh Supplemental Indenture dated as of November 21, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(363) |
| 4.808 | Seven Hundred Fifty-Eighth Supplemental Indenture dated as of November 21, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(363) |
| 4.809 | Seven Hundred Fifty-Ninth Supplemental Indenture dated as of November 29, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(364) |
| 4.810 | Seven Hundred Sixtieth Supplemental Indenture dated as of November 29, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(364) |
| 4.811 | Seven Hundred Sixty-First Supplemental Indenture dated as of November 29, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(364) |

**Exhibit No.**

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| 4.812 | Seven Hundred Sixty-Second Supplemental Indenture dated as of December 5, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(365) |
| 4.813 | Seven Hundred Sixty-Third Supplemental Indenture dated as of December 5, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(365) |
| 4.814 | Seven Hundred Sixty-Fourth Supplemental Indenture dated as of December 5, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(365) |
| 4.815 | Seven Hundred Sixty-Fifth Supplemental Indenture dated as of December 12, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(366) |
| 4.816 | Seven Hundred Sixty-Sixth Supplemental Indenture dated as of December 12, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(366) |
| 4.817 | Seven Hundred Sixty-Seventh Supplemental Indenture dated as of December 12, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(366) |
| 4.818 | Seven Hundred Sixty-Eighth Supplemental Indenture dated as of December 19, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(367) |
| 4.819 | Seven Hundred Sixty-Ninth Supplemental Indenture dated as of December 19, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(367) |
| 4.820 | Seven Hundred Seventieth Supplemental Indenture dated as of December 19, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(367) |
| 4.821 | Seven Hundred Seventy-First Supplemental Indenture dated as of December 27, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(368) |
| 4.822 | Seven Hundred Seventy-Second Supplemental Indenture dated as of December 27, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(386) |
| 4.823 | Seven Hundred Seventy-Third Supplemental Indenture dated as of December 27, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(368) |
| 4.824 | Seven Hundred Seventy-Fourth Supplemental Indenture dated as of January 3, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(369) |
| 4.825 | Seven Hundred Seventy-Fifth Supplemental Indenture dated as of January 3, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(369) |
| 4.826 | Seven Hundred Seventy-Sixth Supplemental Indenture dated as of January 3, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(369) |
| 4.827 | Seven Hundred Seventy-Seventh Supplemental Indenture dated as of January 9, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(370) |
| 4.828 | Seven Hundred Seventy-Eighth Supplemental Indenture dated as of January 9, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(370) |
| 4.829 | Seven Hundred Seventy-Ninth Supplemental Indenture dated as of January 9, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(370) |
| 4.830 | Seven Hundred Eightieth Supplemental Indenture dated as of January 16, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(371) |
| 4.831 | Seven Hundred Eighty-First Supplemental Indenture dated as of January 16, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(371) |
| 4.832 | Seven Hundred Eighty-Second Supplemental Indenture dated as of January 16, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(371) |
| 4.833 | Seven Hundred Eighty-Third Supplemental Indenture dated as of January 24, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(372) |
| 4.834 | Seven Hundred Eighty-Fourth Supplemental Indenture dated as of January 24, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(372) |
| 4.835 | Seven Hundred Eighty-Fifth Supplemental Indenture dated as of January 24, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(372) |
| 4.836 | Seven Hundred Eighty-Sixth Supplemental Indenture dated as of January 30, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(373) |
| 4.837 | Seven Hundred Eighty-Seventh Supplemental Indenture dated as of January 30, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(373) |
| 4.838 | Seven Hundred Eighty-Eighth Supplemental Indenture dated as of January 30, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(373) |
| 4.839 | Seven Hundred Eighty-Ninth Supplemental Indenture dated as of February 6, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(374) |

**Exhibit No.**

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| 4.840 | Seven Hundred Ninetieth Supplemental Indenture dated as of February 6, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(374) |
| 4.841 | Seven Hundred Ninety-First Supplemental Indenture dated as of February 6, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(374) |
| 4.842 | Seven Hundred Ninety-Second Supplemental Indenture dated as of February 12, 2020, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2025(375) |
| 4.843 | Seven Hundred Ninety-Third Supplemental Indenture dated as of February 12, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2027(375) |
| 4.844 | Seven Hundred Ninety-Fourth Supplemental Indenture dated as of February 12, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2030(375) |
| 4.845 | Seven Hundred Ninety-Fifth Supplemental Indenture dated as of February 27, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(377) |
| 4.846 | Seven Hundred Ninety-Sixth Supplemental Indenture dated as of February 27, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(377) |
| 4.847 | Seven Hundred Ninety-Seventh Supplemental Indenture dated as of February 27, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(377) |
| 4.848 | Seven Hundred Ninety-Eighth Supplemental Indenture dated as of March 5, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(378) |
| 4.849 | Seven Hundred Ninety-Ninth Supplemental Indenture dated as of March 5, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(378) |
| 4.850 | Eight Hundredth Supplemental Indenture dated as of March 5, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(378) |
| 4.851 | Eight Hundred First Supplemental Indenture dated as of March 12, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(379) |
| 4.852 | Eight Hundred Second Supplemental Indenture dated as of March 12, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(379) |
| 4.853 | Eight Hundred Third Supplemental Indenture dated as of March 12, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(379) |
| 4.854 | Eight Hundred Fourth Supplemental Indenture dated as of March 19, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(380) |
| 4.855 | Eight Hundred Fifth Supplemental Indenture dated as of March 19, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(380) |
| 4.856 | Eight Hundred Sixth Supplemental Indenture dated as of March 19, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(380) |
| 4.857 | Eight Hundred Seventh Supplemental Indenture dated as of March 26, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025(381) |
| 4.858 | Eight Hundred Eighth Supplemental Indenture dated as of March 26, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027(381) |
| 4.859 | Eight Hundred Ninth Supplemental Indenture dated as of March 26, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030(381) |
| 4.860 | Eight Hundred Tenth Supplemental Indenture dated as of April 23, 2020, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(383) |
| 4.861 | Eight Hundred Eleventh Supplemental Indenture dated as of April 23, 2020, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2027(383) |
| 4.862 | Eight Hundred Twelfth Supplemental Indenture dated as of April 23, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2030(383) |
| 4.863 | Eight Hundred Thirteenth Supplemental Indenture dated as of April 30, 2020, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(384) |
| 4.864 | Eight Hundred Fourteenth Supplemental Indenture dated as of April 30, 2020, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2027(384) |
| 4.865 | Eight Hundred Fifteenth Supplemental Indenture dated as of April 30, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2030(384) |
| 4.866 | Eight Hundred Sixteenth Supplemental Indenture dated as of May 7, 2020, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(385) |
| 4.867 | Eight Hundred Seventeenth Supplemental Indenture dated as of May 7, 2020, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2027(385) |

**Exhibit No.**

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| 4.868 | Eight Hundred Eighteenth Supplemental Indenture dated as of May 7, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2030(385) |
| 4.869 | Eight Hundred Nineteenth Supplemental Indenture dated as of May 14, 2020, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(386) |
| 4.870 | Eight Hundred Twentieth Supplemental Indenture dated as of May 14, 2020, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2027(386) |
| 4.871 | Eight Hundred Twenty-First Supplemental Indenture dated as of May 14, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2030(386) |
| 4.872 | Eight Hundred Twenty-Second Supplemental Indenture dated as of May 29, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(387) |
| 4.873 | Eight Hundred Twenty-Third Supplemental Indenture dated as of May 29, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(387) |
| 4.874 | Eight Hundred Twenty-Fourth Supplemental Indenture dated as of May 29, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(387) |
| 4.875 | Eight Hundred Twenty-Fifth Supplemental Indenture dated as of June 4, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(388) |
| 4.876 | Eight Hundred Twenty-Sixth Supplemental Indenture dated as of June 4, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(388) |
| 4.877 | Eight Hundred Twenty-Seventh Supplemental Indenture dated as of June 4, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(388) |
| 4.878 | Eight Hundred Twenty-Eighth Supplemental Indenture dated as of June 11, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(389) |
| 4.879 | Eight Hundred Twenty-Ninth Supplemental Indenture dated as of June 11, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(389) |
| 4.880 | Eight Hundred Thirtieth Supplemental Indenture dated as of June 11, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(389) |
| 4.881 | Eight Hundred Thirty-First Supplemental Indenture dated as of June 18, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(390) |
| 4.882 | Eight Hundred Thirty-Second Supplemental Indenture dated as of June 18, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(390) |
| 4.883 | Eight Hundred Thirty-Third Supplemental Indenture dated as of June 18, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(390) |
| 4.884 | Eight Hundred Thirty-Fourth Supplemental Indenture dated as of June 25, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(391) |
| 4.885 | Eight Hundred Thirty-Fifth Supplemental Indenture dated as of June 25, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(391) |
| 4.886 | Eight Hundred Thirty-Sixth Supplemental Indenture dated as of June 25, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(391) |
| 4.887 | Eight Hundred Thirty-Seventh Supplemental Indenture dated as of July 2, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(392) |
| 4.888 | Eight Hundred Thirty-Eighth Supplemental Indenture dated as of July 2, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(392) |
| 4.889 | Eight Hundred Thirty-Ninth Supplemental Indenture dated as of July 2, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(392) |
| 4.890 | Eight Hundred Fortieth Supplemental Indenture dated as of July 9, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(393) |
| 4.891 | Eight Hundred Forty-First Supplemental Indenture dated as of July 9, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(393) |
| 4.892 | Eight Hundred Forty-Second Supplemental Indenture dated as of July 9, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(393) |
| 4.893 | Eight Hundred Forty-Third Supplemental Indenture dated as of July 16, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(394) |
| 4.894 | Eight Hundred Forty-Fourth Supplemental Indenture dated as of July 16, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(394) |
| 4.895 | Eight Hundred Forty-Fifth Supplemental Indenture dated as of July 16, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(394) |

**Exhibit No.**

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| 4.896 | Eight Hundred Forty-Sixth Supplemental Indenture dated as of July 23, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(395) |
| 4.897 | Eight Hundred Forty-Seventh Supplemental Indenture dated as of July 23, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(395) |
| 4.898 | Eight Hundred Forty-Eighth Supplemental Indenture dated as of July 23, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(395) |
| 4.899 | Eight Hundred Forty-Ninth Supplemental Indenture dated as of July 30, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(396) |
| 4.900 | Eight Hundred Fiftieth Supplemental Indenture dated as of July 30, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(396) |
| 4.901 | Eight Hundred Fifty-First Supplemental Indenture dated as of July 30, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(396) |
| 4.902 | Eight Hundred Fifty-Second Supplemental Indenture dated as of August 6, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(397) |
| 4.903 | Eight Hundred Fifty-Third Supplemental Indenture dated as of August 6, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(397) |
| 4.904 | Eight Hundred Fifty-Fourth Supplemental Indenture dated as of August 6, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(397) |
| 4.905 | Eight Hundred Fifty-Fifth Supplemental Indenture dated as of August 13, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(398) |
| 4.906 | Eight Hundred Fifty-Sixth Supplemental Indenture dated as of August 13, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2027(398) |
| 4.907 | Eight Hundred Fifty-Seventh Supplemental Indenture dated as of August 13, 2020, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2030(398) |
| 4.908 | Eight Hundred Fifty-Eighth Supplemental Indenture dated as of August 20, 2020, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(399) |
| 4.909 | Eight Hundred Fifty-Ninth Supplemental Indenture dated as of August 20, 2020, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2027(399) |
| 4.910 | Eight Hundred Sixtieth Supplemental Indenture dated as of August 20, 2020, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2030(399) |
| 4.911 | Articles of Amendment(402) |
| 4.912 | Articles Supplementary to the Articles of Amendment and Restatement of Prospect Capital Corporation(402) |
| 4.913 | Form of Subscription Agreement(402) |
| 4.914 | Description of Securities* |
| 10.1 | Investment Advisory Agreement between Registrant and Prospect Capital Management L.P.(2) |
| 10.2 | Administration Agreement between Registrant and Prospect Administration LLC(2) |
| 10.3 | Trademark License Agreement between the Registrant and Prospect Capital Investment Management, LLC(2) |
| 10.4 | Transfer Agency and Registrar Services Agreement(4) |
| 10.5 | Sixth Amended and Restated Loan and Servicing Agreement, dated August 1, 2018, among Prospect Capital Funding LLC, Prospect Capital Corporation, the lenders from time to time party thereto, the managing agents from time to time party thereto, U.S. Bank National Association as Calculation Agent, Paying Agent and Documentation Agent, and KeyBank National Association as Facility Agent, Syndication Agent, Structuring Agent, Sole Lead Arranger and Sole Bookrunner(296) |

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| 10.6 | Sixth Amended and Restated Selling Agent Agreement, dated November 10, 2016, by and among, the Registrant, Prospect Capital Management L.P., Prospect Administration LLC, Incapital LLC and the Agents named therein and added from time to time(209) |
| 10.7 | Amended and Restated Custody Agreement, dated as of September 23, 2014, by and between the Registrant and U.S. Bank National Association(106) |
| 10.8 | Custody Agreement, dated as of April 24, 2013, by and between the Registrant and Israeli Discount Bank of New York Ltd.(5) |
| 10.9 | Custody Agreement, dated as of October 28, 2013, by and between the Registrant and Fifth Third Bank(82) |
| 10.10 | Custody Agreement, dated as of May 9, 2014, by and between the Registrant and Customers Bank(104) |
| 10.11 | Custody Agreement, dated as of May 9, 2014, by and between the Registrant and Peapack-Gladstone Bank(105) |
| 10.12 | Custody Agreement, dated as of October 10, 2014, by and between Prospect Yield Corporation, LLC and U.S. Bank National Association(106) |

**Exhibit No.**

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| 10.13 | Third Amended and Restated Custody Agreement, dated as of November 6, 2015, by and between Prospect Small Business Lending, LLC and Deutsche Bank Trust Company Americas(248) |
| 10.14 | Debt Distribution Agreement, dated June 22, 2016(190) |
| 10.15 | Form of Debt Distribution Agreement(200) |
| 10.16 | Underwriting Agreement, dated April 6, 2017, by and among Prospect Capital Corporation, Prospect Capital Management L.P., Prospect Administration LLC and Goldman, Sachs & Co.(229) |
| 10.17 | Underwriting Agreement, dated May 15, 2018, by and among Prospect Capital Corporation, Prospect Capital Management L.P., Prospect Administration LLC and Goldman Sachs & Co. LLC(283) |
| 10.18 | Selling Agent Agreement, dated May 10, 2019, by and among, the Registrant, Prospect Capital Management L.P., Prospect Administration LLC, Incapital LLC and the Agents named therein and added from time to time(337) |
| 10.19 | Underwriting Agreement, dated November 28, 2018(313) |
| 10.20 | Debt Distribution Agreement, dated February 7, 2019(323) |
| 10.21 | Debt Distribution Agreement, dated February 7, 2019(323) |
| 10.22 | Debt Distribution Agreement, dated February 7, 2019(323) |
| 10.23 | Underwriting Agreement, dated February 27, 2019(326) |
| 10.24 | Dividend Reinvestment and Direct Stock Purchase Plan(382) |
| 10.25 | Selling Agent Agreement, dated February 13, 2020, by and among, the Registrant, Prospect Capital Management L.P., Prospect Administration LLC, Incapital LLC and the Agents named therein and added from time to time(376) |
| 10.26 | First Amendment to the Sixth Amended and Restated Loan and Servicing Agreement(400) |
| 10.27 | Equity Distribution Agreement, dated June 12, 2020(401) |

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| 10.28 | Equity Distribution Agreement, dated June 12, 2020(401) |
| 10.29 | Equity Distribution Agreement, dated June 12, 2020(401) |
| 10.30 | Dealer Manager Agreement, dated as of August 3, 2020, by and between Prospect Capital Corporation and Preferred Capital Securities, LLC(402) |
| 10.31 | Escrow Agreement, by and between Preferred Capital Securities, LLC, Prospect Capital Corporation and UMB Bank, National Association(402) |
| 10.32 | Preferred Stock Dividend Reinvestment Plan(402) |
| 11 | Computation of Per Share Earnings (included in the notes to the financial statements contained in this report) |
| 12 | Computation of Ratios (included in the notes to the financial statements contained in this report) |
| 14 | Code of Ethics(353) |
| 21 | Subsidiaries of the Registrant (included in the notes to the consolidated financial statements contained in this annual report) |
| 22.1 | Proxy Statement(354) |
| 22.2 | Published report regarding matters submitted to vote of security holders(355) |
| 23.1 | Consent of BDO USA, LLP, Certified Public Accountants of Prospect Capital Corporation* |
| 23.2 | Consent of CohnReznick LLP, Certified Public Accountants of National Property REIT Corp.* |
| 23.3 | Consent of BDO USA, LLP, Certified Public Accountants of National Property REIT Corp.* |
| 23.4 | Consent of RSM US LLP, Certified Public Accountants of First Tower Finance Company LLC* |

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| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended* |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended* |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)* |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)* |
| 99.1 | Audited Combined Consolidated Financial Statements of National Property REIT Corp. for the years ended December 31, 2019 and 2018* |
| 99.2 | Audited Combined Consolidated Financial Statements of National Property REIT Corp. for the years ended December 31, 2018 and 2017* |
| 99.3 | Audited Consolidated Financial Statements of First Tower Finance Company LLC as of December 31, 2019 and December 31, 2018 and for each of the three years in the period ended December 31, 2019* |

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* Filed herewith.

(1) Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed on May 9, 2014.

(2) Incorporated by reference from the Registrant's Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, filed on July 6, 2004.

(3) Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed on December 11, 2015.

(4) Incorporated by reference from the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on July 23, 2004.

(5) Incorporated by reference to Exhibit 10.258 of the Registrant's Form 10-K filed on August 21, 2013.

(6) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on February 18, 2011.

(7) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on December 21, 2010.

(8) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on February 18, 2011.

(9) Incorporated by reference from the Registrant's Registration Statement on Form N-2, filed on September 1, 2011.

(10) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on March 1, 2012.

(11) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on March 8, 2012.

(12) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 14, 2012.

(13) Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed on September 2, 2014.

(14) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on April 5, 2012.

(15) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on

Form N-2, filed on April 12, 2012.

(16) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on April 16, 2012.

(17) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on April 16, 2012.

(18) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on April 26, 2012.

(19) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on August 14, 2012.

(20) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on August 14, 2012.

(21) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on September 27, 2012.

(22) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on October 4, 2012.

(23) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 23, 2012.

(24) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 29, 2012.

(25) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 6, 2012.

(26) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 13, 2012.

(27) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 20, 2012.

(28) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on December 21, 2012.

(29) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on December 28, 2012.

(30) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 4, 2013.

(31) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 10, 2013.

(32) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on January 17, 2013.

(33) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on January 25, 2013.

(34) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on January 31, 2013.

(35) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on February 7, 2013.

(36) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on February 22, 2013.

(37) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on February 28, 2013.

(38) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 7, 2013.

(39) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on March 14, 2013.

(40) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on March 15, 2013.

(41) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on March 15, 2013.

(42) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on March 21, 2013.

(43) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on March 28, 2013.

(44) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on April 4, 2013.

(45) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on April 11, 2013.

(46) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on April 18, 2013.

(47) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on April 25, 2013.

(48) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on May 2, 2013.

(49) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on May 9, 2013.

(50) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on May 23, 2013.

(51) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on May 31, 2013.

(52) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on June 6, 2013.

(53) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on June 13, 2013.

(54) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on June 20, 2013.

(55) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on June 27, 2013.

(56) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on July 5, 2013.

(57) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on July 11, 2013.

(58) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on July 18, 2013.

(59) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on July 25, 2013.

(60) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 1, 2013.

(61) Incorporated by reference from the Registrant's Post-Effective Amendment No. 41 to the Registration Statement on Form N-2, filed on August 8, 2013.

(62) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on August 15, 2013.

(63) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on August 22, 2013.

(64) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on September 6, 2013.

(65) Incorporated by reference from the Registrant's Post-Effective Amendment No. 46 to the Registration Statement on Form N-2, filed on September 12, 2013.

(66) Incorporated by reference from the Registrant's Post-Effective Amendment No. 47 to the Registration Statement on Form N-2, filed on September 19, 2013.

(67) Incorporated by reference from the Registrant's Post-Effective Amendment No. 48 to the Registration Statement on Form N-2, filed on September 26, 2013.

(68) Incorporated by reference from the Registrant's Post-Effective Amendment No. 49 to the Registration Statement on Form N-2, filed on October 3, 2013.

(69) Incorporated by reference from the Registrant's Post-Effective Amendment No. 50 to the Registration Statement on Form N-2, filed on October 10, 2013.

(70) Incorporated by reference from the Registrant's Post-Effective Amendment No. 51 to the Registration Statement on Form N-2, filed on October 18, 2013.

(71) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on October 24, 2013.

(72) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on October 31, 2013.

(73) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on November 7, 2013.

(74) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on November 15, 2013.

(75) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on November 21, 2013.

(76) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on November 29, 2013.

(77) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on December 5, 2013.

(78) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on December 12, 2013.

(79) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on December 19, 2013.

(80) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on December 27, 2013.

(81) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on January 3, 2014.

(82) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on January 9, 2014.

(83) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on January 16, 2014.

(84) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on January 24, 2014.

(85) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on January 30, 2014.

(86) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on February 6, 2014.

(87) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on February 13, 2014.

(88) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on February 19, 2014.

(89) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on February 21, 2014.

(90) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on February 27, 2014.

(91) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on March 6, 2014.

(92) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on March 11, 2014.

(93) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on March 13, 2014.

(94) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on March 20, 2014.

(95) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on March 27, 2014.

(96) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on April 3, 2014.

(97) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on April 7, 2014.

(98) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on April 10, 2014.

(99) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on April 16, 2014.

(100) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on April 17, 2014.

(101) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on April 24, 2014.

(102) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on May 1, 2014.

(103) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on May 8, 2014.

(104) Incorporated by reference to Exhibit 10.12 of the Registrant's Form 10-K, filed on August 25, 2014.

(105) Incorporated by reference to Exhibit 10.13 of the Registrant's Form 10-K, filed on August 25, 2014.

(106) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on October 14, 2014.

(107) Incorporated by reference to Exhibit 99.1 of the Registrant's Form 10-K/A, filed on November 3, 2014.

(108) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 3, 2014.

(109) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 3, 2014.

(110) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 20, 2014.

(111) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 28, 2014.

(112) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 4, 2014.

(113) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 11, 2014.

(114) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 18, 2014.

(115) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on December 29, 2014.

(116) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on January 5, 2015.

(117) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 8, 2015.

(118) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 15, 2015.

(119) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on January 23, 2015.

(120) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on January 29, 2015.

(121) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on February 5, 2015.

(122) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on February 20, 2015.

(123) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on February 26, 2015.

(124) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on March 5, 2015.

(125) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on March 12, 2015.

(126) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 19, 2015.

(127) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on March 26, 2015.

(128) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on April 2, 2015.

(129) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on April 9, 2015.

(130) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on April 16, 2015.

(131) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on April 23, 2015.

(132) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on April 29, 2015.

(133) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on May 7, 2015.

(134) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on May 21, 2015.

(135) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on May 29, 2015.

(136) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on June 4, 2015.

(137) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on June 11, 2015.

(138) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on June 18, 2015.

(139) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on June 25, 2015.

(140) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on July 2, 2015.

(141) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on July 9, 2015.

(142) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on July 16, 2015.

(143) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on July 23, 2015.

(144) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on July 30, 2015.

(145) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on August 6, 2015.

(146) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on August 13, 2015.

(147) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on August 20, 2015.

(148) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 27, 2015.

(149) Incorporated by reference to Exhibit 14 of the Registrant's Form 10-K, filed on August 26, 2015.

(150) Incorporated by reference from the Registrant's Pre-Effective Registration Statement on Form N-2, filed on August 31, 2015.

(151) Incorporated by reference to Exhibit 99.1 of the Registrant's Form 10-K/A, filed on September 11, 2015.

(152) Incorporated by reference to Exhibit 99.2 of the Registrant's Form 10-K/A, filed on September 11, 2015.

(153) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on September 16, 2015.

(154) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on September 17, 2015.

(155) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on September 24, 2015.

(156) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on October 1, 2015.

(157) Incorporated by reference from the Registrant's Post-Effective Amendment No. 46 to the Registration Statement on Form N-2, filed on October 8, 2015.

(158) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on October 9, 2015.

(159) Incorporated by reference from the Registrant's Post-Effective Amendment No. 47 to the Registration Statement on Form N-2, filed on October 16, 2015.

(160) Incorporated by reference from the Registrant's Post-Effective Amendment No. 48 to the Registration Statement on Form N-2, filed on October 22, 2015.

(161) Incorporated by reference from the Registrant's Post-Effective Amendment No. 49 to the Registration Statement on Form N-2, filed on October 29, 2015.

(162) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 2, 2015.

(163) Incorporated by reference from the Registrant's Post-Effective Amendment No. 50 to the Registration Statement on Form N-2, filed on November 4, 2015.

(164) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 19, 2015.

(165) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 27, 2015.

(166) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on December 3, 2015.

(167) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 10, 2015.

(168) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 17, 2015.

(169) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 24, 2015.

(170) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on December 31, 2015.

(171) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on January 7, 2016.

(172) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 14, 2016.

(173) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 22, 2016.

(174) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on February 12, 2016.

(175) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on March 3, 2016.

(176) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on March 10, 2016.

(177) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on March 17, 2016.

(178) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on March 24, 2016.

(179) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on March 31, 2016.

(180) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on April 7, 2016.

(181) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on April 14, 2016.

(182) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on April 21, 2016.

(183) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on April 28, 2016.

(184) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on May 5, 2016.

(185) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on May 12, 2016.

(186) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on May 26, 2016.

(187) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on June 3, 2016.

(188) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on June 9, 2016.

(189) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on June 16, 2016.

(190) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on June 23, 2016.

(191) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on June 30, 2016.

(192) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on July 8, 2016.

(193) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on July 14, 2016.

(194) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on July 21, 2016.

(195) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on July 28, 2016.

(196) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on August 4, 2016.

(197) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on August 11, 2016.

(198) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on August 18, 2016.

(199) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on August 25, 2016.

(200) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on September 1, 2016.

(201) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on September 15, 2016.

(202) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on September 22, 2016.

(203) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on September 29, 2016.

(204) Incorporated by reference from the Registrant's Post-Effective Amendment No. 41 to the Registration Statement on Form N-2, filed on October 6, 2016.

(205) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on October 14, 2016.

(206) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on October 20, 2016.

(207) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on October 27, 2016.

(208) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on November 3, 2016.

(209) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 25, 2016.

(210) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on December 1, 2016.

(211) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on December 8, 2016.

(212) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 15, 2016.

(213) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 22, 2016.

(214) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 30, 2016.

(215) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on January 6, 2017.

(216) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on January 12, 2017.

(217) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 20, 2017.

(218) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 26, 2017.

(219) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on February 2, 2017.

(220) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on February 9, 2017.

(221) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on February 24, 2017.

(222) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on March 2, 2017.

(223) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on March 9, 2017.

(224) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on March 16, 2017.

(225) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on March 23, 2017.

(226) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 30, 2017.

(227) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on April 6, 2017.

(228) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on April 11, 2017.

(229) Incorporated by reference to Exhibit 1.1 of the Registrant's Form 8-K, filed on April 11, 2017.

(230) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on April 20, 2017.

(231) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on April 27, 2017.

(232) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on May 4, 2017.

(233) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on May 11, 2017.

(234) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on May 25, 2017.

(235) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on June 2, 2017.

(236) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on June 8, 2017.

(237) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on June 15, 2017.

(238) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on June 22, 2017.

(239) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on June 29, 2017.

(240) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on July 7, 2017.

(241) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on July 13, 2017.

(242) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on July 20, 2017.

(243) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on July 27, 2017.

(244) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on August 3, 2017.

(245) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on August 10, 2017.

(246) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on August 17, 2017.

(247) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on August 24, 2017.

(248) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on August 30, 2017.

(249) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 31, 2017.

(250) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on September 14, 2017.

(251) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on September 21, 2017.

(252) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on September 28, 2017.

(253) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on October 5, 2017.

(254) Incorporated by reference from the Registrant's Post-Effective Amendment No. 46 to the Registration Statement on Form N-2, filed on October 13, 2017.

(255) Incorporated by reference from the Registrant's Post-Effective Amendment No. 47 to the Registration Statement on Form N-2, filed on October 19, 2017.

(256) Incorporated by reference from the Registrant's Post-Effective Amendment No. 49 to the Registration Statement on Form N-2, filed on October 26, 2017.

(257) Incorporated by reference from the Registrant's Post-Effective Amendment No. 51 to the Registration Statement on Form N-2, filed on November 2, 2017.

(258) Incorporated by reference from the Registrant's Post-Effective Amendment No. 52 to the Registration Statement on Form N-2, filed on November 24, 2017.

(259) Incorporated by reference from the Registrant's Post-Effective Amendment No. 53 to the Registration Statement on Form N-2, filed on November 30, 2017.

(260) Incorporated by reference from the Registrant's Post-Effective Amendment No. 54 to the Registration Statement on Form N-2, filed on December 7, 2017.

(261) Incorporated by reference from the Registrant's Post-Effective Amendment No. 55 to the Registration Statement on Form N-2, filed on December 14, 2017.

(262) Incorporated by reference from the Registrant's Post-Effective Amendment No. 56 to the Registration Statement on Form N-2, filed on December 21, 2017.

(263) Incorporated by reference from the Registrant's Post-Effective Amendment No. 57 to the Registration Statement on Form N-2, filed on December 29, 2017.

(264) Incorporated by reference from the Registrant's Post-Effective Amendment No. 58 to the Registration Statement on Form N-2, filed on January 5, 2018.

(265) Incorporated by reference from the Registrant's Post-Effective Amendment No. 59 to the Registration Statement on Form N-2, filed on January 11, 2018.

(266) Incorporated by reference from the Registrant's Post-Effective Amendment No. 60 to the Registration Statement on Form N-2, filed on January 19, 2018.

(267) Incorporated by reference from the Registrant's Post-Effective Amendment No. 61 to the Registration Statement on Form N-2, filed on January 25, 2018.

(268) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 62 to the Registration Statement on Form N-2, filed on February 1, 2018.

(269) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 63 to the Registration Statement on Form N-2, filed on February 8, 2018.

(270) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 64 to the Registration Statement on Form N-2, filed on February 23, 2018.

(271) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 65 to the Registration Statement on Form N-2, filed on March 1, 2018.

(272) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 66 to the Registration Statement on Form N-2, filed on March 8, 2018.

(273) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 67 to the Registration Statement on Form N-2, filed on March 15, 2018.

(274) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 68 to the Registration Statement on Form N-2, filed on March 22, 2018.

(275) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 69 to the Registration Statement on Form N-2, filed on March 29, 2018.

(276) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 70 to the Registration Statement on Form N-2, filed on April 5, 2018.

(277) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 71 to the Registration Statement on Form N-2, filed on April 12, 2018.

(278) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 72 to the Registration Statement on Form N-2, filed on April 19, 2018.

(279) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 73 to the Registration Statement on Form N-2, filed on April 26, 2018.

(280) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 74 to the Registration Statement on Form N-2, filed on May 3, 2018.

(281) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 75 to the Registration Statement on Form N-2, filed on May 10, 2018.

(282) Incorporated by reference to Exhibit 4.1 of the Registrant’s Form 8-K, filed on May 18, 2018.

(283) Incorporated by reference to Exhibit 1.1 of the Registrant’s Form 8-K, filed on May 18, 2018.

(284) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 78 to the Registration Statement on Form N-2, filed on May 24, 2018.

(285) Incorporated by reference from the Registrant's Post-Effective Amendment No. 79 to the Registration Statement on Form N-2, filed on June 1, 2018.

(286) Incorporated by reference from the Registrant's Post-Effective Amendment No. 80 to the Registration Statement on Form N-2, filed on June 7, 2018.

(287) Incorporated by reference from the Registrant's Post-Effective Amendment No. 81 to the Registration Statement on Form N-2, filed on June 20, 2018.

(288) Incorporated by reference from the Registrant's Post-Effective Amendment No. 82 to the Registration Statement on Form N-2, filed on June 21, 2018.

(289) Incorporated by reference from the Registrant's Post-Effective Amendment No. 83 to the Registration Statement on Form N-2, filed on June 28, 2018.

(290) Incorporated by reference from the Registrant's Post-Effective Amendment No. 84 to the Registration Statement on Form N-2, filed on July 2, 2018.

(291) Incorporated by reference from the Registrant's Post-Effective Amendment No. 85 to the Registration Statement on Form N-2, filed on July 6, 2018.

(292) Incorporated by reference from the Registrant's Post-Effective Amendment No. 86 to the Registration Statement on Form N-2, filed on July 12, 2018.

(293) Incorporated by reference from the Registrant's Post-Effective Amendment No. 87 to the Registration Statement on Form N-2, filed on July 19, 2018.

(294) Incorporated by reference from the Registrant's Post-Effective Amendment No. 88 to the Registration Statement on Form N-2, filed on July 26, 2018.

(295) Incorporated by reference from the Registrant's Post-Effective Amendment No. 89 to the Registration Statement on Form N-2, filed on August 2, 2018.

(296) Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed on August 6, 2018.

(297) Incorporated by reference from the Registrant's Post-Effective Amendment No. 90 to the Registration Statement on

Form N-2, filed on August 9, 2018.

(298) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 91 to the Registration Statement on Form N-2, filed on August 16, 2018.

(299) Incorporated by reference from the Registrant’s Post-Effective Amendment No. 92 to the Registration Statement on Form N-2, filed on August 23, 2018.

(300) Incorporated by reference from the Registrant's Post-Effective Amendment No. 93 to the Registration Statement on Form N-2, filed on August 30, 2018.

(301) Incorporated by reference from the Registrant's Post-Effective Amendment No. 95 to the Registration Statement on Form N-2, filed on September 13, 2018.

(302) Incorporated by reference from the Registrant's Post-Effective Amendment No. 96 to the Registration Statement on Form N-2, filed on September 20, 2018.

(303) Incorporated by reference from the Registrant's Post-Effective Amendment No. 97 to the Registration Statement on Form N-2, filed on September 27, 2018.

(304) Incorporated by reference from the Registrant's Post-Effective Amendment No. 98 to the Registration Statement on Form N-2, filed on October 1, 2018.

(305) Incorporated by reference from the Registrant's Post-Effective Amendment No. 99 to the Registration Statement on Form N-2, filed on October 4, 2018.

(306) Incorporated by reference from the Registrant's Post-Effective Amendment No. 100 to the Registration Statement on Form N-2, filed on October 12, 2018.

(307) Incorporated by reference from the Registrant's Post-Effective Amendment No. 101 to the Registration Statement on Form N-2, filed on October 18, 2018.

(308) Incorporated by reference from the Registrant's Post-Effective Amendment No. 102 to the Registration Statement on Form N-2, filed on October 25, 2018.

(309) Incorporated by reference from the Registrant's Post-Effective Amendment No. 103 to the Registration Statement on Form N-2, filed on November 1, 2018.

(310) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 8, 2018.

(311) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 23, 2018.

(312) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on November 29, 2018.

(313) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 6, 2018.

(314) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 13, 2018.

(315) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on December 20, 2018.

(316) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on December 28, 2018.

(317) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 4, 2019.

(318) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 10, 2019.

(319) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on January 17, 2019.

(320) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on January 25, 2019.

(321) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on January 31, 2019.

(322) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on February 7, 2019.

(323) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on February 20, 2019.

(324) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on February 22, 2019.

(325) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on February 28, 2019.

(326) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 1, 2019.

(327) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on March 7, 2019.

(328) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on March 14, 2019.

(329) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on March 21, 2019.

(330) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on March 28, 2019.

(331) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on April 4, 2019.

(332) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on April 11, 2019.

(333) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on April 18, 2019.

(334) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on April 25, 2019.

(335) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on May 2, 2019.

(336) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on May 9, 2019.

(337) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on May 17, 2019.

(338) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on May 23, 2019.

(339) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on May 31, 2019.

(340) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on June 6, 2019.

(341) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on June 13, 2019.

(342) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on June 20, 2019.

(343) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on June 27, 2019.

(344) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on July 5, 2019.

(345) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on July 11, 2019.

(346) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on July 18, 2019.

(347) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on July 25, 2019.

(348) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 1, 2019.

(349) Incorporated by reference from the Registrant's Post-Effective Amendment No. 41 to the Registration Statement on Form N-2, filed on August 8, 2019.

(350) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on August 15, 2019.

(351) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on August 22, 2019.

(352) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on August 29, 2019.

(353) Incorporated by reference to Exhibit 14 of the Registrant’s Form 10-K/A, filed on October 20, 2016.

(354) Incorporated by reference from the Registrant’s Proxy Statement, filed on September 18, 2018.

(355) Incorporated by reference from the Registrant’s Form 8-K, filed on January 8, 2019.

(356) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on September 26, 2019.

(357) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on October 3, 2019.

(358) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on October 10, 2019.

(359) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on October 18, 2019.

(360) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on October 24, 2019.

(361) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on October 31, 2019.

(362) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on November 7, 2019.

(363) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on November 21, 2019.

(364) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on November 29, 2019.

(365) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on December 5, 2019.

(366) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on December 12, 2019.

(367) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on December 19, 2019.

(368) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on December 27, 2019.

(369) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on January 3, 2020.

(370) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on January 9, 2020.

(371) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on January 16, 2020.

(372) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on January 24, 2020.

(373) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on January 30, 2020.

(374) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on February 6, 2020.

(375) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on February 12, 2020.

(376) Incorporated by reference from the Registrant's Registration Statement on Form N-2, filed on February 13, 2020.

(377) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on February 27, 2020.

(378) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on March 5, 2020.

(379) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 12, 2020.

(380) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on March 19, 2020.

(381) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on March 26, 2020.

(382) Incorporated by reference to Exhibit 99.1 of the Registrant’s Form 8-K, filed on April 17, 2020.

(383) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on April 23, 2020.

(384) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on April 30, 2020.

(385) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on May 7, 2020.

(386) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on May 14, 2020.

(387) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on May 29, 2020.

(388) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on June 4, 2020.

(389) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on June 11, 2020.

(390) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on June 18, 2020.

(391) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on June 25, 2020.

(392) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on July 2, 2020.

(393) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on July 9, 2020.

(394) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on July 16, 2020.

(395) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on July 23, 2020.

(396) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on July 30, 2020.

(397) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on August 6, 2020.

(398) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on August 13, 2020.

(399) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on August 20, 2020.

(400) Incorporated by reference to Exhibit 99.1 of the Registrant’s Form 8-K, filed on September 11, 2019.

(401) Incorporated by reference to Exhibit 99.1 of the Registrant’s Form 8-K, filed on June 15, 2020.

(402) Incorporated by reference to Exhibit 99.1 of the Registrant’s Form 8-K, filed on August 5, 2020.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 26, 2020.

**PROSPECT CAPITAL CORPORATION**

By: /s/ JOHN F. BARRY III

John F. Barry III

*Chairman of the Board and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ JOHN F. BARRY III

John F. Barry III

*Chairman of the Board, Chief Executive Officer and Director*

August 26, 2020

/s/ ANDREW C. COOPER

Andrew C. Cooper

*Director*

August 26, 2020

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

*Chief Financial Officer*

August 26, 2020

/s/ WILLIAM J. GREMP

William J. Gremp

*Director*

August 26, 2020

/s/ M. GRIER ELIASEK

M. Grier Eliasek

*President, Chief Operating Officer and Director*

August 26, 2020

/s/ EUGENE S. STARK

Eugene S. Stark

*Director*

August 26, 2020

# DESCRIPTION OF THE REGISTRANT'S SECURITIES
# REGISTERED PURSUANT TO SECTION 12
# OF THE SECURITIES EXCHANGE ACT OF 1934

## DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our charter (including the articles supplementary designating the terms of a class or series of preferred stock) and bylaws for a more detailed description of the provisions summarized below.

**Capital Stock**

Our authorized capital stock consists of 2,000,000,000 shares of stock, par value $0.001 per share, all of which is initially classified as common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol "PSEC." Our Board of Directors has reclassified 120,000,000 authorized but unissued shares of common stock into shares of preferred stock, par value $0.001 per share (the "Preferred Stock"), classified and designated as "Convertible Preferred Stock. The Board has designated the following series of Convertible Preferred Stock:

- 40,000,000 shares of a series of preferred stock, designated as "Convertible Preferred Stock, Series A", par value $0.001 per share (the "Series A Shares");
- 40,000,000 shares of a series of preferred stock, designated as "Convertible Preferred Stock, Series M1", par value $0.001 per share (the "Series M1 Shares"); and
- 40,000,000 shares of a series of preferred stock, designated as "Convertible Preferred Stock, Series M2", par value $0.001 per share, (the "Series M2 Shares" and, together with the Series M1 Shares, the "M Shares").

Our shares of Preferred Stock are not listed for trading on any national securities exchange but we may apply to have any such shares listed for trading on a national securities exchange in the future. If a series of Preferred Stock is listed for trading on a national securities exchange, we intend to reclassify all series of Preferred Stock with a common dividend rate that are listed on an exchange into a single series.

There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to authorize the issuance of such shares, without obtaining stockholder approval. Our Board of Directors will only take such actions in accordance with Section 18 as modified by Section 61 of the 1940 Act. The 1940 Act limits business development companies to only one class or series of common stock and only one class of preferred stock. As permitted by the Maryland General Corporation Law, our charter provides that the Board of Directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

***Common Stock***

All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, conversion or redemption rights and are freely transferable, except where their transfer is restricted by U.S. federal and state securities laws or by contract. In the event of a liquidation, dissolution or winding up of us, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that prior to the issuance of preferred stock holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

***Preferred Stock***

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our charter to set the 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. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution (other than in shares of stock) is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock become in arrears by two years or more until all arrears are cured. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to operate other than as an investment company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

**Provisions Of The Maryland General Corporation Law And Our Charter And Bylaws**

***Anti-takeover Effect***

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. These provisions could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of us. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

***Control Share Acquisitions***

The Maryland General Corporation Law under the Maryland Control Share Acquisition Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by the affirmative vote of holders of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third,
- one-third or more but less than a majority, or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Board of Directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Maryland Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

***Business Combinations***

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation’s shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the Board of Directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board of Directors.

After the five-year prohibition, any such business combination must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute provides various exemptions from its provisions, including for business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested stockholder. 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. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or the Board of Directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

***Conflicts with 1940 Act***

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Maryland Control Share Acquisition Act (if we amend our bylaws to be subject to such Act) and the Maryland Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

***Classified Board of Directors***

Our Board of Directors is divided into three classes of directors serving classified three-year terms. The current terms of the first, second and third classes will expire at the annual meeting of stockholders held in 2020, 2021 and 2022, respectively, and in each case, until their successors are duly elected and qualify. Each year one class of directors will be elected to the Board of Directors by the stockholders to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until his or her successor is duly elected and qualifies. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

***Election of Directors***

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Under the charter, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

***Number of Directors; Vacancies; Removal***

Our charter provides that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than three nor more than eight. Our charter provides that, pursuant to an election to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled 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 of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

***Action by Stockholders***

The Maryland General Corporation Law provides that stockholder action can be taken only at an annual or special meeting of stockholders or (unless the charter provides for stockholder action by less than unanimous written consent, which our charter does not) by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

***Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals***

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the Board of Directors or (3) by a stockholder who was a stockholder of record both at the time of provision of notice and at the annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who was a stockholder of record both at the time of provision of notice and at the special meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

***Calling of Special Meetings of Stockholders***

Our bylaws provide that special meetings of stockholders may be called by the chairman of the Board, our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

***Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws***

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless advised by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions if declared advisable by the Board and approved by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter.

Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company, any proposal for our liquidation or dissolution or certain amendments to Article IV and Article V of our charter requires the approval of the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least two-thirds of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The “continuing directors” are defined in our charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our charter and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

***No Appraisal Rights***

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act discussed above, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights.

## DESCRIPTION OF OUR DEBT SECURITIES

The following description of our 6.25% Notes due 2024 (the “2024 Notes”), 6.25% Notes due 2028 (the “2028 Notes”) and 6.875% Notes due 2029 (the “2029 Notes” and, together with the 2024 Notes and the 2028 Notes, the “Notes”) is a summary only. This summary is not complete and is qualified in its entirety by reference to the Indenture, as of February 16, 2012, as amended by that certain Agreement of Resignation, Appointment and Acceptance, dated March 12, 2012, by and among the Company, U.S. Bank National Association, as trustee, and American Stock Transfer & Trust Company, LLC, as supplemented by one or more supplemental indentures, including as supplemented by Supplemental Indenture, dated as of December 10, 2015, between the Company and the trustee (as supplemented, the “2024 Notes Indenture”), in the case of the 2024 Notes, as supplemented by Supplemental Indenture, dated as of June 7, 2018, between the Company and the trustee (as supplemented, the “2028 Notes Indenture”), in the case of the 2028 Notes, and by reference to the Indenture, dated as of December 5, 2018, between the Company and the trustee (as supplemented, the “2029 Notes Indenture” and, together with the 2024 Notes Indenture and the 2028 Notes Indenture, the “Indentures,” and each, an “Indenture”), in the case of the 2029 Notes. The Indentures are filed as exhibits to this Annual Report on Form 10-K. We urge you to read the Indentures (including the forms of global note contained therein), because the Indentures, and not this description, define your rights as a holder of the Notes.

Unless otherwise indicated, the description provided herein applies to each of the 2024 Notes, the 2028 Notes and the 2029 Notes.

**Brief Description of the Notes**

The Notes:

- were initially limited to:
  - for 2024 Notes: $150.0 million aggregate principal amount ($172.5 million if the option is exercised in full);
  - for 2028 Notes and 2029 Notes: $50,000,000 aggregate principal amount ($57,500,000 if the option is exercised in full);
- bear interest at a rate of 6.25% per year with respect to the 2024 Notes and 2028 Notes and 6.875% per year with respect to the 2029 Notes, payable every March 15, June 15, September 15 and December 15, in each case having a record date of March 1, June 1, September 1, and December 1, and with respect to the 2029 Notes, subject to adjustment, if applicable, as described below under “-Interest Rate Adjustment”;
- are issued in minimum denominations of $25 and integral multiples of $25 in excess thereof;
- may be redeemed in whole or in part at any time or from time to time at our option:
  - on or after December 15, 2018 with respect to the 2024 Notes, upon not less than 30 days nor more than 60 days’ written notice by mail prior to the date fixed for redemption thereof,
  - on or after June 15, 2021 with respect to the 2028 Notes, upon not less than 30 days nor more than 90 days’ written notice by mail prior to the date fixed for redemption thereof, and
  - on or after December 15, 2021 with respect to the 2029 Notes, upon not less than 30 days nor more than 90 days’ written notice by mail prior to the date fixed for redemption thereof,

  at a redemption price of 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to the date of redemption. See the description under “-Optional Redemption” below;
- are our general unsecured obligations, ranking equally with all of our other unsecured indebtedness (including, but not limited to, our Unsecured Notes) and senior in right of payment to any of our subordinated indebtedness, effectively subordinated in right of payment to our existing and future secured indebtedness and structurally subordinated to all existing and future debt of our subsidiaries;
- are subject to repurchase by us at your option if a fundamental change occurs, at a cash repurchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) to, but not including, the repurchase date;
- are listed on The New York Stock Exchange and trade under the following symbols:
  - "PBB" for the 2024 Notes;
  - "PBY" for the 2028 Notes; and
  - "PBC" for the 2029 Notes; and
- are due:
  - for the 2024 Notes: June 15, 2024;
  - for the 2028 Notes: June 15, 2028; and
  - for the 2029 Notes: June 15, 2029.

Neither we nor our subsidiaries will be subject to any financial covenants under the Indenture. In addition, neither we nor our subsidiaries will be restricted under the Indenture from paying dividends, incurring debt or issuing or repurchasing our securities. You are not afforded protection under the Indenture in the event of a highly leveraged transaction or a change in control of us, except to the extent described below under "-Purchase of Notes by Us for Cash at the Option of Holders upon a Fundamental Change."

No sinking fund is provided for the Notes and the Notes will be subject to defeasance.

The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations which are participants in DTC.

**Interest Rate Adjustment (Applicable Only to 2029 Notes)**

The interest rate payable on the 2029 Notes will be subject to adjustment from time to time if an Interest Rate Adjustment Triggering Event occurs or, if following an Interest Rate Adjustment Triggering Event, S&P (or, if applicable, any Substitute Rating Agency (as defined below)) subsequently upgrades the debt rating assigned to the 2029 Notes, in each case in the manner described below.

If at any time (i) S&P, is not providing a rating on the 2029 Notes and (ii) we obtain or continue to have a rating on the 2029 Notes from Fitch Ratings Inc. ("Fitch") or Moody's Corporation ("Moody's"), Fitch or Moody's, as applicable, will be a "Substitute Rating Agency."

If an Interest Rate Adjustment Triggering Event occurs in relation to the 2029 Notes, the interest rate on the 2029 Notes will increase from the interest rate set forth on the cover of the prospectus supplement relating to the offer of the 2029 Notes by 0.50%. If S&P (or, if applicable, any Substitute Rating Agency) at any time subsequently increases its rating on the 2029 Notes to "BBB-" or higher (or the equivalent ratings of any Substitute Rating Agency) after S&P (or, if applicable, any Substitute Rating Agency) previously lowered the rating on the 2029 Notes to "BB+" or lower (or the equivalent ratings of any Substitute Rating Agency), the interest rate on the 2029 Notes will be decreased such that the interest rate on the 2029 Notes equals the interest rate set forth on the cover page of such prospectus supplement. In no event will (i) the interest rate on the 2029 Notes be reduced to below the interest rate set forth on the cover page of such prospectus supplement or (ii) the total increase in the interest rate on the 2029 Notes exceed 0.50% above the interest rate set forth on the cover page of such prospectus supplement.

Any interest rate increase or decrease, as described above, will take effect on the first day of the interest period commencing after the date on which (i) an Interest Rate Adjustment Triggering Event has occurred or (ii) S&P (or, if applicable, any Substitute Rating Agency) at any time subsequently increases its rating on the 2029 Notes to "BBB-" or higher (or the equivalent ratings of any Substitute Rating Agency) as described above. If S&P (or, if applicable, any Substitute Rating Agency) changes its rating on the 2029 Notes (including by withdrawal of its rating at the Company's request) more than once during any particular interest period, the last such change by S&P (or, if applicable, any Substitute Rating Agency) to occur will control for purposes of any increase or decrease in the interest rate with respect to the 2029 Notes. An interest period is the period commencing on an interest payment date and ending on the day preceding the next following interest payment date, provided that first interest period will commence on the day the 2029 Notes are delivered and will end on the day preceding the next following interest payment date.

If the interest rate on the 2029 Notes is increased as described above, the term "interest," as used with respect to the 2029 Notes, will be deemed to include any such additional interest, unless the context otherwise requires.

For purposes of the interest rate adjustment provisions relating to the 2029 Notes as set forth in this section, the following terms will be applicable:

"Adjustment Rating Event" means on any day during the Relevant Period (i) the rating on the 2029 Notes is lowered by S&P (or a Substitute Rating Agency) to "BB+" or lower (or the equivalent ratings of any Substitute Rating Agency) or (ii) a Rating Withdrawal Event has occurred; provided, in the case of subsection (i) above that an Adjustment Rating Event shall not be deemed to have occurred in respect of an Asset Coverage Reduction (and, thus, shall not be deemed an Adjustment Rating Event) if S&P (or, if applicable, any Substitute Rating Agency) in connection with its lowering of the rating on the 2029 Notes does not publicly announce or inform the Trustee in writing at its request that the lowering was the result, in whole or in part, of the Asset Coverage Reduction.

"Asset Coverage Reduction" means at any time prior to the maturity of the 2029 Notes, the Company discloses (in accordance with Section 61(a)(2)(A) of the 1940 Act, which may include a filing with the Securities and Exchange Commission or a notice on the Company's website) its election to reduce its required minimum asset coverage (as defined in the 1940 Act) from 200% to 150%, either pursuant to the approval of such reduction (i) by the Company's board of directors in accordance with Section 61(a)(2)(D)(i)(I) of the 1940 Act or (ii) by the Company's stockholders pursuant to Section 61(a)(2)(D)(ii)(II) of the 1940 Act.

"Election Date" means the date on which the Company discloses the Asset Coverage Reduction pursuant to Section 61(a)(2)(A) of the 1940 Act.

"Interest Rate Adjustment Triggering Event" means the occurrence of either (i) both (1) an Asset Coverage Reduction and (2) an Adjustment Rating Event or (ii) a Rating Withdrawal Event at any time followed by an Asset Coverage Reduction.

"Rating Withdrawal Event" means S&P (or, if applicable, any Substitute Rating Agency) withdraws its debt rating assigned to the 2029 Notes at the request of the Company and the Company fails to continue to have or obtain a rating of the 2029 Notes from a Substitute Rating Agency of "BBB-" or higher (or the equivalent ratings of such Substitute Rating Agency).

"Relevant Period" means the period commencing on the Election Date of the Asset Coverage Reduction and ending 60 days following such date, whether or not such date is a business day, provided however, so long as the rating of the 2029 Notes is under publicly announced consideration for a possible downgrade by S&P (or, if applicable, any Substitute Rating Agency), the Relevant Period will be subject to extension until such time that S&P (or, if applicable, any Substitute Rating Agency) has completed its review.

**Additional Notes**

We may, without the consent of the holders of the Notes, increase the principal amount of the Notes by issuing additional Notes in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional Notes and the original issue date; provided that such differences do not cause the additional Notes to constitute a different class of securities than the Notes for U.S. federal income tax purposes. The Notes and any additional Notes would rank equally and ratably and would be treated as a single class for all purposes under the Indenture. No additional Notes may be issued if any event of default has occurred with respect to the Notes.

**Ranking**

The Notes will be our general, unsecured obligations and will rank equal in right of payment with all of our existing and future unsecured indebtedness (including, but not limited to, our Unsecured Notes) and senior in right of payment to any of our subordinated indebtedness. As a result, the Notes will be effectively subordinated to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries.

**Payment at Maturity**

On the maturity date, each holder will be entitled to receive on such date $25 in cash for each $25 in principal amount of Notes, together with accrued and unpaid interest (including additional interest, if any) to, but not including, the maturity date. With respect to the global note, principal and interest (including additional interest, if any) will be paid to DTC in immediately available funds. With respect to any certificated Notes, principal and interest (including additional interest, if any) will be payable at our office or agency in New York City, which initially will be the office or agency of the trustee in New York City.

**Optional Redemption**

The Notes may be redeemed in whole or in part at any time or from time to time at our option:

- with respect to the 2024 Notes, on or after December 15, 2018, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof;

- with respect to the 2028 Notes, on or after June 15, 2021, upon not less than 30 days nor more than 90 days written notice by mail prior to the date fixed for redemption thereof, and
- with respect to the 2028 Notes, on or after December 15, 2021, upon not less than 30 days nor more than 90 days written notice by mail prior to the date fixed for redemption thereof,

at a redemption price of 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

A holder of the Notes may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, the holder will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of the holder's remaining unredeemed Notes.

Any exercise of our option to redeem the Notes will be done in compliance with 1940 Act, to the extent applicable.

If the Company redeems only some of the Notes, the trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the 1940 Act and the rules and regulations promulgated thereunder, to the extent applicable. Unless the Company defaults in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

**Purchase of Notes by Us for Cash at the Option of Holders upon a Fundamental Change**

If a fundamental change (as defined below) occurs at any time prior to the maturity of the Notes, you will have the right to require us to repurchase, at the repurchase price described below, all or part of your Notes for which you have properly delivered and not withdrawn a written repurchase notice. The Notes submitted for repurchase must be $25 in principal amount or $25 integral multiples in excess thereof.

The repurchase price will be payable in cash and will equal 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the repurchase date. However, if the repurchase date is after a record date and on or prior to the corresponding interest payment date, the interest (including additional interest, if any) will be paid on the repurchase date to the holder of record on the record date.

We may be unable to repurchase your Notes in cash upon a fundamental change. Our ability to repurchase the Notes in cash in the future may be limited by the terms of our then-existing borrowing agreements. In addition, the occurrence of a fundamental change could cause an event of default under the terms of our then-existing borrowing agreements. We cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the repurchase price in cash.

A "fundamental change" will be deemed to have occurred upon the occurrence of both (a) a below investment grade ratings event (as defined below) and (b) any of the following events (each such events listed below shall be deemed a "fundamental change event"):

1. the consummation of any transaction (including, without limitation, any merger or consolidation other than those excluded under clause (3) below) the result of which is that any "person" becomes the "beneficial owner" (as these terms are defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our capital stock that is at the time entitled to vote by the holder thereof in the election of our board of directors (or comparable body);

2. the adoption of a plan relating to our liquidation or dissolution; or

3. the consolidation or merger of us with or into any other person, or the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of our assets and those of our subsidiaries taken as a whole to any "person" (as this term is used in Section 13(d)(3) of the Exchange Act), other than:

    - any transaction that does not result in any reclassification, conversion, exchange or cancellation of all or substantially all of the outstanding shares of our capital stock;
    - any changes resulting from a subdivision or combination or a change solely in par value;

- any transaction pursuant to which the holders of 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors immediately prior to such transaction have the right to exercise, directly or indirectly, 50% or more of the total voting power of all shares of capital stock of the continuing or surviving person immediately after giving effect to such transaction entitled to vote generally in elections of directors; or
- any merger primarily for the purpose of changing our jurisdiction of incorporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity.

For purposes of determining the occurrence of a fundamental change, the term "below investment grade ratings event" means the Notes are downgraded below investment grade (as defined below) by each of the rating agencies (as defined below) on any date from the date of the public notice of an arrangement that results in the occurrence of a fundamental change event until the end of the 60-day period following public notice of the occurrence of a fundamental change event (which period shall be extended so long as any rating of the Notes is under publicly announced consideration for possible downgrade by a rating agency); provided that a downgrade contemplated by this paragraph otherwise arising by virtue of a particular reduction in a rating shall not be deemed to have occurred in respect of a particular fundamental change event (and thus shall not be deemed a downgrade as contemplated by this paragraph for purposes of the definition of fundamental change hereunder) if one of the rating agencies making a reduction in a rating to which this paragraph would otherwise apply does not announce or publicly confirm or inform the trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable fundamental change event (whether or not the applicable fundamental change event shall have occurred at the time of any downgrade contemplated by this paragraph). "Rating agencies" means Standard & Poor's Rating Service, a division of McGraw-Hill, Inc., and Kroll Bond Rating Agency, Inc. or any successors thereto and "investment grade" means a rating of BBB- or better by the rating agencies (or if any such rating agency ceases to rate the Notes for reasons outside of the Company's control, the equivalent investment grade rating from any "nationally recognized statistical rating organization" as defined in Section (3)(a)(62) of the Exchange Act selected by the Company as a replacement for such rating agency).

The definition of "fundamental change" includes a phrase relating to the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of our assets and those of our subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require us to repurchase the Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of our assets and those of our subsidiaries taken as a whole to another person or group may be uncertain.

On or before the 30th calendar day after the occurrence of a fundamental change, we will provide to all record holders of the Notes on the date of the fundamental change at their addresses shown in the register of the registrar and to beneficial owners to the extent required by applicable law, the trustee and the paying agent, a written notice of the occurrence of the fundamental change and the resulting repurchase right. Such notice shall state, among other things, the event causing the fundamental change and the procedures you must follow to require us to repurchase your Notes.

The repurchase date will be a date specified by us in the notice of a fundamental change that is not less than 20 nor more than 35 calendar days after the date of the notice of a fundamental change.

To exercise your repurchase right, you must deliver, prior to 5:00 p.m., New York City time, on the repurchase date, a written notice to the paying agent of your exercise of your repurchase right (together with the Notes to be repurchased, if certificated Notes have been issued). The repurchase notice must state:

- if you hold a beneficial interest in a global Note, your repurchase notice must comply with appropriate DTC procedures; if you hold certificated Notes, the Notes certificate numbers;
- the portion of the principal amount of the Notes to be repurchased, which must be $25 or $25 integral multiples in excess thereof; and
- that the Notes are to be repurchased by us pursuant to the applicable provisions of the Notes and the Indenture.

You may withdraw your repurchase notice at any time prior to 5:00 p.m., New York City time, on the repurchase date by delivering a written notice of withdrawal to the paying agent. If a repurchase notice is given and withdrawn during that period, we will not be obligated to repurchase the Notes listed in the repurchase notice. The withdrawal notice must state:

- if you hold a beneficial interest in a global Note, your withdrawal notice must comply with appropriate DTC procedures; if you hold certificated Notes, the certificate numbers of the withdrawn Notes;

- the principal amount of the withdrawn Notes; and
- the principal amount, if any, which remains subject to the repurchase notice.

Payment of the repurchase price for Notes for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the Notes, together with necessary endorsements, to the paying agent, as the case may be. Payment of the repurchase price for the Notes will be made promptly following the later of the repurchase date and the time of book-entry transfer or delivery of the Notes, as the case may be.

If the paying agent holds on the business day immediately following the repurchase date cash sufficient to pay the repurchase price of the Notes that holders have elected to require us to repurchase, then, as of the repurchase date:

- the Notes will cease to be outstanding and interest (including additional interest, if any) will cease to accrue, whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the paying agent, as the case may be; and
- all other rights of the holders of Notes will terminate, other than the right to receive the repurchase price upon delivery or transfer of the Notes.

In connection with any repurchase, we will, to the extent applicable:

- comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act that may be applicable at the time of the offer to repurchase the Notes;
- file a Schedule TO or any other schedule required in connection with any offer by us to repurchase the Notes; and
- comply with all other federal and state securities laws in connection with any offer by us to repurchase the Notes.

This fundamental change repurchase right could discourage a potential acquirer of the Company. However, this fundamental change repurchase feature is not the result of management's knowledge of any specific effort to obtain control of us by means of a merger, tender offer, solicitation or otherwise, or part of a plan by management to adopt a series of anti-takeover provisions.

Our obligation to repurchase the Notes upon a fundamental change would not necessarily afford you protection in the event of a highly leveraged or other transaction involving us that may adversely affect holders. We also could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a fundamental change but would increase the amount of our (or our subsidiaries') outstanding debt. The incurrence of significant amounts of additional debt could adversely affect our ability to service our then existing debt, including the Notes.

**Consolidation, Merger and Sale of Assets by the Company**

The Indenture will provide that we may not, in a single transaction or a series of related transactions, consolidate with or merge with or into any other person or sell, convey, transfer or lease our property and assets substantially as an entirety to another person, unless:

- either (a) we are the continuing corporation or (b) the resulting, surviving or transferee person (if other than us) is a corporation or limited liability company organized and existing under the laws of the United States, any state thereof or the District of Columbia and such person assumes, by a supplemental indenture in a form reasonably satisfactory to the trustee, all of our obligations under the Notes and the Indenture;
- immediately after giving effect to such transaction, no default or event of default has occurred and is continuing; and
- we have delivered to the trustee certain certificates and opinions of counsel if so requested by the trustee.

In the event of any transaction described in and complying with the conditions listed in the immediately preceding paragraph in which the Company is not the continuing corporation, the successor person formed or remaining shall succeed, and be substituted for, and may exercise every right and power of, the Company, and the Company shall be discharged from its obligations, under the Notes and the Indenture.

This covenant includes a phrase relating to the sale, conveyance, transfer and lease of the property and assets of the Company "substantially as an entirety." There is no precise, established definition of the phrase "substantially as an entirety" under New York law, which governs the Indenture and the Notes, or under the laws of Maryland, the Company's state of incorporation. Accordingly, the ability of a holder of the Notes to require us to repurchase the Notes as a result of a sale, conveyance, transfer or lease of less than all of the property and assets of the Company may be uncertain.

An assumption by any person of the Company's obligations under the Notes and the Indenture might be deemed for U.S. federal income tax purposes to be an exchange of the Notes for new Notes by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

**Events of Default; Notice and Waiver**

In addition to the events of default and the other information with respect to events of default as discussed in the applicable prospectus supplement, the following will be events of default under the Indenture:

- we fail to pay the repurchase price payable in respect of any Notes when due;
- we fail to provide notice of the effective date or actual effective date of a fundamental change on a timely basis as required in the Indenture;
- we fail to perform or observe any other term, covenant or agreement in the Notes or the Indenture for a period of 60 calendar days after written notice of such failure is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding;
- we fail to pay any additional interest (as discussed below) when such interest becomes due and payable, which failure continues for a period of 30 days;
- a failure to pay principal when due (whether at stated maturity or otherwise) or an uncured default that results in the acceleration of maturity, of any indebtedness for borrowed money of the Company or any of our "significant subsidiaries," (which term shall have the meaning specified in Rule 1-02(w) of Regulation S-X), other than subsidiaries that are non-recourse or limited recourse subsidiaries, bankruptcy remote special purpose vehicles and any subsidiaries that are not consolidated with us for GAAP purposes, in an aggregate amount in excess of $50,000,000 (or its foreign currency equivalent), unless such indebtedness is discharged, or such acceleration is rescinded, stayed or annulled, within a period of 30 calendar days after written notice of such failure is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding; or
- certain events involving our bankruptcy, insolvency or reorganization of the Company.

We are required to notify the trustee promptly upon becoming aware of the occurrence of any default under the Indenture known to us. The trustee is then required within 90 calendar days of being notified by us of the occurrence of any default to give to the registered holders of the Notes notice of all uncured defaults known to it. However, the trustee may withhold notice to the holders of the Notes of any default, except defaults in payment of principal or interest (including additional interest, if any) on the Notes, if the trustee, in good faith, determines that the withholding of such notice is in the interests of the holders. We are also required to deliver to the trustee, on or before a date not more than 120 calendar days after the end of each fiscal year, a written statement as to compliance with the Indenture, including whether or not any default has occurred.

If an event of default specified in the last bullet point listed above occurs and continues, the principal amount of the Notes and accrued and unpaid interest (including additional interest, if any) on the outstanding Notes will automatically become due and payable. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may declare the principal amount of the Notes and accrued and unpaid interest (including additional interest, if any) on the outstanding Notes to be due and payable. Thereupon, the trustee may, in its discretion, proceed to protect and enforce the rights of the holders of the Notes by appropriate judicial proceedings.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in aggregate principal amount of the Notes outstanding, by written notice to us and the trustee, may rescind and annul such declaration if:

- we have paid (or deposited with the trustee a sum sufficient to pay) (1) all overdue interest (including additional interest, if any) on all Notes; (2) the principal amount of any Notes that have become due otherwise than by such declaration of acceleration; (3) to the extent that payment of such interest is lawful, interest upon overdue interest (including additional interest, if any); and (4) all sums paid or advanced by the trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel; and
- all events of default, other than the non-payment of the principal amount and any accrued and unpaid interest (including additional interest, if any) that have become due solely by such declaration of acceleration, have been cured or waived.

Notwithstanding the foregoing and the description in the accompanying prospectus to any applicable prospectus supplement, the Indenture will provide, if we so elect, that the sole remedy for an event of default relating to the failure to comply with the reporting obligations in the Indenture, which are described below under the caption "-Reports," and for any failure to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act (which also relates to the provision of reports), will, at our option, for the 365 days after the occurrence of such an event of default consist exclusively of the right to receive additional interest on the Notes at an annual rate equal to 0.50% of the principal amount of the Notes. In the event we do not elect to pay the additional interest upon an event of default in accordance with this paragraph, the Notes will be subject to acceleration as provided above. The additional interest will accrue on all outstanding Notes from and including the date on which an event of default relating to a failure to comply with the reporting obligations in the Indenture first occurs to but not including the 365th day thereafter (or such earlier date on which the event of default relating to the reporting obligations shall have been cured or waived). On such 365th day (or earlier, if the event of default relating to the reporting obligations is cured or waived prior to such 365th day), such additional interest will cease to accrue and the Notes will be subject to acceleration as provided above if the event of default is continuing. The provisions of the Indenture described in this paragraph will not affect the rights of holders of Notes in the event of the occurrence of any other event of default.

**Waiver**

The holders of a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all the Notes, waive any past default or event of default under the Indenture and its consequences, except that a holder cannot waive our failure to pay the repurchase price on the repurchase date in connection with a holder exercising its repurchase rights.

**Modification**

***Changes Requiring Approval of Each Affected Holder***

The Indenture (including the terms and conditions of the Notes) may not be modified or amended without the written consent or the affirmative vote of the holder of each Note affected by such change to:

- reduce any amount payable upon repurchase of any Notes;
- to add to, delete from or revise the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication and delivery of debt securities, as set forth in the Indenture;
- change our obligation to repurchase any Notes upon a fundamental change in a manner adverse to the rights of the holders; and
- change our obligation to maintain an office or agency in New York City.

***Changes Requiring Majority Approval***

The Indenture (including the terms and conditions of the Notes) may be modified or amended, except as described above, with the written consent or affirmative vote of the holders of a majority in aggregate principal amount of the Notes then outstanding.

***Changes Requiring No Approval***

The Indenture (including the terms and conditions of the Notes) may be modified or amended by us and the trustee, without the consent of the holder of any Notes, to, among other things:

- provide for our repurchase obligations in connection with a fundamental change in the event of any reclassification of our common stock, merger or consolidation, or sale, conveyance, transfer or lease of our property and assets substantially as an entity;
- secure the Notes;
- provide for the assumption of our obligations to the holders of the Notes in the event of a merger or consolidation, or sale, conveyance, transfer or lease of our property and assets substantially as an entirety;
- surrender any right or power conferred upon us;
- add to our covenants for the benefit of the holders of the Notes;
- cure any ambiguity or correct or supplement any inconsistent or otherwise defective provision contained in the Indenture;
- conform the provisions of the Indenture to the description of the Notes contained in the applicable prospectus supplement;
- make any provision with respect to matters or questions arising under the Indenture that we may deem necessary or desirable and that shall not be inconsistent with provisions of the Indenture; provided that such change or modification does not, in the good faith opinion of our board of directors, adversely affect the interests of the holders of the Notes in any material respect;

- add guarantees of obligations under the Notes; and
- provide for a successor trustee.

**Other**

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed modification or amendment. It is sufficient if such consent approves the substance of the proposed modification or amendment. After a modification or amendment under the Indenture becomes effective, we are required to mail to the holders a notice briefly describing such modification or amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the modification or amendment.

**Notes Not Entitled to Consent**

Any Notes held by us or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with us shall be disregarded (from both the numerator and the denominator) for purposes of determining whether the holders of the requisite aggregate principal amount of the outstanding Notes have consented to a modification, amendment or waiver of the terms of the Indenture.

**Reports**

We shall deliver to the trustee, within 30 days after filing with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act; provided, that any such information, documents or reports filed electronically with the SEC pursuant to Section 13 or 15(d) of the Exchange Act shall be deemed filed with and delivered to the trustee and the holders at the same time as filed with the SEC.

If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end. All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles.

**Other Covenants**

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by Section 61(a) of the 1940 Act or any successor provisions. These provisions generally prohibit us from incurring additional borrowings, including through the issuance of additional securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowings.

**Satisfaction and Discharge**

The Indenture shall upon the written request or order signed in the name of the Company, or the “Company Request,” cease to be of further effect with respect to any series of Notes specified in such Company Request (except as to any surviving rights of registration of transfer or exchange of Notes of such series expressly provided in the Indenture, any surviving rights of tender for repayment at the option of the holders and any right to receive additional amounts, as provided in the Indenture), and the trustee, upon receipt of a company order, and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of the Indenture as to such series when:

(1) either:

(A) all Notes of such series theretofore authenticated and delivered and all coupons, if any, appertaining thereto (other than (i) coupons appertaining to bearer securities surrendered for exchange for registered securities and maturing after such exchange, whose surrender is not required or has been waived as provided in the Indenture, (ii) Notes and coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture, (iii) coupons appertaining to the Notes called for redemption and maturing after the relevant redemption date, whose surrender has been waived as provided in the Indenture, and (iv) Notes and coupons of such series for whose payment money has theretofore been deposited in trust with the trustee or any paying agent or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust), as provided in the Indenture have been delivered to the trustee for cancellation; or

(B) all Notes of such series and, in the case of (i) or (ii) below, any coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or
(ii) will become due and payable at their stated maturity within one year, or
(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at the expense, of the Company, and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust for such purpose, solely for the benefit of the holders, an amount in the currency in which the Notes of such series are payable, sufficient to pay and discharge the entire indebtedness on such Notes and such coupons not theretofore delivered to the trustee for cancellation, for principal (and premium, if any) and interest, if any, to the date of such deposit (in the case of Notes which have become due and payable) or to the stated maturity or redemption date, as the case may be;

(2) the Company has irrevocably paid or caused to be irrevocably paid all other sums payable under the Indenture by the Company; and

(3) the Company has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent in the Indenture provided for relating to the satisfaction and discharge of the Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the trustee and any predecessor trustee under the Indenture, the obligations of the Company to any authenticating agent under the Indenture and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1), the obligations of the trustee for application of the funds and the Notes deposited with the trustee and held in trust for payment shall survive any termination of the Indenture.

**Governing Law**

The Notes and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

**Form, Denomination and Registration**

The Notes will be issued:

- in fully registered form;
- without interest coupons; and
- in denominations of $25 principal amount and integral multiples of $25.

**EXHIBIT 23.1**

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Prospect Capital Corporation
New York, New York

We hereby consent to the incorporation by reference in the registration statement on Form N-2 (File No. 333-236415) of Prospect Capital Corporation of our reports dated August 26, 2020, relating to the consolidated financial statements and the effectiveness of Prospect Capital Corporation's internal control over financial reporting, which appear in the Annual Report on Form 10-K for the year ended June 30, 2020. We also consent to the reference to us under the caption "Independent Accounting Firms" in such registration statement.

/s/ BDO USA, LLP

New York, New York
August 26, 2020

**EXHIBIT 23.2**

## CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the registration statement on Form N-2 (File No. 333-236415) of Prospect Capital Corporation of our report dated June 30, 2020, on our audit of the combined consolidated financial statements of National Property REIT Corp. as of December 31, 2019 and for the year ended December 31, 2019, which report is included in the Form 10-K of Prospect Capital Corporation for the year ended June 30, 2020.

/s/ CohnReznick LLP

New York, New York
August 26, 2020

**EXHIBIT 23.3**

## CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the incorporation by reference in the registration statement on Form N-2 (File No. 333-236415) of Prospect Capital Corporation of our report dated August 1, 2019, relating to the combined consolidated financial statements of National Property REIT Corp. for the years ended December 31, 2018 and 2017, which appear in the Form 10-K of Prospect Capital Corporation for the year ended June 30, 2020.

We also consent to the reference to us under the caption "Independent Accounting Firms" in such registration statement.

/s/ BDO USA, LLP

New York, New York

August 26, 2020

**EXHIBIT 23.4**

## CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the registration statement on Form N-2 (File No. 333-236415) of Prospect Capital Corporation of our report dated August 21, 2020, relating to the consolidated financial statements of First Tower Company LLC and Subsidiaries as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, appearing in the Annual Report on Form 10-K of Prospect Capital Corporation for the year ended June 30, 2020.

We also consent to the reference to our firm under the heading “Independent Accounting Firms” in such registration statement.

/s/ RSM US, LLP

Raleigh, North Carolina
August 26, 2020

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**PURSUANT TO RULE 13a-14(a)/15d-14(a)**

I, John F. Barry III, Chairman of the Board and Chief Executive Officer of Prospect Capital Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Prospect Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over the financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 26, 2020

/s/ JOHN F. BARRY III

John F. Barry III

*Chairman of the Board and Chief Executive Officer*

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**PURSUANT TO RULE 13a-14(a)/15d-14(a)**

I, Kristin L. Van Dask, Chief Financial Officer and Treasurer of Prospect Capital Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Prospect Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over the financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 26, 2020

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

*Chief Financial Officer*

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the annual report on Form 10-K for the year ended June 30, 2020 (the “Report”) of Prospect Capital Corporation (the “Registrant”), as filed with the Securities and Commission on the date hereof, I, John F. Barry III, Chairman of the Board and Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 26, 2020

/s/ JOHN F. BARRY III

John F. Barry III

*Chairman of the Board and Chief Executive Officer*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Prospect Capital Corporation and will be retained by Prospect Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the annual report on Form 10-K for the year ended June 30, 2020 (the "Report") of Prospect Capital Corporation (the "Registrant"), as filed with the Securities and Commission on the date hereof, I, Kristin L. Van Dask, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 26, 2020

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

*Chief Financial Officer*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Prospect Capital Corporation and will be retained by Prospect Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 99.1

# National Property REIT Corp.

Combined Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(With Independent Auditor's Report Thereon)

**National Property REIT Corp.**
**Combined Consolidated Financial Statements**
**Table of Contents**

CohnReznick LLP
cohnreznick.com

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ADVISORY • ASSURANCE • TAX

Independent Auditor's Report

To the Board of Directors
National Property REIT Corp.

We have audited the accompanying combined consolidated financial statements of National Property REIT Corp., which comprise the combined consolidated balance sheet as of December 31, 2019, and the related combined consolidated statements of operations, changes in (deficit) equity and cash flows for the year then ended, and the related notes to the combined consolidated financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Property REIT Corp. as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick

*Prior Period Financial Statements*

The combined consolidated financial statements of National Property REIT Corp. as of and for the year ended December 31, 2018, were audited by other auditors whose report dated August 1, 2019, expressed an unmodified opinion on those statements.

CohnReznick LLP

New York, New York
June 30, 2020

**National Property REIT Corp.**
**Combined Consolidated Balance Sheets**

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| ASSETS | | | | |
| **Real estate assets** | | | | |
| Land | $ | 186,447,053 | $ | 230,994,077 |
| Building and improvements | | 1,607,281,277 | | 1,685,323,802 |
| Furniture, fixtures, and equipment | | 106,918,884 | | 106,462,449 |
| Total real estate assets held for investment | | 1,900,647,214 | | 2,022,780,328 |
| Less: accumulated depreciation | | (227,167,198) | | (220,837,891) |
| **Net real estate assets held for investment** | | 1,673,480,016 | | 1,801,942,437 |
| Real estate assets held for sale, net | | 51,480,144 | | 30,253,748 |
| **Total real estate assets, net** | | 1,724,960,160 | | 1,832,195,185 |
| Cash and cash equivalents | | 136,550,418 | | 62,218,082 |
| Restricted cash ($0 and $4,956,275 as of December 31, 2019 and 2018, respectively, related to consolidated variable interest entity ("VIE")) | | 35,148,797 | | 52,998,143 |
| Accounts receivable, net | | 8,726,586 | | 5,378,809 |
| Interest receivable ($61,585 and $312,317 as of December 31, 2019 and 2018, respectively, related to consolidated VIE) | | 580,444 | | 2,937,858 |
| Due from LendingClub Corporation ($23,761 and $179,529 as of December 31, 2019 and 2018, respectively, related to consolidated VIE) | | 1,958,446 | | 2,863,462 |
| Due from Prosper Funding LLC | | 140,288 | | 209,786 |
| Due from affiliates | | 57,269 | | 73,512 |
| Prepaid expenses and other assets | | 10,647,877 | | 11,352,463 |
| Collateralized loan obligations at fair value | | 129,052,554 | | — |
| Unsecured consumer loans at fair value ($2,407,071 and $16,841,455 as of December 31, 2019 and 2018, respectively, related to consolidated VIE) | | 53,600,537 | | 181,077,095 |
| Residual interests in securitizations, at fair value | | 21,955,347 | | 63,160,648 |
| Deferred leasing costs, net | | 226,484 | | 85,060 |
| Lease intangibles, net | | 7,034,475 | | 3,253,339 |
| Right-of-use assets | | 7,037,475 | | |
| TOTAL ASSETS | $ | 2,137,677,157 | $ | 2,217,785,227 |
| **LIABILITIES AND DEFICIT** | | | | |
| **Liabilities** | | | | |
| Mortgages payable, net of unamortized discount and debt issuance costs | $ | 1,529,699,980 | $ | 1,615,437,515 |
| Mortgages payable related to real estate assets held for sale, net of unamortized discount and debt issuance costs | | 47,913,706 | | 32,284,119 |
| Reverse repurchase facilities, at fair value, net of unamortized debt issuance costs | | 41,143,625 | | — |
| Revolving credit facilities, at fair value | | — | | 46,972,955 |
| Debt (net of debt issuance costs) related to consolidated VIE | | — | | 9,798,386 |
| Senior secured term loans, net of debt issuance costs | | 551,748,438 | | 625,782,185 |
| Accounts payable and accrued expenses | | 27,209,790 | | 27,276,718 |
| Security deposits | | 4,635,479 | | 5,184,903 |
| Due to affiliates | | 8,650,316 | | 8,211,387 |
| Prepaid rent and other liabilities | | 4,447,730 | | 4,170,270 |
| Lease liabilities | | 1,229,374 | | — |
| **Total liabilities** | | 2,216,674,418 | | 2,375,048,240 |
| Commitments and contingencies (Note 20) | | | | |
| **Deficit** | | | | |
| Preferred stock, $0.001 par value, Series A Cumulative Non-Voting, 12.5%, $125,000 liquidation preference, 125 shares authorized, issued and outstanding | | 109,950 | | 109,950 |
| Common stock, $0.001 par value; 100,000,000 common shares authorized, 3,203,927 and 3,110,101 issued and outstanding, respectively | | 3,204 | | 3,110 |
| Additional paid-in-capital | | 167,749,370 | | 154,892,454 |
| Accumulated deficit | | (253,972,599) | | (331,890,275) |
| Non-controlling interest | | 7,112,814 | | 19,621,748 |
| **Total deficit** | | (78,997,261) | | (157,263,013) |
| TOTAL LIABILITIES AND DEFICIT | $ | 2,137,677,157 | $ | 2,217,785,227 |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Combined Consolidated Statements of Operations**

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Revenues** | | |
| Rental income | $ 241,785,356 | $ 231,970,242 |
| Interest income | 26,098,139 | 86,412,671 |
| Other income | 34,447,977 | 33,116,007 |
| Total revenues | 302,331,472 | 351,498,920 |
| **Costs and expenses** | | |
| Property operating expenses | 116,527,232 | 113,383,427 |
| Management fees | 20,000,440 | 15,765,673 |
| Depreciation and amortization | 105,515,294 | 84,800,841 |
| General and administrative expenses | 17,396,144 | 18,472,572 |
| Total costs and expenses | 259,439,110 | 232,422,513 |
| **Other (expense) income** | | |
| Interest expense | (208,153,410) | (184,050,309) |
| Fair value adjustments | (8,651,419) | (48,407,906) |
| Gain on sale of real estate assets | 277,757,453 | 147,727,373 |
| Gain on involuntary conversions | 7,468,509 | — |
| Loss on sale of interest in consolidated VIE | — | (2,261,777) |
| Total other (expense) income, net | 68,421,133 | (86,992,619) |
| **Income before income tax** | 111,313,495 | 32,083,788 |
| Income tax benefit (expense) | 309,411 | (31,936) |
| **Net income** | 111,622,906 | 32,051,852 |
| Income attributable to non-controlling interest | (32,689,605) | (24,080,348) |
| Dividends attributable to preferred shares | (15,625) | (15,625) |
| **Net income attributable to common shares** | $ 78,917,676 | $ 7,955,879 |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Combined Consolidated Statements of Changes in (Deficit) Equity**

| | Preferred Shares | Common Shares | Additional Paid-in-Capital | Accumulated Deficit | Total Stockholders' (Deficit) Equity | Non-Controlling Interest | Total (Deficit) Equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2017** | **$ 109,950** | **$ 2,664** | **$ 281,621,029** | **$ (308,567,214)** | **$ (26,833,571)** | **$ 11,517,263** | **$ (15,316,308)** |
| Issuance of common shares | — | 446 | 77,454,114 | — | 77,454,560 | | 77,454,560 |
| Contribution from non-controlling interest | — | — | — | — | — | 18,581,145 | 18,581,145 |
| Dividends on common shares | — | — | (204,182,689) | (31,278,940) | (235,461,629) | — | (235,461,629) |
| Dividends on preferred shares | — | — | — | (15,625) | (15,625) | — | (15,625) |
| Distributions to non-controlling interest | | | | — | | (34,557,008) | (34,557,008) |
| Net income | | | | 7,971,504 | 7,971,504 | 24,080,348 | 32,051,852 |
| **Balance at December 31, 2018** | **$ 109,950** | **$ 3,110** | **$ 154,892,454** | **$ (331,890,275)** | **$ (176,884,761)** | **$ 19,621,748** | **$ (157,263,013)** |
| Issuance of common shares | — | 94 | 12,856,916 | — | 12,857,010 | — | 12,857,010 |
| Contribution from non-controlling interest | — | — | — | — | — | 8,276,158 | 8,276,158 |
| Dividends on common shares | — | — | — | (1,000,000) | (1,000,000) | | (1,000,000) |
| Dividends on preferred shares | | | | (15,625) | (15,625) | | (15,625) |
| Distributions to non-controlling interest | — | — | — | | | (53,474,697) | (53,474,697) |
| Net income | — | — | — | 78,933,301 | 78,933,301 | 32,689,605 | 111,622,906 |
| **Balance at December 31, 2019** | **$ 109,950** | **$ 3,204** | **$ 167,749,370** | **$ (253,972,599)** | **$ (86,110,075)** | **$ 7,112,814** | **$ (78,997,261)** |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Combined Consolidated Statements of Cash Flows (Continued)**

| | Years Ended December 31, 2019 | Years Ended December 31, 2018 |
|---|---|---|
| *Cash Flows from Operating Activities:* | | |
| Net income | $ 111,622,906 | $ 32,051,852 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation | 83,813,627 | 74,446,077 |
| Amortization of in-place leases | 21,616,238 | 10,354,764 |
| Amortization of leasing commissions | 239,114 | — |
| Amortization of other deferred leasing cost | 606 | — |
| Amortization of right-of-use assets | 84,823 | 418,012 |
| Amortization of debt issuance costs and debt discounts and premiums | 4,397,831 | 3,019,896 |
| Amortization of discount on collateralized loan obligations | (62,187) | — |
| Gain on sale of real estate assets | (277,757,453) | (147,727,373) |
| Gain on involuntary conversions | (7,468,509) | — |
| Loss on early extinguishment of debt | 32,640,453 | 10,017,347 |
| Fair value adjustments of collateralized loan obligations | 211,663 | |
| Fair value adjustments of unsecured consumer loans | 10,978,270 | 47,135,373 |
| Fair value adjustments of residual interests in securitizations | (2,538,514) | 1,272,533 |
| Realized loss on sale of accrued interest into securitizations | | 2,261,777 |
| Income (loss) from accretion on residual interests in securitizations | 73,355 | (5,005,776) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (3,347,777) | (280,282) |
| Interest receivable | 2,357,409 | 4,618,682 |
| Due to affiliates, net | 455,172 | 1,396,066 |
| Prepaid expenses and other assets | 696,196 | (1,221,276) |
| Accounts payable and accrued expenses | 2,796,292 | (915,143) |
| Security deposits and other liabilities | (271,966) | 1,141,698 |
| Deferred leasing costs | (374,924) | (230,576) |
| Right-of-use assets | (1,258,388) | — |
| Lease liabilities | 1,225,374 | — |
| **Net cash (used in) provided by operating activities** | **(19,870,389)** | **32,753,651** |
| *Cash Flows from Investing Activities:* | | |
| Acquisition of real estate assets | (299,127,460) | (452,302,972) |
| Additions to real estate assets | (46,220,647) | (44,375,357) |
| Additions to lease intangibles | (25,423,604) | (9,212,067) |
| Acquisition of ground lease | (5,863,910) | — |
| Proceeds from disposition of real estate assets | 635,762,501 | 285,597,463 |
| Proceeds from involuntary conversions | 15,378,136 | — |
| Purchases of collateralized loan obligations | (76,892,755) | — |
| Purchases of unsecured consumer loans | — | (106,476,634) |
| Principal payments received on unsecured consumer loans | 110,366,182 | 261,888,655 |
| Proceeds from sale of unsecured consumer loans | — | 166,701,211 |
| Proceeds from recoveries and sales of charged-off loans | 6,133,006 | 12,855,452 |
| Purchase of residual interest in securitization | — | (17,052,354) |
| Principal payments received on securitized residual interests | 43,670,460 | 24,280,221 |
| Decrease in Due from LendingClub Corporation | 905,016 | 2,985,199 |
| Decrease in Due from Prosper Funding LLC | 69,498 | 549,092 |
| Decrease in Due from Avant, Inc. | — | 2,214 |

National Property REIT Corp.
Combined Consolidated Statements of Cash Flows

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Net cash provided by investing activities** | **358,756,423** | **125,440,123** |
| *Cash Flows from Financing Activities:* | | |
| Proceeds from mortgages payable | 273,476,000 | 410,876,812 |
| Repayments of mortgages payable | (344,772,057) | (142,632,832) |
| Proceeds from revolving credit facilities | — | 58,893,493 |
| Repayments of revolving credit facilities | (46,972,955) | (276,050,897) |
| Proceeds from reverse repurchase facilities | 59,387,000 | |
| Repayments of reverse repurchase facilities | (17,784,000) | |
| Repayments of debt related to consolidated VIE | (9,798,386) | (78,326,559) |
| Proceeds from senior secured term loan | 9,580,620 | 51,457,676 |
| Repayments of senior secured term loan | (126,000,000) | (106,549,101) |
| Payment of debt issuance costs | (4,910,458) | (17,128,728) |
| Payment of debt extinguishment costs | (30,790,699) | (9,021,858) |
| Proceeds from issuance of common stock | 2,395,155 | 77,454,560 |
| Capital distributions | | (63,832,077) |
| Dividends on common shares | (1,000,000) | (31,278,940) |
| Dividends on preferred shares | (15,625) | (15,625) |
| Contributions from non-controlling interest | 8,276,158 | 18,581,145 |
| Distributions to non-controlling interests | (53,474,697) | (34,557,008) |
| **Net cash (used in) financing activities** | **(282,403,944)** | **(142,129,939)** |
| **Net increase in cash, cash equivalents, and restricted cash** | 56,482,090 | 16,063,835 |
| Cash, cash equivalents, and restricted cash, beginning of year | 115,217,125 | 99,153,290 |
| **Cash, cash equivalents, and restricted cash, end of year** | **$ 171,699,215** | **$ 115,217,125** |

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Supplemental Disclosures** | | |
| Cash paid during the year for: | | |
| Interest expense | $ 205,026,536 | $ 181,427,100 |
| Income taxes | $ 300,087 | $ 33,923 |
| Non-cash investing and financing activities: | | |
| Mortgage loan assumed by purchaser upon sale of property | $ — | $ 62,309,441 |
| Accrued additions to real estate assets | $ 1,721,798 | $ 4,585,018 |
| Residual interest acquired in securitization | $ — | $ 32,965,958 |
| Increase in borrowings under senior secured term loans | $ — | $ 140,350,612 |
| Purchase of collateralized loan obligations by increasing borrowings under senior secured term loans | $ 41,847,420 | $ — |
| Purchase of collateralized loan obligations by issuing 76,347 shares of common stock | $ 10,461,855 | $ — |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Notes to Combined Consolidated Financial Statements**

## 1. Organization

References herein to the "Company", "we", "us", or "our" refer to National Property REIT Corp. ("NPRC"), formerly known as National Property Holdings Corp., unless the context specifically requires otherwise.

The Company is a Maryland corporation and is a real estate investment trust ("REIT") for U.S. federal income tax purposes. The Company was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. The Company intends to acquire real estate assets, including, but not limited to, industrial, commercial, student housing, self-storage, and multi-family properties. The Company commenced operations on December 31, 2013.

NPH Property Holdings, LLC ("NPH"), a Delaware limited liability company, owns all of the outstanding common stock of the Company. NPH is a wholly owned subsidiary of Prospect Capital Corporation ("PSEC"). On December 31, 2013, PSEC contributed to the Company, through NPH, ownership interests in entities that own real estate properties. In exchange for the contribution of assets, NPH received shares of the Company's common stock. These entities were NPH McDowell, LLC ("Oxford"), APH Carroll 41, LLC ("Bexley"), and 146 Forest Parkway, LLC ("146 FP"). On October 23, 2014, United Property REIT Corp. ("UPRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in Michigan Storage, LLC ("Michigan"), an entity that owns a portfolio of self-storage real estate properties. UPH Property Holdings, LLC ("UPH"), a Delaware limited liability company, owned all of the outstanding common stock of UPRC. UPH was a wholly owned subsidiary of PSEC. On November 26, 2014, American Property REIT Corp. ("APRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in APH Carroll Resort, LLC ("The Resort"), an entity that owns a multi-family real estate property. On May 1, 2015, APRC contributed to the Company, ownership interest in 5100 Live Oaks Blvd, LLC ("Amberly"), an entity that owns a multi-family real estate property. APH Property Holdings, LLC ("APH"), a Delaware limited liability company, owned all of the outstanding common stock of APRC. APH was a wholly owned subsidiary of PSEC. These entity contribution transactions are collectively referred to as the "Common Control Transfer".

On May 23, 2016, APRC and UPRC (collectively referred to as the "Affiliated REITs") were merged ("Merger") with and into the Company, with the Company continuing as the surviving corporation. The Affiliated REITs were formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets. At the date of Merger, the Affiliated REITs held an investment portfolio of real estate assets owned directly or through joint ventures by making a majority equity investment in property-owning entities. The real estate investments acquired during the Merger are collectively known as the "Merger Investments".

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*, the Merger and Common Control Transfer transactions noted above were executed between entities under common control. The assets and liabilities of each of the entities acquired through these transactions were recorded at their historical carrying amounts, and the results of operations of these entities have been recognized in the accompanying combined consolidated statements of operations for all periods presented. Subsequent to the Merger during 2016, NPRC's combined consolidated balance sheets reflect the historical carryover basis in the assets and liabilities acquired. The Company has also retrospectively adjusted its financial statements to combine the operating results of the Company and the entities acquired from the date common control began.

National Marketplace Finance, LLC (formerly known as Prospect Finance Company, LLC) ("NMF") is a subsidiary of the Company, and currently owns the online originated unsecured consumer loan portfolio and residual interests in securitizations. NMF holds the interests in ACL Loan Holdings, Inc. ("ACLLH") and American Consumer Lending Limited ("ACLL").

ACLLH was formed to hold the indirect interest in ACL Consumer Loan Trust ("ACL Trust"), which was contributed to ACLLH on June 30, 2014 by the Company, its initial sole member. ACL Trust and American Consumer Lending (Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust, referred to as the "ACL Subsidiaries"), hold unsecured consumer loans purchased from Prosper Funding LLC ("Prosper").

ACL Consumer Loan Trust III ("ACL Trust III"), a subsidiary of ACLLH, formed on June 10, 2014, and American Consumer Lending III (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust III, referred to as the "ACL III Subsidiaries"), formed on June 13, 2014, holds unsecured consumer loans purchased from LendingClub Corporation. ACL Consumer Loan Trust IV ("ACL Trust IV"), a subsidiary of ACLLH, formed on March 23, 2015, and American Consumer Lending IV (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust IV, referred to as the "ACL IV Subsidiaries"), formed on January 15, 2015, holds unsecured consumer loans originated by and purchased from LendingClub Corporation. ACL Patient Solutions Trust ("ACL PS"), a subsidiary of ACLLH, formed on October 14, 2015, and ACL Patient Solutions Holdings, LLC, a subsidiary of ACLL, formed on October 5, 2015, holds unsecured consumer loans from NBT Bank, National Association ("NBT"). From October 20, 2015 to December 31, 2018 ACL PS acquired and held unsecured consumer loans as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone Financial, LLC ("Springstone"), a wholly-owned subsidiary of LendingClub Corporation. ACL Consumer Loan Trust V ("ACL Trust V"), a subsidiary of ACLL, formed on October 16, 2015, holds unsecured consumer loans purchased from Avant II, LLC ("Avant") for the period November 17, 2015 to December 31, 2018. ACL Consumer Loan Trust VI ("ACL Trust VI"), a subsidiary of ACLLII, formed on April 27, 2016, and American Consumer Lending VI, LLC, a subsidiary of ACLL, (collectively with ACL Trust VI, referred to as the "ACL VI Subsidiaries"), formed on November 30, 2015, hold unsecured consumer loans purchased from LendingClub Corporation for the period May 1, 2016 to December 31, 2018. Murray Hill Securitization Holdings Limited ("Murray Hill"), a subsidiary of ACLL, formed on July 24, 2015, holds interest in Murray Hill Marketplace Trust 2016-LC1, a securitization of unsecured consumer loans purchased from LendingClub Corporation for the period October 13, 2016 to December 31, 2018. Murray Hill also holds residual interests in securitizations. Lending Club Corporation and Springstone are hereafter collectively referred to as "Lending Club". American Consumer Lending VII, LLC, a subsidiary of ACLL, formed on October 5, 2017, holds unsecured consumer loans purchased from Prosper and NBT during the period July 28, 2015 to December 31, 2018.

NPH Guarantor, LLC was contributed to NMF on January 13, 2015 by the Company, its initial sole member. NPH Guarantor, LLC is the indemnitor of the ACL III Subsidiaries and ACL PS revolving credit facilities outlined in Note 12. There was no activity in NPH Guarantor, LLC from inception through December 31, 2018.

National General Lending Limited ("NGL"), a subsidiary of the Company, was formed on May 23, 2019 to own various debt tranches in collateralized loan obligations ("CLOs"). NGL holds the CLOs in NGL Subsidiary Ltd. ("NGL Limited"), a wholly owned Cayman Islands limited liability company that was formed August 26, 2019. Operations to buy and sell CLOs commenced on October 30, 2019. In connection with NGL's commencement of operations during 2019, PSEC contributed approximately $12,000,000 in cash and transferred approximately $52,139,000 of CLOs.

## 2. Significant Accounting Policies

### a. *Principles of Reporting and Use of Estimates*

The accompanying combined consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the combined consolidated financial statements and the reported amounts of revenues and expenses during the reported periods.

Management makes significant estimates regarding the allocation of a property's purchase price to the tangible and intangible assets and liabilities acquired, revenue recognition, and determining whether an asset is impaired. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment.

As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates.

### b. *Basis of Consolidation and Transfers of Financial Assets*

The accompanying combined consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. All intercompany balances and transactions have been eliminated. A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are required to be presented as a separate component of equity in the combined consolidated balance sheet and the presentation of net income (loss) is modified to present the net income (loss) attributed to controlling and non-controlling interests.

For a variable interest entity ("VIE"), an entity is subject to consolidation if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs that meet certain scope characteristics are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analysis. We are required on an ongoing basis to assess whether we are the primary beneficiary of a VIE.

We may periodically enter into transactions in which we sell financial assets. Upon a transfer of financial assets, we may retain or acquire senior or subordinated interests in the related assets. In connection with such transactions, a determination must be made as to whether we, as the transferor, have surrendered control over transferred financial assets. That determination must consider our continuing involvement in the transferred financial assets, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under applicable GAAP limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

From time to time, we may securitize unsecured consumer loans we hold if such securitization allows us access to better financing terms. Depending upon the structure of the securitization transaction, these transactions will be accounted for as either a "sale" and the loans will be removed from the combined consolidated balance sheet or as a "financing" with the loans and financing reported on our combined consolidated balance sheet. Significant judgment may be exercised by us in determining whether a transaction should be recorded as a "sale" or a "financing."

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the entity used to facilitate the transactions was a VIE and, if so, whether the VIE should be consolidated. Based on our evaluations, we have concluded that one of our securitizations is a VIE that should be consolidated. The Company has determined that the other securitizations that we participated in should not be consolidated since, among other things, we concluded that the transfer of the underlying assets qualifies as a sale.

c. ***Purchase Accounting and Acquisitions of Real Estate***

Prior to the Company's adoption of Accounting Standards Update ("ASU") 2017-01 in January 2018, the Company recorded the acquisition of real estate that will be used for the production of income as a business combination. All assets acquired and liabilities assumed in a business combination were measured at their acquisition date fair values. Acquisition costs were expensed as incurred. Upon adoption of ASU 2017-01, the Company records the acquisition of real estate that will be used for the production of income as an asset acquisition, with all assets acquired and liabilities assumed recorded at their acquisition date fair values. Acquisition costs are capitalized and allocated to the acquired tangible assets, consisting of land, building and improvements, furniture, fixtures and equipment. The Company assesses the acquisition date fair values of all tangible assets, and identified lease intangibles, consisting of in-place leases, tenant relationships, deferred leasing costs, and above-market and below-market leases.

Real estate assets, including land, building and improvements, and furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Costs associated with the development, construction and improvement of the Company's real estate assets are capitalized as incurred. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred, while major replacements and betterments, which improve or extend the useful life of the asset, are capitalized and depreciated over the estimated useful lives.

The Company records depreciation expense using the straight-line method over the useful lives of the respective assets. The estimated useful lives are as follows:

| Category | Term |
|---|---|
| Building | 10 to 51 years |
| Improvements | 1 to 12 years |
| Furniture, fixtures, and equipment | 2 to 17 years |

Depreciation expense for the years ended December 31, 2019 and 2018 was $83,813,627 and $74,446,077, respectively, and is included in depreciation and amortization expense in the accompanying combined consolidated statements of operations.

The value of acquired land, buildings and improvements is estimated by formal appraisals, observed comparable sales transactions and information gathered during pre-acquisition due diligence activities. The valuation approach considers the value of the property as if it were vacant. The values of furniture, fixtures and equipment are estimated by calculating their replacement cost and reducing that value by factors based upon estimates of their remaining useful lives.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease and the tenant's credit quality, among other factors.

The value of in-place leases and deferred leasing costs are amortized to expense over the remaining term of the respective leases, which range from less than a year to seventeen years. The amount allocated to acquire in-place leases is determined by calculating the estimated time to fill a hypothetically empty property to its stabilization level based on historical observed move-in rates for each property. The intangible assets are calculated by estimating the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. The amount allocated to deferred leasing costs is determined by what the Company would have paid to a third party to secure a new tenant reduced by the expired term of the respective lease. The value of tenant relationships is amortized over the remaining initial lease term and expected renewals, which is thirty seven years. The amount allocated to tenant relationships is the benefit resulting from the likelihood of a tenant renewing its lease. Acquired intangible assets generally have no residual value. Amortization expense related to these assets was $21,701,666 and $10,354,764 for years ended December 31, 2019 and 2018, respectively.

d. ***Impairment of Real Estate***

The Company reviews the carrying value of its real estate assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such reviews indicate that the asset may be impaired, given that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis, the asset's carrying amount is written down to its fair value. Estimating future cash flows and fair values is highly subjective and such estimates could differ materially from actual results. For the years ended December 31, 2019 and 2018, the Company did not record any impairment charges related to real estate assets.

e. ***Assets Held for Sale and Discontinued Operations***

The Company classifies certain real estate assets as held for sale on the combined consolidated balance sheets once the criteria, as defined by GAAP, have been met. Real estate assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell and are no longer depreciated. The Company reports discontinued operations when the disposal of real estate assets represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. No disposal met the definition of discontinued operations as of December 31, 2019 and 2018.

f. ***Environmental Matters***

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. The Company recognizes a liability for environmental matters if it is probable a liability has been incurred and the amount of loss can be reasonably estimated. As of December 31, 2019 and 2018, the Company is not aware of any environmental matters that would have an impact on the combined consolidated financial statements.

g. ***Fair Value Measurements***

In accordance with ASC Topic 820, *Fair Value Measurement* ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market considering the highest and best use of an asset or nonperformance risk related to a liability, at the measurement date. The Company uses the most observable inputs that are available to measure fair value. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's views about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 - observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 - unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk, where applicable, in the Company's assessment of fair value.

The Company carries its mortgages payable, debt related to consolidated VIE, and senior secured term loan at cost, net of unamortized discount, debt issuance costs, and associated amortization, on the accompanying combined consolidated balance sheets.

h. ***Fair Value of Financial Instruments***

Pursuant to ASC Topic 825, *Financial Instruments* ("ASC 825"), which provides entities with an option to report selected financial assets and liabilities at fair value, the Company has made an election to measure its unsecured consumer loans, residual interest in securitizations, and revolving credit facilities at fair value on the combined consolidated balance sheets. We elected to use the fair value option to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Under this election, unsecured consumer loans charged off, recoveries, realized gains (losses), net increase or decrease in unrealized appreciation (depreciation) of the unsecured consumer loans, residual interest in securitizations, and revolving credit facilities are recorded as fair value adjustments on the combined consolidated statements of operations.

i. ***Revenue Recognition***

Rental revenues from residential, student housing, and self-storage tenants are recognized on a contractual basis, as lease periods for these investments are short-term in nature. The Company recognizes reimbursement for utilities and other expenses recoveries as other revenue when earned. Rental revenues from industrial and commercial tenants are recognized on a straight-line basis over the term of the lease. The industrial and commercial leases contain rental increases at specified intervals. The Company records as an asset, and includes in rental revenues, deferred rent receivable that will be received if the tenant makes all rent payments required through the expiration of the initial term of the lease. Deferred rent receivable in the accompanying combined consolidated balance sheets includes the cumulative difference between rental revenue recorded on a straight-line basis and rents received from the tenants in accordance with the respective lease terms.

Minimum future rental receipts under the noncancelable portion of commercial and industrial tenant leases, assuming no new or re-negotiated leases, for the next five years and thereafter is as follows: $1,075,956 (2020), $1,040,719 (2021), $1,040,857 (2022), $504,372 (2023), $209,968 (2024), and $926,783 (thereafter).

Interest income is recognized on an accrual basis, in accordance with the terms of the loan agreement, to the extent that such amounts are expected to be collected. Generally, our unsecured consumer loans are placed on non-accrual status when the loan is greater than 60 days contractually delinquent or charged off, which may occur if a borrower were to declare bankruptcy prior to a loan being 60 days delinquent, at which point the associated interest receivable balance is reversed against the interest income on the combined consolidated statements of operations. For residual interests in securitizations, interest income is recognized using the effective interest method. Under this method, we recognize as interest income, over the life of the securities, the excess of the cash flows expected to be collected over the securities' carrying value. We update our estimates of expected cash flows quarterly and recognize changes in the calculated effective interest rate on a prospective basis. For certain investments held by the Company, cash not received for interest may be recorded through a payment-in-kind ("PIK"). Interest income recorded as PIK is recognized as income in the period received.

Gains and losses on the sale of real estate are recognized pursuant to ASC 610, Gains and Losses from the *Derecognition of Nonfinancial Assets*. Any gain or loss on sale is measured based on the difference between the amount of consideration received and the carrying amount of the sold real estate asset, less costs to sell. For partial sale of real estate resulting in a transfer of control, the Company measures any noncontrolling interest retained at fair value, and recognizes a gain or loss on the difference between the fair value and the carrying amount of the real estate assets retained.

j. *Cash and Cash Equivalents*

The Company considers all highly liquid instruments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents includes funds deposited with financial institutions and short-term, highly liquid overnight investment in money market funds. As of December 31, 2019 and 2018, $54,037,365 and $28,371 of the cash and cash equivalents, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds, with the remainder held in deposit accounts, substantially all of which exceeded applicable insurance limits.

k. *Restricted Cash*

Restricted cash consists of cash escrowed under the operating agreements and mortgage agreements for debt service, real estate taxes, property insurance, and capital improvements and other restricted deposits. In addition, restricted cash includes funds deposited with Texas Capital Bank, Bank of New York Mellon, U.S. Bank National Association, and NBT in relation to the revolving credit facilities outlined in Note 12. As of December 31, 2019 and 2018, $604,938 and $7,270,299 of the restricted cash, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds.

l. *Unsecured Consumer Loans*

Unsecured consumer loans consist of individual loans purchased from various originators of unsecured consumer loans ("Lending Platforms") under terms of the Company's agreement with the respective platforms, who are sellers of the unsecured consumer loans that continue to service such loans. Unsecured consumer loans made through the Lending Platforms are issued by WebBank, an FDIC-insured, Utah chartered industrial bank, except for loans issued by NBT. After funding a loan, WebBank sells the loan to the Lending Platform, without recourse, in exchange for the principal amount of the loan. Loans issued by NBT are purchased by the Company as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone. All loans purchased are unsecured obligations of individual borrowers with a fixed interest rate and loan terms set between 12 and 84 months. Unsecured consumer loans are recorded on the date purchased by the Company, which is generally at least fifteen days after origination. Unsecured consumer loans are charged off in the month that the loan becomes greater than 120 days contractually delinquent or in the month that the borrower has entered bankruptcy, at which point the outstanding principal amount is written off against the principal of the unsecured consumer loans on the combined consolidated balance sheets which results in a fair value adjustment on the combined consolidated statements of operations. Recoveries on charged off loans and sales of charged off loans to third parties are recorded as received, net of fees.

m. *Due from Lending Platforms*

LendingClub and Prosper are online marketplace Lending Platforms from which we purchase unsecured consumer loans. The Due from LendingClub Corporation and Due from Prosper Funding LLC amounts presented on the combined consolidated balance sheets represent cash deposited at LendingClub and Prosper, respectively.

n. *Allowance for Doubtful Accounts*

The Company continuously monitors collections from its tenants and recognizes an allowance for uncollectible accounts based on a specific tenant collection issues that the Company has identified. When management has determined that receivables are uncollectible, they are written off against the allowance for doubtful accounts.

o. *Asset Management and Management Services*

Management fee expenses are recognized when incurred in accordance with the terms of each respective management agreement.

p. *Debt Issuance Costs and Unamortized Debt Discounts*

The Company defers costs incurred in connection with obtaining financing and amortizes the costs using the straight-line method, which approximates the effective interest rate method, over the terms of the related debt as a component of interest expense. The Company also recognizes a debt discount or premium in connection with mortgages assumed at fair value in accordance with ASC 805. Debt issuance costs and unamortized debt discounts have been presented as a direct deduction to our mortgages payable, mortgages payable related to real estate assets held for sale, debt related to consolidated VIE, and senior secured term loans in the accompanying combined consolidated balance sheets.

At December 31, 2019 and 2018, the Company had net debt issuance costs and debt discounts of $23,198,406 and $24,994,907, respectively. Amortization of debt issuance costs and debt discounts of $4,397,831 and

$3,019,896 are included in interest expense in the combined consolidated statements of operations for the years ended December 31, 2019 and 2018, respectively.

q. ***Non-controlling Interests***

Non-controlling interests are comprised of the Company's joint venture partners' interests in the joint ventures in real estate properties that the Company consolidates. The Company reports its joint venture partners' interests in its consolidated real estate joint ventures and other subsidiary interests held by third parties as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss and equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are generally allocated pro rata based on the respective ownership percentages until the venture reaches certain performance measures, at which time the other venture party will be entitled to preferred distributions (profit interests).

r. ***Income Taxes***

The Company elected to be taxed as a REIT for U.S. federal income tax purposes, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company believes it operates in such a manner as to qualify for treatment as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its taxable income. A REIT is subject to a number of organizational and operational requirements, including, among others, a requirement that it currently distributes at least 90% of its taxable income to stockholders, subject to certain adjustments. If the Company fails to qualify as a REIT in any taxable year without the benefit of certain relief provisions, it will be subject to federal and state income taxes on its taxable income at regular corporate income tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state or local taxes on its income, property or net worth and federal taxes and excise taxes on its undistributed income. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") will be fully subject to federal, state and local income taxes.

The Company accounts for TRS income taxes under the liability method as required by ASC Topic 740, *Income Taxes*. Under the liability method, deferred income taxes are recognized for the temporary differences between the GAAP basis and tax basis of the TRS income, assets and liabilities. For the years ended December 31, 2019 and 2018, several of the Company's subsidiaries were considered taxable corporations for U.S. federal and state income tax purposes. The taxable U.S. corporate subsidiaries are subject to corporate level U.S. federal, state and local income tax on their net taxable income.

ASC 740, *Income Taxes* ("ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the combined consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of December 31, 2019 and 2018, we did not have a liability for any unrecognized tax benefits. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. We file tax returns for U.S. Federal, various states and foreign jurisdictions. The statute of limitation is open for all jurisdictions for tax years beginning in 2016.

The Company's policy is to classify interest and penalties on tax positions, if any, as expenses. For the years ended December 31, 2019 and 2018, no interest and penalties have been accrued.

s. ***Concentration of Counterparty Risk and Credit Risk***

In the normal course of its business, the Company encounters counterparty risk and credit risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, principal and interest outstanding on unsecured consumer loans, and amounts deposited with each of the Company's Lending Platforms. Counterparty risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

t. ***Servicing, Collection and Upfront Fees***

The Company incurs a monthly servicing fee for each outstanding unsecured consumer loan, which is payable to the Lending Platforms for managing payments from borrowers and maintaining loan account portfolios. The Company incurs collection fees on amounts recovered from delinquent loans, which is payable to the Lending

Platforms. The Company incurs an upfront fee on unsecured consumer loans purchased from Avant. All servicing, collection and upfront fees are expensed as incurred.

u. ***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a single revenue recognition model for all entities, regardless of industry. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires certain additional disclosures. In March 2016, the FASB issued an update (ASU 2016-08) to ASC 606, Principal Versus Agent Considerations (Reporting Revenue Gross versus Net), which provides the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued an update (ASU 2016-10) to ASC 606, Identifying Performance Obligations and Licensing, which provides clarification related to identifying performance obligations and licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued an update (ASU 2016-12) to ASC 606, Narrow-Scope Improvements and Practical Expedients, which amends certain aspects of the new revenue recognition standard. Adoption of this standard did not have a material effect on the combined consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): Restricted Cash ("ASU 2016-18") to require that a statement of cash flows explain the change during the period in restricted cash or restricted cash equivalents, in addition to changes in cash and cash equivalents. That is, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The ASU includes examples of the revised presentation guidance, and additional presentation and disclosure requirements apply. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments should be applied retrospectively to each period presented. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of the amended guidance in ASU 2016-18 did not have a significant effect on our combined consolidated financial statements and disclosures.

In February 2016, the FASB issued an update ("ASU 2016-02") establishing ASC Topic 842, Leases ("ASC 842"), as amended by subsequent ASUs on the topic, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use ("ROU") asset and a lease liability for all leases with a term of greater than 12 months. Lease liabilities equal the present value of future lease payments. Right-of-use assets equal the lease liabilities adjusted for accrued rent expense, initial direct costs, lease incentives and prepaid lease payments. Leases with a term of 12 months or less will be accounted for similar to the previously existing lease guidance under ASC Topic 840, Leases ("ASC 840"). Lease expense is recognized based on the effective interest method for finance leases or on a straight-line basis for operating leases. The accounting applied by the lessor is largely unchanged from that applied under ASC 840.

The Company early adopted this standard effective January 1, 2019. The Company has completed its evaluation of the overall impact of the adoption of ASU 2016-02 on the combined consolidated financial statements and accounting policies. As of December 31, 2019, the Company had two leases classified as operating lease and recorded right-of-use assets and lease liabilities equal to the present value of the future lease payments. The Company will continue to recognize expense on a straight-line basis for these leases. The Company recorded an aggregate of $7,037,475 of ROU assets and a corresponding $1,225,374 of lease liabilities as a result of the adoption of this standard.

In August 2018, FASB issued an update, ("ASU 2018-13") Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, to ASC Topic 820, Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, and/or adding certain disclosures. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. Nonpublic entities are required to disclose transfers into and out of Level 3 of the fair value hierarchy, and purchases and issuances of Level 3 assets and liabilities. For nonpublic entities, this update eliminates the requirements to disclose the valuation processes for Level 3 fair value measurements, to reconcile the opening balances to the closing balances of recurring Level 3 fair value measurements, and to disclose changes in unrealized gains and losses for the period included in earnings for recurring level 3 fair value measurements held at the end of the reporting period. ASU 2018-13 is effective for reporting periods in fiscal years beginning after December 15, 2019 for nonpublic reporting entities. An entity is permitted to early adopt by modifying existing disclosures and delay adoption of the additional disclosures until the effective date. The Company early adopted the ASU 2018-13 disclosure provision which did not have a material impact on the Company's combined consolidated financial statements.

v. ***Collateralized Loan Obligations ("CLOs")***

The Company holds investments in CLOs which are subordinated debt interests in syndicated loans managed by third party collateral managers with industry experience. The outstanding investment range in expected maturity from April 2027 to October 2032 and pays interest based on the three-month LIBOR ("3ML") plus 5.45% to 9.45%.

Secondary CLOs purchased from a broker are recorded on the trade date and are recorded as the settlement value of cash, plus purchased accrued interest. Purchased accrued interest is treated as a return of capital upon receipt within the first two quarterly payment cycles. The discount to par is amortized over the expected maturity of the CLO debt, which is calculated using estimated cash flows on the date of purchase.

Primary CLOs purchased either from the collateral manager or the broker are recorded on the settled date, to reflect the potential changes, updates or resizing of the position, due to the long-term nature of settlement. The typical settlement time for DTC bonds is three days. Amortization of an original issue discount is calculated to expected maturity date, based on projected cash flows at the time of purchase, and recorded over the expected life of the bond.

Gains or losses from the sale or call of CLO are recorded as a realized gain or loss on the combined consolidated statements of operations and recognized on the date of sale or call. Restructured or permanently impaired CLOs are recorded in the period of measurement and recorded on the combined consolidated statements of operations as a realized gain or loss and amortized to expected maturity based on the available cash flows at the time of measurement. Unrealized gains or losses are recorded on the combined consolidated statements of operations and recognized on each valuation date.

## 3. Recent Real Estate Transactions

*Acquisition of Real Estate Assets Held for Investment*

During 2019 and 2018, the Company acquired the following properties:

- On October 28, 2019, the Company, together with a joint venture partner, acquired Sterling Place, a multi-family property located in Columbus, Ohio for an aggregate purchase price of $41,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $34,196,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $718,811.
- On October 15, 2019, the Company, together with a joint venture partner, acquired Parcstone and Stone Ridge, two multi-family properties located in Fayetteville, North Carolina for an aggregate purchase price of $66,900,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $44,789,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,181,320.
- On July 30, 2019, the Company, together with a joint venture partner, acquired Druid Hills, a multi-family property located in Atlanta, Georgia for an aggregate purchase price of $96,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $79,104,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $869,165.
- On June 28, 2019, the Company, together with a joint venture partner, acquired The Isle, a multi-family property located in Orlando, Florida for an aggregate purchase price of $26,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $21,200,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $553,295.
- On January 9, 2019, the Company, together with a joint venture partner, acquired Hamptons Apartments, a multi-family property located in Beachwood, Ohio for an aggregate purchase price of $96,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $79,520,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,668,388.
- On October 30, 2018, the Company, together with a joint venture partner, acquired Lorring Park, a multi-family property located in Forestville, Maryland for an aggregate purchase price of $58,521,100 exclusive of acquisition

and closing costs. For the purchase of this property, the joint venture obtained bank financing of $47,680,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,678,029.

- On September 21, 2018, the Company, together with a joint venture partner, acquired Ashwood Ridge, a multi-family property located in Jonesboro, Georgia for an aggregate purchase price of $9,600,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $7,300,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $0.

- On August 30, 2018, the Company, together with a joint venture partner, acquired Crown Pointe, a multi-family property located in Danbury, Connecticut for an aggregate purchase price of $108,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $89,400,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $5,005,036.

- On August 8, 2018, the Company, together with a joint venture partner, acquired Falling Creek, a multi-family property located in Richmond, Virginia for an aggregate purchase price of $25,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $19,335,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $744,100.

- On July 20, 2018, the Company, together with a joint venture partner, acquired Villages of Wildwood, a multi-family property located in Fairfield, Ohio for an aggregate purchase price of $46,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $39,525,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $825,242.

- On June 1, 2018, the Company, together with a joint venture partner, acquired Olentangy Commons, a multi-family property located in Columbus, Ohio for an aggregate purchase price of $113,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $92,876,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,886,823.

- On May 9, 2018, the Company, together with a joint venture partner, acquired Laurel Pointe and Bradford Ridge, two multi-family properties located in Forest Park, Georgia for an aggregate purchase price of $45,505,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $36,400,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $5,000,000.

- On January 9, 2018, the Company, together with a joint venture partner, acquired Steeplechase, a multi-family property located in Largo, Maryland for an aggregate purchase price of $44,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $36,668,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $793,764.

**National Property REIT Corp.**
**Notes to Combined Consolidated Financial Statements**

The below listed 2019 and 2018 acquisitions have been accounted for as asset acquisitions. The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the date of acquisition. The Company allocated the purchase price, plus capitalized acquisition costs, of the properties acquired during 2019 and 2018 as follows:

| Property | Land | Building | Improvements | FF&E | Lease Intangibles and Right-Of-Use Assets | Total Purchase Price |
|---|---|---|---|---|---|---|
| **2019 Acquisitions:** | | | | | | |
| Hamptons | $ 5,103,705 | $ 83,440,534 | $ 1,396,601 | $ 770,106 | $ 6,938,534 | $ 97,649,480 |
| The Isle | 4,078,734 | 19,987,827 | 1,156,656 | 101,460 | 1,592,939 | 26,917,616 |
| Druid Hills | — | 75,676,485 | 3,824,510 | 1,200,246 | 16,876,388 | 97,577,629 |
| Parcstone | 4,396,654 | 36,402,019 | 669,767 | 218,096 | 3,603,258 | 45,289,794 |
| Stone Ridge | 2,769,370 | 17,502,875 | 337,263 | 96,183 | 1,460,402 | 22,166,093 |
| Sterling Place | 4,390,362 | 33,352,408 | 1,963,579 | 292,020 | 2,027,018 | 42,025,387 |
| **Total 2019:** | **$ 20,738,825** | **$ 266,362.148** | **$ 9,348.376** | **$ 2,678,111** | **$ 32,498.539** | **$ 331,625,999** |
| **2018 Acquisitions:** | | | | | | |
| Steeplechase | $ 3,418,694 | $ 37,894.167 | $ 2,430,222 | $ 998,855 | $ 894,174 | $ 45,636,112 |
| Laurel Pointe | 2,616,452 | 27,519,537 | 1,949,317 | 865,233 | 903,697 | 33,854,236 |
| Bradford Ridge | 1,495,759 | 9,865,644 | 795,616 | 392,504 | 315,549 | 12,865,072 |
| Ashwood Ridge | 1,396,696 | 7,646,172 | 499,566 | 244,668 | 232,058 | 10,019,160 |
| Olentangy Commons | 7,945,269 | 97,637,479 | 4,463,475 | 3,078,881 | 1,137,127 | 114,262,231 |
| Villages of Wildwood | 5,500,080 | 36,949,740 | 1,964,305 | 1,726,550 | 954,845 | 47,095,520 |
| Falling Creek | 3,182,739 | 19,996,811 | 439,720 | 1,476,205 | 583,775 | 25,679,250 |
| Crown Pointe | 16,133,196 | 87,170,476 | 2,734,961 | 1,772,091 | 2,560,946 | 110,371,670 |
| Lorring Park | 4,114,949 | 52,215,802 | 1,332,255 | 2,438,886 | 1,629,896 | 61,731,788 |
| **Total 2018:** | **$ 45,803,834** | **$ 376,895,828** | **$ 16,609,437** | **$ 12,993,873** | **$ 9,212,067** | **$ 461,515,039** |

The weighted average amortization period of acquired in-place leases was approximately 6 months for each of the years ended December 31, 2019 and 2018, respectively.

Summarized information regarding properties sold during the years ended December 31, 2019 and 2018, is set forth in the table below:

| Property | Disposition Date | Asset Type | Gross Sale Price | Gain on Sale |
|---|---|---|---|---|
| **2019 Dispositions:** | | | | |
| Vinings Corner | 1/18/2019 | Multifamily | $ 58,880,000 | $ 28,093,508 |
| Lofton Place | 5/21/2019 | Multifamily | 43,150,000 | 19,798,619 |
| South Atlanta | 6/28/2019 | Multifamily | 164,000,000 | 87,122,334 |
| Resort | 8/30/2019 | Multifamily | 322,000,000 | 116,522,738 |
| Bartram | 9/12/2019 | Multifamily | 57,750,000 | 26,220,254 |
| **Total 2019:** | | | **$ 645,780,000** | **$ 277,757,453** |
| | | | | |
| **2018 Dispositions:** | | | | |
| Central Park | 1/11/2018 | Multifamily | $ 52,750,000 | $ 19,761,152 |
| St. Marin | 2/22/2018 | Multifamily | 94,000,000 | 27,934,801 |
| Matthews Reserve | 8/29/2018 | Multifamily | 33,800,000 | 13,875,452 |
| Amberly Place | 10/12/2018 | Multifamily | 102,150,000 | 49,521,799 |
| City West | 11/15/2018 | Multifamily | 44,000,000 | 22,677,782 |
| Island Club | 12/14/2018 | Multifamily | 24,800,000 | 13,956,387 |
| **Total 2018:** | | | **$ 351,500,000** | **$ 147,727,373** |

## 4. Real Estate Assets

The Company's ownership interests in real estate properties range from 67% to 100% via either direct ownership or ownership of a property owning entity. Through its ownership interests, the Company controls and therefore consolidates the properties and property owning entities. The interest owned by the other joint venture partner is reflected as non-controlling interest in these combined consolidated financial statements.

The Company's real estate assets consisted of the following as of December 31, 2019 and 2018:

| Property | Acquisition Date | Ownership Percentage | Asset Type | Location | Real Estate Assets, Net of Accumulated Depreciation 2019 | 2018 |
|---|---|---|---|---|---|---|
| Filet of Chicken | 10/24/2012 | 100.0% | Industrial | Forest Park, GA | $ 4,516,513 | $ 4,707,023 |
| Lofton Place | 4/30/2013 | 93.3% | Multifamily | Tampa, FL | — | 33,427,510 |
| Arlington Park | 5/8/2013 | 93.3% | Multifamily | Marietta, GA | 8,600,131 | 12,538,144 |
| The Resort | 6/24/2013 | 100.0% | Multifamily | Pembroke Pines, FL | — | 204,408,689 |
| Cordova Regency | 11/15/2013 | 99.3% | Multifamily | Pensacola, FL | 11,780,045 | 11,959,762 |
| Crestview at Oakleigh | 11/15/2013 | 99.3% | Multifamily | Pensacola, FL | 14,794,898 | 15,110,730 |
| Inverness Lakes | 11/15/2013 | 99.3% | Multifamily | Mobile, AL | 24,985,487 | 25,349,426 |
| Kings Mill | 11/15/2013 | 99.3% | Multifamily | Pensacola, FL | 17,372,443 | 17,665,502 |
| Plantations at Pine Lake | 11/15/2013 | 99.3% | Multifamily | Tallahassee, FL | 15,361,833 | 15,687,356 |
| Verandas at Rocky Ridge | 11/15/2013 | 99.3% | Multifamily | Vestavia Hills, AL | 13,247,126 | 13,419,319 |
| Vinings Corner | 11/19/2013 | 90.0% | Multifamily | Smyrna, GA | — | 30,252,748 |
| Eastwood Village | 12/12/2013 | 92.6% | Multifamily | Stockbridge, GA | — | 22,150,639 |
| Monterey Village | 12/12/2013 | 92.6% | Multifamily | Jonesboro, GA | | 9,742,626 |
| Hidden Creek | 12/12/2013 | 92.6% | Multifamily | Morrow, GA | — | 4,604,118 |
| Meadow Springs | 12/12/2013 | 92.6% | Multifamily | College Park, GA | — | 10,792,518 |
| Meadow View | 12/12/2013 | 92.6% | Multifamily | College Park, GA | — | 11,777,532 |
| Peachtree Landing | 12/12/2013 | 92.6% | Multifamily | Fairburn, GA | — | 14,489,647 |
| Indigo | 12/31/2013 | 100.0% | Multifamily | Jacksonville, FL | — | 31,463,541 |
| Crestview at Cordova | 1/17/2014 | 99.3% | Multifamily | Pensacola, FL | 7,045,826 | 7,121,015 |
| Taco Bell, OK | 6/4/2014 | 100.0% | Commercial | Yukon, OK | 1,239,899 | 1,249,746 |
| Taco Bell, MO | 6/4/2014 | 100.0% | Commercial | Marshall, MO | 1,005,451 | 1,298,357 |
| Chesterfield | 8/19/2014 | 85.0% | Self-Storage | Chesterfield, MI | 4,491,609 | 4,637,282 |
| Wyoming | 8/19/2014 | 85.0% | Self-Storage | Wyoming, MI | 3,907,406 | 4,019,356 |
| Grand Rapids | 8/19/2014 | 85.0% | Self-Storage | Grand Rapids, MI | 5,656,115 | 5,808,365 |
| Westland | 8/28/2014 | 85.0% | Self-Storage | Westland, MI | 3,899,111 | 4,007,927 |
| State Street | 8/28/2014 | 85.0% | Self-Storage | Ann Arbor, MI | 3,472,548 | 3,541,615 |

## National Property REIT Corp.
## Notes to Combined Consolidated Financial Statements

| Property | Acquisition Date | Ownership Percentage | Asset Type | Location | Real Estate Assets, Net of Accumulated Depreciation 2019 | 2018 |
|---|---|---|---|---|---|---|
| Jackson | 8/28/2014 | 85.0% | Self-Storage | Ann Arbor, MI | 7,087,956 | 7,224,688 |
| Kalamazoo | 8/28/2014 | 85.0% | Self-Storage | Kalamazoo, MI | 2,017,841 | 2,012,388 |
| Canterbury | 9/29/2014 | 92.5% | Multifamily | Fort Wayne, IN | 62,825,588 | 64,639,982 |
| Abbie Lakes | 9/30/2014 | 79.1% | Multifamily | Canal Winchester, OH | 10,992,583 | 11,373,400 |
| Brookside | 9/30/2014 | 79.1% | Multifamily | Reynoldsburg, OH | 10,789,150 | 11,205,692 |
| Reserve at Abbie Lakes | 9/30/2014 | 79.1% | Multifamily | Canal Winchester, OH | 24,800,644 | 25,897,491 |
| Lakes Edge | 9/30/2014 | 79.1% | Multifamily | Pickerington, OH | 11,137,581 | 11,296,249 |
| Sunbury Ridge | 9/30/2014 | 79.1% | Multifamily | Columbus, OH | 12,507,874 | 12,995,078 |
| Stonebridge | 9/30/2014 | 79.1% | Multifamily | Blacklick, OH | 18,545,999 | 19,226,375 |
| Jefferson Chase | 9/30/2014 | 79.1% | Multifamily | Blacklick, OH | 11,583,326 | 12,135,282 |
| Lake Ridge | 10/29/2014 | 79.1% | Multifamily | Hilliard, OH | 6,424,839 | 6,810,090 |
| Okemos | 1/16/2015 | 85.0% | Self-Storage | Okemos, MI | 5,650,205 | 5,802,658 |
| Lansing West | 1/16/2015 | 85.0% | Self-Storage | Lansing West, MI | 1,361,578 | 1,411,813 |
| Novi | 1/16/2015 | 85.0% | Self-Storage | Novi, MI | 5,322,740 | 5,442,779 |
| Lake Orion | 1/16/2015 | 85.0% | Self-Storage | Lake Orion, MI | 5,592,980 | 5,724,872 |
| Ypsilanti | 1/16/2015 | 85.0% | Self-Storage | Ypsilanti, MI | 3,020,654 | 3,005,813 |
| Orchard Village | 11/5/2015 | 80.0% | Multifamily | Aurora, IL | 31,106,961 | 31,988,931 |
| Sterling Crimson | 9/28/2016 | 67.0% | Student Housing | Tuscaloosa, AL | 45,984,297 | 47,591,964 |
| Hawks Ridge | 9/28/2016 | 67.0% | Student Housing | Iowa City, IA | 28,806,810 | 29,997,290 |
| Islander Village | 9/28/2016 | 67.0% | Student Housing | Corpus Christi, TX | 12,071,274 | 12,630,745 |
| Campus Quarters | 9/28/2016 | 67.0% | Student Housing | Corpus Christi, TX | 15,591,204 | 16,187,706 |
| District on Luther | 9/28/2016 | 67.0% | Student Housing | College Station, TX | 35,249,758 | 36,937,333 |
| West 22 | 9/28/2016 | 67.0% | Student Housing | Kennesaw, GA | 49,292,767 | 50,814,007 |
| Legacy | 9/28/2016 | 67.0% | Student Housing | Statesboro, GA | 6,850,691 | 7,203,224 |
| University Crossing | 9/28/2016 | 67.0% | Student Housing | Manhattan, KS | 19,501,057 | 20,761,413 |
| Union Place | 12/7/2016 | 85.0% | Multifamily | Franklin, MA | 59,501,119 | 60,883,357 |
| Seasons | 1/30/2017 | 92.5% | Multifamily | Laurel, MD | 173,651,449 | 178,751,956 |
| Villages of Baymeadows | 10/31/2017 | 92.5% | Multifamily | Jacksonville, FL | 89,207,984 | 91,970,457 |
| Casa del Mar | 10/31/2017 | 92.5% | Multifamily | Jacksonville, FL | 14,931,564 | 14,994,932 |
| Silver Oaks | 11/8/2017 | 92.5% | Multifamily | Southfield, MI | 15,616,730 | 16,106,049 |
| Sutton Place | 11/8/2017 | 92.5% | Multifamily | Southfield, MI | 48,712,129 | 49,999,371 |
| Steeplechase | 1/10/2018 | 92.5% | Multifamily | Largo, MD | 43,123,289 | 44,087,491 |
| Laurel Pointe | 5/9/2018 | 69.2% | Multifamily | Forest Park, GA | 32,149,625 | 31,930,021 |
| Bradford Ridge | 5/9/2018 | 69.2% | Multifamily | Forest Park, GA | 12,017,264 | 12,204,323 |
| Ashwood Ridge | 9/21/2018 | 69.2% | Multifamily | Jonesboro, GA | 9,693,648 | 9,700,116 |
| Olentangy Commons | 6/1/2018 | 92.5% | Multifamily | Columbus, OH | 112,098,035 | 113,167,934 |
| Villages of Wildwood | 7/20/2018 | 92.5% | Multifamily | Fairfield, OH | 45,105,897 | 47,002,097 |
| Falling Creek | 8/8/2018 | 90.0% | Multifamily | Richmond, VA | 24,028,354 | 24,736,446 |
| Crown Pointe | 8/30/2018 | 80.0% | Multifamily | Danbury, CT | 104,303,619 | 106,845,758 |
| Lorring Park | 10/30/2018 | 80.0% | Multifamily | Forestville, MD | 60,057,959 | 59,969,092 |
| Hamptons | 1/9/2019 | 92.5% | Multi-Family | Beachwood, OH | 87,632,546 | — |
| The Isle | 6/26/2019 | 92.5% | Multi-Family | Orlando, FL | 25,466,306 | — |
| Druid Hills | 7/30/2019 | 96.3% | Multi-Family | Atlanta, GA | 79,420,711 | — |
| Parcstone | 10/15/2019 | 88.0% | Multi-Family | Fayetteville, NC | 42,072,648 | — |
| Stone Ridge | 10/15/2019 | 88.0% | Multi-Family | Fayetteville, NC | 20,891,018 | — |
| Sterling Place | 10/28/2019 | 92.5% | Multi-Family | Columbus, OH | 39,753,266 | — |
| Total net real estate assets | | | | | $ 1,724,960,160 | $ 1,832,195,155 |

## 5. Lease Intangibles

Lease intangibles consist of the following:

| | As of December 31, 2019 | | | As of December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Lease Intangibles | Accumulated Amortization | Lease Intangibles, net | Lease Intangibles | Accumulated Amortization | Lease Intangibles, net |
| In-place leases | $ 75,909,491 | $ (69,446,277) | $ 6,463,214 | $ 55,716,988 | $ (53,099,859) | $ 2,617,129 |
| Above-market leases | — | — | — | — | — | — |
| Below-market leases | — | — | — | — | — | — |
| Tenant relationships | 239,208 | (46,125) | 193,083 | 239,208 | (39,689) | 199,519 |
| Deferred leasing costs | 635,325 | (257,147) | 378,178 | 635,325 | (218,634) | 416,691 |
| **Total** | **$ 76,784,024** | **$ (69,749,549)** | **$ 7,034,475** | **$ 56,591,521** | **$ (53,358,182)** | **$ 3,233,339** |

Future amortization expense for the Company's lease intangibles is as follows: $6,055,327 (2020), $95,686 (2021), $95,686 (2022), $95,686 (2023), $95,686 (2024), and $596,404 (thereafter).

## 6. Real Estate Assets Held for Sale

As of December 31, 2019, the real estate assets held by the Michigan self-storage portfolio met the criteria to be classified as held for sale. The Company entered into a purchase and sale agreement with an unrelated third party on November 4, 2019. The sale closed on January 9, 2020, resulting in the recognition of a gain in the amount of $48,964,341.

Below is a summary of the major classes of real estate assets classified as held for sale:

| Real Estate Assets Held for Sale | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Land | $ 6,457,102 | $ 3,357,357 |
| Building and improvements | 55,191,302 | 32,131,944 |
| Furniture, fixtures, and equipment | 12,640 | 1,494,666 |
| Less: accumulated depreciation | (10,180,900) | (6,731,219) |
| **Total net real estate assets held for sale** | **$ 51,480,144** | **$ 30,252,748** |

## 7. Involuntary Conversions

During 2019, the Company wrote off real estate assets from fire damages, an eminent domain condemnation, and theft. As of December 31, 2019, proceeds of $15,378,136 were received. For the year ended December 31, 2019, a gain from involuntary conversion of $7,468,509 was recorded in relation to the assessed outcome of the damages and is included as gain on involuntary conversions on the combined consolidated statements of operations.

## 8. Unsecured Consumer Loans

The Company purchased $0 and $106,476,634 of aggregate principal in unsecured consumer loans from LendingClub and NBT during the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2018, the Company purchased a trust certificate in LendingClub Issuance Trust, Series 2016-NP1 ("LCIT 2016-NP1") with a fair value of $5,665,256 representing a 59.32% interest in LCIT 2016-NP1. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, the Company does not consolidate the Club 2017 Securitization trust associated with this securitization.

During the year ended December 31, 2018, the Company purchased a trust certificate in LendingClub Issuance Trust, Series 2016-NP2 ("LCIT 2016-NP2") with a fair value of $10,458,276 representing a 72.60% interest in LCIT 2016-NP2. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, the Company does not consolidate the Club 2017 Securitization trust associated with this securitization.

On March 21, 2018, the Company sold 28,474 of unsecured consumer loans (with a cost of $200,001,980 and accrued interest of $2,261,777) previously purchased from LendingClub to Consumer Loan Underlying Bond (CLUB) Depositor, LLC ("Club 2018-NP-1") for proceeds of $166,701,211 net of related transaction expenses, and a trust certificate with a fair value of $32,965,958 representing a 56.36% interest in the Club 2018-NP1. On the date of sale, the Company reversed the unrealized loss of $(334,812) and the accrued interest of $(2,261,777), recording realized losses of $(334,812). The Company acquired an additional residual interest in the securitization for $928,822, increasing the total interest in the Club 2018-NP1 to 57.95%.

The Company's portfolio of unsecured consumer loans consists of a large number of small balance homogeneous loans. As of December 31, 2019, the portfolio consisted of 16,769 loans having an average outstanding principal balance of $3,397 and a maximum balance of $50,000 at the time of origination. As of December 31, 2019, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 22.8% based on outstanding principal of the unsecured consumer loans. As of December 31, 2018, the portfolio consisted of 42,206 loans having an average outstanding principal balance of $4,650 and maximum balance of $50,000 at the time of origination. As of December 31, 2018, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 23.8% based on outstanding principal of the unsecured consumer loans.

The ability of the borrowers of the unsecured consumer loans to repay the Company are affected by their continuing financial stability. The credit risk of the unsecured consumer loans and the residual interest in securitizations is considered to be higher than for secured loans.

The Lending Platforms classify the unsecured consumer loans into separately identified pools by rating ("Rating"), which indicates the expected level of risk associated with the loan. Each Rating corresponds to an estimated average annualized loss rate range as of the time the Rating is given. The estimated annual loss rate for each loan is based primarily on a proprietary custom risk model developed by each of the Lending Platforms using their respective historical data, borrower specific factors and Fair Isaac Corporation score ("FICO score") obtained from a credit reporting agency. As part of the Rating determination, the Lending Platforms also consider borrower specific factors such as, but not limited to, credit related inquiries in the last six months and debt-to-income ratio.

Ratings are not consistent between Lending Platforms; as such the Company stratifies its unsecured consumer loans into separately identified pools based on the FICO score obtained from a credit reporting agency and as provided by each Lending Platform at origination. The stratified pools are designated "Super Prime," "Prime" or "Near Prime," and defined as follows: Super Prime loans as loans to borrowers with a FICO score of 720 or greater, Prime Loans as loans to borrowers with a FICO score of between 660 and 719 and Near Prime loans as loans to borrowers with a FICO score of between 600 and 659.

The following table summarizes the Company's unsecured consumer loans held as of December 31, 2019:

| Category | Outstanding Principal | Fair Value | Interest Rate Range | Weighted Average Interest Rate* |
|---|---|---|---|---|
| Super Prime | $ 5,843,393 | $ 4,976,027 | 4.0% - 24.1% | 12.5% |
| Prime | 15,373,837 | 12,085,497 | 6.0% - 36.0% | 17.6% |
| Near Prime | 35,739,194 | 36,539,013 | 6.0% - 36.0% | 26.6% |
| **Total Loans** | **$ 56,956,424** | **$ 53,600,537** | | **22.8%** |

** Based on outstanding principal of the unsecured consumer loans*

The following table summarizes the Company's unsecured consumer loans held as of December 31, 2018:

| Category | Outstanding Principal | Fair Value | Interest Rate Range | Weighted Average Interest Rate* |
|---|---|---|---|---|
| Super Prime | $ 14,681,433 | $ 14,254,372 | 4.0% - 24.1% | 12.5% |
| Prime | 40,595,103 | 38,015,262 | 4.0% - 36.0% | 17.2% |
| Near Prime | 140,986,722 | 128,808,361 | 6.0% - 36.0% | 26.8% |
| **Total Loans** | **$ 196,263,258** | **$ 181,077,995** | | **23.8%** |

** Based on outstanding principal of the unsecured consumer loans*

The following table summarizes the delinquency status of the unsecured consumer loans:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| Delinquency Status | Outstanding Principal | Fair Value | % of Total | Outstanding Principal | Fair Value | % of Total |
| Current | $ 51,805,789 | $ 51,699,159 | 90.96 % | $ 169,202,967 | $ 167,074,145 | 86.22 % |
| 1 - 30 days | 1,326,654 | 918,599 | 2.33 % | 12,803,482 | 10,594,053 | 6.52 % |
| 31 - 60 days | 1,239,797 | 548,416 | 2.18 % | 5,399,530 | 1,952,646 | 2.75 % |
| 61 - 90 days | 1,026,902 | 270,659 | 1.80 % | 4,451,532 | 954,000 | 2.27 % |
| 91 - 120 days | 1,557,282 | 163,704 | 2.73 % | 4,405,747 | 503,151 | 2.24 % |
| **Total Loans** | **$ 56,956,424** | **$ 53,600,537** | **100.00%** | **$ 196,263,258** | **$ 181,077,995** | **100.00%** |

## 9. Collateralized Loan Obligations

The CLO investments held by the Company's wholly owned subsidiary are subordinated debt interests in broadly syndicated loans managed by established collateral management teams with many years of experience in the industry.

The credit risk of a CLO is dependent on the underlying assets within the portfolio. For "traditional" CLOs, the collateral pool primarily consists of first lien, senior secured broadly syndicated bank loans (usually at least 90% of the total portfolio), and it may include a pre-determined allowable portion of other asset types such as second lien bank loans (which are highly leveraged) and unsecured debt, as well as middle market loans.

Some CLOs consist predominantly of middle market loans as the underlying collateral. The average rating of the underlying collateral is typically single-B, and the leveraged bank loans are typically floating rate, based on LIBOR.

The securities held at NGL are B or BB rated mezzanine debt that pay a quarterly interest coupon, based on the notional balance held and a fixed spread plus LIBOR, which resets after each payment. The principal is returned through the CLO waterfall at the earlier of the call date or expected maturity. As of December 31, 2019, based on outstanding notional balance, 38.7% of the portfolio was invested in single-B rated tranches and 61.3% of the portfolio in BB rated tranches with a fixed spread plus LIBOR at the most recent reset date.

As of December 31, 2019, the outstanding investment of comprised of 24 investments with a fair value of $129,052,554 and face value of $136,849,115. The average outstanding note is approximately $5,377,000 with a stated maturity date ranging from April 2027 to April 2032 and a weighted-average stated maturity of 11.3 years as of December 31, 2019. Coupons range from three-month LIBOR ("3ML") plus 5.45% to 9.45% with a weighted-average coupon of 3ML + 7.38%.

The Company purchased $129,052,554 aggregate principal of CLOs from various third party brokers during the year ended December 31, 2019, which are held by the Bank of New York Mellon as custodian.

## 10. Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the price that we would receive upon selling an asset or pay to transfer a liability in an orderly transaction to an independent buyer in the principal or most advantageous market in which that financial instrument is transacted.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

*Unsecured Consumer Loans, Residual Interests in Securitizations, CLOs, Repurchase Agreements and Revolving Credit Facilities at Fair Value*

All of our financial instruments measured at fair value on a recurring basis were classified as Level 3 as of December 31, 2019 and 2018. We did not transfer any assets or liabilities in or out of Level 3 during the years ended December 31, 2019 and 2018. Transfers between levels, should they occur, will be recognized at the beginning of the quarter during which the asset or liability was transferred.

The unsecured consumer loans, residual interests in securitizations, repurchase agreements, and revolving credit facilities do not trade in an active market with readily observable prices. For the unsecured consumer loans and residual interests in securitizations, fair value is estimated by using a discounted cash flow methodology based upon significant unobservable inputs, such as loss adjusted discount rates and projected loss rates. The loss adjusted discount rates are used to discount the estimated future cash flows expected to be received from the underlying unsecured consumer loans, which includes both future principal and interest payments. The projected loss rates are based on the perceived credit risk inherent in each Rating of the unsecured loan portfolio. Repurchase agreements are collateralized with the security portfolio. As the carrying value of the repurchase agreement approximates fair value, there were no unobservable inputs that have been internally developed by the Company as of December 31, 2019. There were no credit facilities outstanding as of December 31, 2019. See Notes 8 and 11 for details of the unsecured consumer loans.

NGL qualifies as an investment company pursuant to ASC Topic 946, Financial Services-Investment Companies. Accordingly, the underlying CLO investments and repurchase agreements are carried at fair value and were retained in consolidation by the Company.

The following table shows the fair value of our unsecured consumer loans, residual interest in securitizations, CLOs, repurchase agreements, and revolving credit facilities disaggregated into the three levels of the ASC 820 valuation hierarchy as of December 31, 2019.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Unsecured consumer loans | $ — | $ — | $ 53,600,537 | $ 53,600,537 |
| Residual interests in securitizations | — | — | 21,955,347 | 21,955,347 |
| Collateralized loan obligations | | 129,052,554 | | 129,052,554 |
| **Total investments at fair value** | **$ —** | **$ 129,052,554** | **$ 75,555,884** | **$ 204,608,438** |
| **Liabilities** | | | | |
| Reverse repurchase facilities | $ — | $ — | $ 41,603,000 | $ 41,603,000 |
| Revolving credit facilities | — | — | — | — |
| **Total liabilities at fair value** | **$ —** | **$ —** | **$ 41,603,000** | **$ 41,603,000** |

For the year ended December 31, 2019, the Company had charge-offs of $28,944,655 and recoveries of $6,133,006 to Level 3 unsecured consumer loans. Also, the Company borrowed $59,387,000 and repaid $17,784,000 relating to repurchase agreements during 2019. In addition, the Company made principal repayments of $46,972,955 of revolving credit facilities during 2019.

The following table shows the fair value of our unsecured consumer loans, residual interest in securitizations, and revolving credit facilities disaggregated into the three levels of the ASC 820 valuation hierarchy as of December 31, 2018.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Unsecured consumer loans | $ — | $ — | $ 181,077,995 | $ 181,077,995 |
| Residual interests in securitizations | | | 63,160,648 | 63,160,648 |
| **Total investments at fair value** | **$ —** | **$ —** | **$ 244,238,643** | **$ 244,238,643** |
| **Liabilities** | | | | |
| Revolving credit facilities | $ — | $ — | $ 46,972,955 | $ 46,972,955 |

For the year ended December 31, 2018, the Company had charge-offs of $88,233,769 and recoveries of $12,855,452 to Level 3 unsecured consumer loans. In addition, the Company borrowed $58,893,493 and made principal repayments of $276,050,897 of revolving credit facilities during 2018.

Refer to Note 8 for details of the unsecured consumer loans.

The ranges of unobservable inputs used in the fair value measurement of our Level 3 financial instruments as of December 31, 2019 and 2018 were as follows:

**December 31, 2019**

| Assets/Liabilities | Fair Value | Valuation Technique | Unobservable Input | Weighted Average | Range |
|---|---|---|---|---|---|
| Unsecured consumer loans | $ 53,600,537 | Discounted cash flow | Loss-adjusted discounted rate | 10.6% | 4.23% - 15.60% |
| | | | Projected prepay rate | 0.94% | 0.00% - 13.88% |
| | | | Projected loss rate | 0.65% | 0.00% - 8.78% |
| | | | Recovery rate | 9.83% | 7.50% - 11.00% |
| | | | | | |
| Residual interests in securitizations | $ 21,955,347 | Discounted cash flow | Forecasted prepay % of current balance | 15.99% | 15.56% - 19.65% |
| | | | Forecasted default % of current balance | 13.55% | 10.86% - 16.25% |
| | | | Severity | 89.00% | 89.00% - 89.00% |
| | | | Discount rate | 11.73% | 10.00% - 15.00% |
| Reverse repurchase facilities | $ 41,603,000 | Cost | — | — | — |

**December 31, 2018**

| Assets/Liabilities | Fair Value | Valuation Technique | Unobservable Input | Weighted Average | Range |
|---|---|---|---|---|---|
| Unsecured consumer loans | $ 181,077,995 | Discounted cash flow | Loss-adjusted discounted rate | 10.91% | 3.00% - 13.63% |
| | | | Projected prepay rate | 3.61% | 0.00% - 24.08% |
| | | | Projected loss rate | 2.64% | 0.00% - 15.62% |
| | | | Recovery rate | 9.34% | 7.50% - 11.00% |
| | | | | | |
| Residual interests in securitizations | $ 63,160,648 | Discounted cash flow | Forecasted prepay % of current balance | 33.94% | 12.58% - 46.29% |
| | | | Forecasted default % of current balance | 16.73% | 9.75% - 21.50% |
| | | | Severity | 89.00% | 89.00% - 89.00% |
| | | | Discount rate | 13.00% | 12.00% - 15.00% |
| | | | | | |
| Revolving credit facilities | $ 46,972,955 | Par | Unsecured consumer loans collateral | — | — |

## 11. Securitization Special Purpose Entities

Special Purpose Entities ("SPEs") are entities designed to fulfill a specific limited need which are often used to facilitate transactions that involve securitizing financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on more favorable terms than available on such assets on an unsecuritized basis. Securitization involving transfer or sale of assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business, through issuance of debt or equity are generally considered a Variable Interest Entity ("VIE"). The investors holding a variable interest usually have recourse only to those assets sold or pledged to the SPE though may benefit from various forms of credit enhancement, such as over-collateralization, priority with respect to receipt of cash flows or subordination of mezzanine debt.

In determining the accounting treatment to be applied to securitization transactions, we conclude whether we have a VIE, and if so, whether we have control and therefore consolidate under GAAP.

*Variable Interests in Securitizations*

The Company retained variable interests including debt and equity that arose from securitization activities. We determine whether we are the primary beneficiary of a VIE upon our initial involvement based upon the facts and circumstances for each VIE which requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over a VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of being considered the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of, or a right to receive benefits from, the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Through December 31, 2019, we held one securitization transaction determined to be the primary beneficiary of the associated VIE: MII 2016-LC1 created in 2016 with a total initial principal balance of $514,135,226. The assets of the securitized vehicle deemed a VIE consist of unsecured consumer loans, which are available for the benefit of the vehicle's sole beneficial interest holders and have a remaining principal balance of $2,699,311 and $17,722,637 as December 31, 2019 and 2018, respectively.

The debt holders of MII 2016-LC1 (Class A, B and C) have been fully satisfied as of December 31, 2019 with no additional financial support required and no future principal debt payments due.

The table below reflects the assets and liabilities recorded in our consolidated balance sheet related to our consolidated VIEs as of the dates presented. The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation. As of December 31, 2019 and 2018, the Company held all the equity interests of the VIE.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Restricted cash and cash equivalents | $ — | $ 4,956,275 |
| Unsecured consumer loans at fair value | 2,407,071 | 16,841,433 |
| Due from LendingClub Corporation | 23,761 | 179,529 |
| Interest receivable | 61,585 | 312,317 |
| **TOTAL ASSETS** | **$ 2,492,417** | **$ 22,289,554** |
| Debt (net of debt issuance costs) related to consolidated VIE | — | 9,798,386 |
| Accrued expenses | — | 106,211 |
| Interest payable | — | 51,979 |
| Servicing fee payable | — | 14,555 |
| **TOTAL LIABILITIES** | **$ —** | **$ 9,971,131** |

The following table reflects the income and expense amounts recorded in our consolidated statements of operations related to our consolidated VIE for the periods presented:

| | For the Years Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Interest income | $ 1,926,712 | $ 12,017,214 |
| Other income | 14,133 | 212,404 |
| Fair value adjustments | (1,167,312) | (7,586,884) |
| **Total net revenues** | **$ 773,533** | **$ 4,642,734** |
| Interest and credit facility expenses | 112,484 | 4,991,623 |
| Servicing, collection and upfront fees | 397,559 | 835,952 |
| **Net income (loss)** | **$ 263,490** | **$ (1,184,841)** |

*Residual Interests in Securitization*

In securitizations structured as a sale, in which the Company is not considered a primary beneficiary, we have sold pools of loans to trusts in exchange for cash and certificates evidencing residual ownership interests in the trusts and that the transactions were accounted for as sales under GAAP.

Our maximum exposure to loss related to the Company's residual interests in the Club 2018 securitization and the Club 2017 securitization is calculated as the maximum potential charge that we would recognize in earnings if that investment were to become worthless.

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our combined consolidated balance sheets related to our variable interests in unconsolidated VIEs and the associated maximum exposure to loss.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Residual Interests in LCIT 2016-NP1, at Fair Value | $ 567,723 | $ 5,182,285 |
| Residual Interests in LCIT 2016-NP1, at Amortized Cost | $ 578,602 | $ 5,330,943 |
| Residual Interests in LCIT 2016-NP2, at Fair Value | $ 1,261,359 | $ 5,891,003 |
| Residual Interests in LCIT 2016-NP2, at Amortized Cost | $ 1,362,117 | $ 6,148,313 |
| Residual Interests in Club 2018-NP-1, at Fair Value | $ 14,462,859 | $ 37,101,320 |
| Residual Interests in Club 2018-NP-1, at Amortized Cost | $ 14,980,764 | $ 37,907,950 |
| Residual Interests in Club 2017-NP-1, at Fair Value | $ 5,663,406 | $ 14,986,040 |
| Residual Interests in Club 2017-NP-1, at Amortized Cost | $ 5,974,319 | $ 17,252,412 |

## 12. Revolving Credit Facilities

The ACL III Subsidiaries Facility and the ACL VII Facility are collectively referred to as "Revolving Credit Facilities".

The Revolving Credit Facilities require us to hold unsecured consumer loans as collateral in order to borrow under the credit facilities. During the terms of the Revolving Credit Facilities, all principal and interest payments on the unsecured consumer loans held as collateral are used to pay facility expenses, interest expenses or applied to reduce the outstanding balance on the Revolving Credit Facilities.

The Revolving Credit Facilities contain restrictions pertaining to the unsecured consumer loans considered as eligible collateral. Restrictions on eligible collateral include, but are not limited to, the maximum and minimum size, maximum interest rate, original term and credit score of the borrower related to the unsecured consumer loans. The Revolving Credit Facilities also contain certain requirements relating to the portfolio of loans and portfolio performance, including, but are not limited to, minimum FICO score of borrowers, average aggregate principal amount payable, maximum delinquencies and charge-offs, maximum leverage ratios, minimum interest coverage ratios, minimum annual net income, violations of which could result in the early termination of the Revolving Credit Facilities. Borrowings on the Revolving Credit Facilities are generally limited to 50.0% to 80.0% of the outstanding eligible principal balance of the portfolio of unsecured consumer loans. The ACL IV Subsidiaries Facility includes portfolio excess concentration tests which if greater than specified concentration limits decrease the amount of eligible collateral. As of December 31, 2019 the Company held no principal in revolving credit facilities.

During the years ended December 31, 2019 and 2018, we accrued $0 and $93,746 respectively, of agent fees, unused line fees and debt issuance costs on the Revolving Credit Facilities, which are recorded as interest expense on the combined consolidated statements of operations.

The following table presents a summary of our Revolving Credit Facilities terms and payable as of December 31, 2018. There were no outstanding Revolving Credit Facilities open as of December 31, 2019.

| | As of December 31, 2018 | | |
|---|---|---|---|
| **Lender** | **Interest Rate** | **Unused Line Fee** | **Outstanding Principal** |
| Texas Capital Bank | 1-Mo LIBOR + 3.00% | —% | $ 33,405,226 |
| Macquarie | 1-Mo LIBOR + 3.00% | —% | 13,567,729 |
| **Total outstanding principal** | | | **$ 46,972,955** |

## 13. Reverse Repurchase Facilities

On October 30, 2019, the NGL entered into a Master Repurchase Agreement (the "Repo Agreement") with Nomura Securities International, Inc. ("Nomura") to provide a borrowing facility ("Repo") from which NGL could pledge securities as collateral and borrow up to $105,000,000 under agreed upon terms. Under the terms of the Repo Agreement, NGL received cash up to 75% of the market value of securities with an interest charge of a minimum of 1.81% plus LIBOR, calculated as T-2 days for the reference rate. For the year ending December 31, 2019 the Company paid $28,061 of interest to Nomura. The term of the Repo is two years from commencement date subject to eight rolling three-month periods where upon each reset date, the entire Repo is closed and reopened, and borrowed interest is due to Nomura. Securities in the Repo can be purchased back at any time, subject to maintaining the agreed upon minimum draw on the Repo: 60% drawn during the ramp up period, as defined in the Repo Agreement, ending January 31, 2020, and subsequently extended to March 15, 2020, and 90% drawn subsequent to the end of the ramp up period. Should the value of the securities drop to an LTV greater than 77.5%, NGL Limited must contribute cash or securities to Nomura's collateral account until the combined value is below 70%. There was $0 of additional cash and securities pledged as collateral as of December 31, 2019.

Following tables present a summary of our repurchase agreement borrowings and interest as of December 31, 2019:

| **Master Repurchase Agreement** | | **As of December 31, 2019** |
|---|---|---|
| Principal Borrowed | $ | 59,387,000 |
| Principal Paid | | (17,784,000) |
| **Total Outstanding Principal** | $ | **41,603,000** |
| Less: unamortized debt issuance cost | $ | (459,375) |
| **Total Outstanding Principal, net of unamortized debt issuance cost** | $ | **41,143,625** |

## 14. Mortgages Payable

The Company has outstanding mortgages payable that bear interest at either a fixed or variable rate. Each mortgage payable is secured by a respective real estate property and certain cash reserve accounts required by the borrowing agreements, which are included as restricted cash on the accompanying combined consolidated balance sheets. The following table presents a summary of our mortgages payable as of December 31, 2019 and 2018:

| Mortgage Note | Interest Rate | Maturity Date | Amortizing or Interest Only | | Outstanding Principal 12/31/2019 | | Outstanding Principal 12/31/2018 |
|---|---|---|---|---|---|---|---|
| Lofton Place - Loan 1 [1] | 3.97% | 5/1/2023 | Amortizing | $ | — | $ | 16,796,008 |
| Lofton Place - Loan 2 [1] | 4.71% | 5/1/2023 | Amortizing | | — | | 3,303,028 |
| Arlington Park [2] | 4.08% | 6/1/2023 | Amortizing | | — | | 9,570,355 |
| The Resort - Loan 1 [3] | 4.17% | 7/1/2023 | Amortizing | | — | | 151,040,658 |
| The Resort - Loan 2 [2] | 4.80% | 7/1/2023 | Amortizing | | — | | 23,261,394 |
| Cordova Regency - Loan 1 | 4.55% | 12/1/2023 | Amortizing | | 8,887,443 | | 9,026,000 |
| Cordova Regency - Loan 2 | 4.61% | 12/1/2023 | Amortizing | | 2,313,359 | | 2,349,000 |
| Crestview at Oakleigh - Loan 1 | 4.55% | 12/1/2023 | Amortizing | | 11,311,649 | | 11,486,000 |
| Crestview at Oakleigh - Loan 2 | 4.61% | 12/1/2023 | Amortizing | | 2,321,236 | | 2,357,000 |
| Inverness Lakes - Loan 1 | 4.55% | 12/1/2023 | Amortizing | | 19,102,193 | | 19,400,000 |
| Inverness Lakes - Loan 2 | 4.61% | 12/1/2023 | Amortizing | | 5,219,584 | | 5,300,000 |
| Kings Mill - Loan 1 | 4.55% | 12/1/2023 | Amortizing | | 13,412,890 | | 13,622,000 |
| Kings Mill - Loan 2 | 4.61% | 12/1/2023 | Amortizing | | 3,868,401 | | 3,928,000 |
| Plantations at Pine Lake - Loan 1 | 4.55% | 12/1/2023 | Amortizing | | 11,635,599 | | 11,817,000 |
| Plantations at Pine Lake - Loan 2 | 4.61% | 12/1/2023 | Amortizing | | 2,240,482 | | 2,275,000 |
| Veranda at Rocky Ridge | 4.55% | 12/1/2023 | Amortizing | | 10,048,344 | | 10,205,000 |
| Vinings Corner - Loan 1 [4] | 4.46% | 12/1/2023 | Amortizing | | — | | 26,223,866 |
| Vinings Corner - Loan 2 [4] | 5.50% | 12/1/2023 | Amortizing | | — | | 6,171,466 |
| Eastwood Village - Loan 1 [2] | 4.60% | 1/1/2024 | Amortizing | | — | | 19,193,889 |
| Monterey Village - Loan 1 [2] | 4.60% | 1/1/2024 | Amortizing | | — | | 8,918,723 |
| Hidden Creek - Loan 1 [2] | 4.60% | 1/1/2024 | Amortizing | | — | | 3,511,112 |
| Meadow Springs - Loan 1 [2] | 4.60% | 1/1/2024 | Amortizing | | — | | 9,875,992 |
| Meadow View - Loan 1 [2] | 4.60% | 1/1/2024 | Amortizing | | — | | 10,808,813 |
| Peachtree Landing - Loan 1 [2] | 4.60% | 1/1/2024 | Amortizing | | — | | 13,169,716 |

# National Property REIT Corp.
# Notes to Combined Consolidated Financial Statements

| Mortgage Note | Interest Rate | Maturity Date | Amortizing or Interest Only | Outstanding Principal 12/31/2019 | Outstanding Principal 12/31/2018 |
|---|---|---|---|---|---|
| Indigo[4] | 4.49% | 7/1/2023 | Amortizing | — | 26,908,723 |
| Crestview at Cordova - Loan 1 | 4.43% | 12/1/2020 | Amortizing | 4,493,837 | 4,614,974 |
| Crestview at Cordova - Loan 2 | 4.48% | 12/1/2020 | Amortizing | 3,075,035 | 3,080,300 |
| Chesterfield[8] | 4.51% | 9/6/2024 | Amortizing | 4,333,338 | 4,350,000 |
| Wyoming[8] | 4.51% | 9/6/2024 | Amortizing | 3,586,211 | 3,600,000 |
| Grand Rapids[8] | 4.51% | 9/6/2024 | Amortizing | 5,439,088 | 5,460,000 |
| Westland[8] | 4.45% | 9/6/2024 | Amortizing | 3,466,517 | 3,480,000 |
| State Street[8] | 4.45% | 9/6/2024 | Amortizing | 3,332,040 | 3,345,000 |
| Jackson[8] | 4.45% | 9/6/2024 | Amortizing | 6,669,060 | 6,695,000 |
| Kalamazoo[8] | 4.45% | 9/6/2024 | Amortizing | 1,768,123 | 1,775,000 |
| Canterbury Green - Loan 1 | 4.21% | 10/1/2024 | Amortizing | 65,651,359 | 65,825,000 |
| Canterbury Green - Loan 2 | 5.13% | 10/1/2024 | Amortizing | 8,023,883 | 8,157,479 |
| Abbie Lakes | 4.20% | 10/1/2024 | Amortizing | 10,412,676 | 10,440,000 |
| Brookstedge | 4.20% | 10/1/2024 | Amortizing | 10,971,223 | 11,000,000 |
| Reserve at Abbie Lakes | 4.20% | 10/1/2024 | Amortizing | 20,089,862 | 20,142,000 |
| Lakes Edge | 4.20% | 10/1/2024 | Amortizing | 10,053,602 | 10,080,000 |
| Sunbury Ridge | 4.20% | 10/1/2024 | Amortizing | 10,452,698 | 10,480,000 |
| Stonebridge | 4.20% | 10/1/2024 | Amortizing | 15,439,890 | 15,480,000 |
| Jefferson Chase | 4.20% | 10/1/2024 | Amortizing | 12,207,883 | 12,240,000 |
| Lake Ridge | 4.11% | 11/1/2024 | Amortizing | 8,029,181 | 8,040,000 |
| Okemos[8] | 4.19% | 3/6/2025 | Interest Only | 5,620,000 | 5,620,000 |
| Lansing West[8] | 4.19% | 3/6/2025 | Interest Only | 1,305,000 | 1,305,000 |
| Novi[8] | 4.19% | 3/6/2025 | Interest Only | 5,025,000 | 5,025,000 |
| Lake Orion[8] | 4.19% | 3/6/2025 | Interest Only | 5,225,000 | 5,225,000 |
| Ypsilanti[8] | 4.19% | 3/6/2025 | Interest Only | 2,630,000 | 2,630,000 |
| Orchard Village | 4.42% | 12/1/2025 | Interest Only | 26,450,000 | 26,450,000 |
| Sterling Crimson - Loan 1 | 4.20% | 10/1/2026 | Interest Only | 41,250,601 | 41,250,000 |
| Hawk's Ridge | 4.20% | 10/1/2026 | Interest Only | 24,825,000 | 24,825,000 |
| Islander Village | 4.20% | 10/1/2026 | Interest Only | 10,800,000 | 10,800,000 |
| Campus Quarters | 4.20% | 10/1/2026 | Interest Only | 14,175,000 | 14,175,000 |
| District on Luther | 4.20% | 10/1/2026 | Interest Only | 32,050,000 | 32,050,000 |
| West 22 - Loan 1 | 4.20% | 10/1/2026 | Interest Only | 44,728,279 | 44,727,000 |
| Legacy | 4.77% | 1/1/2029 | Interest Only | 7,480,000 | 7,480,000 |
| University Crossing[7] | 4.16% | 2/1/2020 | Amortizing | 15,459,292 | 15,415,189 |
| Union Place | 4.39% | 1/1/2029 | Interest Only | 51,800,000 | 51,800,000 |
| Eastwood Village - Loan 2[7] | 4.30% | 1/1/2024 | Amortizing | — | 3,167,030 |
| Monterey Village - Loan 2[7] | 4.30% | 1/1/2024 | Amortizing | — | 1,960,312 |
| Hidden Creek - Loan 2[7] | 4.39% | 1/1/2024 | Amortizing | — | 1,145,851 |
| Meadow Springs - Loan 2[7] | 4.30% | 1/1/2024 | Amortizing | — | 2,931,290 |
| Meadow View - Loan 2[7] | 4.39% | 1/1/2024 | Amortizing | — | 2,053,063 |
| Peachtree Landing - Loan 2[7] | 4.39% | 1/1/2024 | Amortizing | — | 2,065,629 |
| Seasons | 4.59% | 2/1/2029 | Interest Only | 153,580,000 | 153,580,000 |
| Abbie Lakes - Loan 2 | 5.82% | 10/1/2024 | Amortizing | 2,610,023 | 2,615,000 |
| Brookedge - Loan 2 | 5.82% | 10/1/2024 | Amortizing | 2,497,238 | 2,502,000 |
| Reserve at Abbie Lakes - Loan 2 | 5.82% | 10/1/2024 | Amortizing | 3,108,074 | 3,114,000 |
| Lakes Edge - Loan 2 | 5.81% | 10/1/2024 | Amortizing | 4,391,663 | 4,400,000 |
| Sunbury Ridge - Loan 2 | 5.83% | 10/1/2024 | Amortizing | 3,628,096 | 3,635,000 |
| Stonebridge - Loan 2 | 5.84% | 10/1/2024 | Amortizing | 2,842,604 | 2,848,000 |
| Jefferson Chase - Loan 2 | 5.82% | 10/1/2024 | Amortizing | 4,950,561 | 4,960,000 |
| Lake Ridge - Loan 2 | 5.82% | 11/1/2024 | Amortizing | 1,558,393 | 1,560,000 |
| Villages of Baymeadows | 4.14% | 11/1/2027 | Interest Only | 76,560,000 | 76,560,000 |
| Casa del Mar | 4.14% | 11/1/2027 | Interest Only | 12,240,000 | 12,240,000 |
| Sutton Place | 4.03% | 12/1/2029 | Interest Only | 44,044,000 | 44,044,000 |
| Silver Oaks | 4.03% | 12/1/2029 | Interest Only | 14,185,000 | 14,185,000 |
| Steeplechase | 4.07% | 2/1/2028 | Interest Only | 36,668,000 | 36,668,000 |
| West 22 - Loan 2 | 6.00% | 10/1/2026 | Amortizing | 3,871,411 | 3,919,665 |

| Mortgage Note | Interest Rate | Maturity Date | Amortizing or Interest Only | Outstanding Principal 12/31/2019 | Outstanding Principal 12/31/2018 |
|---|---|---|---|---|---|
| Sterling Crimson - Loan 2 | 6.04% | 10/1/2025 | Amortizing | 1,806,512 | 1,859,309 |
| Laurel Pointe | 4.52% | 6/1/2028 | Interest Only | 26,400,000 | 26,400,000 |
| Bradford Ridge | 4.54% | 6/1/2028 | Interest Only | 10,000,000 | 10,000,000 |
| Olentangy Commons | 4.40% | 6/1/2030 | Interest Only | 92,876,000 | 92,876,000 |
| Villages of Wildwood | 4.46% | 8/1/2030 | Interest Only | 30,525,000 | 30,525,000 |
| Falling Creek | 4.52% | 9/1/2030 | Interest Only | 19,335,000 | 19,335,000 |
| Reserve at Abbie Lakes - Loan 3 | 5.68% | 9/1/2024 | Amortizing | 5,643,780 | 5,713,344 |
| Sunbury Ridge - Loan 3 | 5.94% | 9/1/2024 | Amortizing | 1,229,457 | 1,244,418 |
| Abbie Lakes - Loan 3 | 5.94% | 9/1/2024 | Amortizing | 1,163,452 | 1,177,610 |
| Brooksedge - Loan 3 | 5.90% | 9/1/2024 | Amortizing | 2,403,439 | 2,432,937 |
| Jefferson Chase - Loan 3 | 5.90% | 9/1/2024 | Amortizing | 2,265,537 | 2,293,348 |
| Lake Ridge - Loan 3 | 5.91% | 9/1/2024 | Amortizing | 2,265,609 | 2,293,357 |
| Crown Pointe | 4.44% | 9/1/2030 | Interest Only | 89,400,000 | 89,400,000 |
| Canterbury Green - Loan 3 | 6.16% | 10/1/2024 | Amortizing | 12,455,620 | 12,597,741 |
| Ashwood Ridge | 4.68% | 10/1/2028 | Interest Only | 7,300,000 | 7,300,000 |
| Lorring Park | 4.88% | 11/1/2030 | Interest Only | 47,680,000 | 47,680,000 |
| Hamptons Apartments | 4.61% | 2/1/2031 | Interest Only | 79,520,000 | — |
| The Isle | 3.79% | 7/1/2031 | Interest Only | 21,200,000 | — |
| Druid Hills | 4.26% | 8/1/2046 | Interest Only | 79,104,000 | — |
| Abbie Lakes - Loan 4 | 4.71% | 10/1/2024 | Amortizing | 1,518,076 | — |
| Reserve at Abbie Lakes - Loan 4 | 4.65% | 10/1/2024 | Amortizing | 1,442,227 | — |
| Lakes Edge - Loan 3 | 4.45% | 10/1/2024 | Amortizing | 2,781,416 | — |
| Sunbury Ridge - Loan 4 | 4.67% | 10/1/2024 | Amortizing | 2,156,381 | |
| Stonebridge - Loan 3 | 4.48% | 10/1/2024 | Amortizing | 6,726,787 | — |
| Parkstone | 3.14% | 11/1/2029 | Interest Only | 30,127,000 | — |
| Stone Ridge | 3.14% | 11/1/2029 | Interest Only | 14,662,000 | |
| Sterling Place | 3.95% | 11/1/2031 | Interest Only | 34,196,000 | — |
| **Total outstanding principal** | | | | $ 1,588,579,220 | $ 1,659,875,276 |
| Less unamortized discount and debt issuance costs | | | | (10,965,554) | (12,823,842) |
| **Total mortgages payable, net of unamortized discount and debt issuance costs** | | | | $ 1,577,613,666 | $ 1,647,051,434 |

(1) Lofton Place was disposed of on May 21, 2019 (Note 3). The mortgage payable was extinguished at date of sale.
(2) In January 2019, 76 of Arlington Park's 198 units and a portion of the land were condemned via eminent domain for $10,351,000. The mortgage payable was extinguished using the proceeds of the condemnation.
(3) Resort was disposed of on August 30, 2019 (Note 3). The mortgage payable was extinguished at date of sale.
(4) Vinings Corner was disposed of on January 18, 2019 (Note 3). The mortgage payable was extinguished at date of sale.
(5) South Atlanta was disposed of on June 28, 2019 (Note 3). The mortgage payable was extinguished at date of sale.
(6) Indigo was disposed of on September 12, 2019 (Note 3). The mortgage payable was extinguished at date of sale.
(7) Interest at a variable rate indexed to the one month USD LIBOR interest rate, plus 240 basis points. Rate noted is as of December 31, 2019.
(8) Michigan self storage properties are presented as held for sale on the combined consolidated balance sheets.

On September 12, 2019, in connection with the sale of the Indigo property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $26,524,299. As a result, the Company recognized a loss on early extinguishment of debt of $2,705,879, which is included within interest expense on the combined consolidated statements of operations.

On August 30, 2019, in connection with the sale of the Resort property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $171,884,827. As a result, the Company recognized a loss on early extinguishment of debt of $17,392,319, which is included within interest expense on the combined consolidated statements of operations.

On June 28, 2019, in connection with the sale of the South Atlanta property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $78,123,489. As a result, the Company recognized a loss on early extinguishment of debt of $7,332,814, which is included within interest expense on the combined consolidated statements of operations.

On May 21, 2019, in connection with the sale of the Lofton Place property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $19,983,335. As a result, the Company recognized a loss on early extinguishment of debt of $1,105,621, which is included within interest expense on the combined consolidated statements of operations.

On January 18, 2019, in connection with the sale of the Vinings Corner property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $26,190,231. As a result, the Company recognized a loss on early extinguishment of debt of $2,254,066, which is included within interest expense on the combined consolidated statements of operations.

On December 14, 2018, in connection with the sale of the Island Club property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $8,372,852. As a result, the Company recognized a loss on early extinguishment of debt of $253,114, which is included within interest expense on the combined consolidated statements of operations.

On November 15, 2018, in connection with the sale of the City West property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $22,965,349. As a result, the Company recognized a loss on early extinguishment of debt of $1,793,873, which is included within interest expense on the combined consolidated statements of operations.

On October 12, 2018, in connection with the sale of the Amberly Place property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $46,227,804. As a result, the Company recognized a loss on early extinguishment of debt of $2,114,967, which is included within interest expense on the combined consolidated statements of operations.

On August 30, 2018, in connection with the sale of the Matthews Reserve property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $19,738,402. As a result, the Company recognized a loss on early extinguishment of debt of $1,879,410, which is included within interest expense on the combined consolidated statements of operations.

On February 22, 2018, in connection with the sale of the St. Marin property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $62,309,441. As a result, the Company recognized a loss on early extinguishment of debt of $294,656, which is included within interest expense on the combined consolidated statements of operations.

On January 11, 2018, in connection with the sale of the Central Park property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $29,793,156. As a result, the Company recognized a loss on early extinguishment of debt of $3,681,326, which is included within interest expense on the combined consolidated statements of operations.

Future scheduled principal payments of mortgage payable are as follows: $29,323,327 (2020), $7,501,474 (2021), $10,663,318 (2022), $97,077,579 (2023), $260,480,480 (2024), and $1,183,533,042 (thereafter).

## 15. Ground Leases

The Company entered into three ground leases through acquisition of Druid Hills. The Company has right to extend the term of each ground lease, and thus such option period has been included within the calculation of the right of use assets and lease liabilities. As of December 31, 2019, the right-of-use asset and lease liability was $7,011,357 and $1,197,554, respectively. During the year ended December 31, 2019, the lease expense recognized on a straight-line basis was $28,647 and is included in property operating expenses on the combined consolidated statement of operations.

The Company utilized the risk-free rate over the term of the respective lease as the discount rate to be applied to its future lease payments when accounting for its right of use assets and lease liabilities, which was 4.26%.

The table below presents the summarized quantitative information with regard to lease contracts the Company has entered into as of December 31, 2019:

| Category | Term |
|---|---|
| Weighted avg. remaining term - operating leases (months) | 69 |
| Weighted avg. remaining term - operating leases (years) | 5.75 |
| Weighted avg. annual discount rate - operating leases | 4.26% |

The future minimum lease payments to be paid under noncancellable leases in effect as of December 31, 2019 are as follows: $64,000 (2020), $64,000 (2021), $64,000 (2022), $64,000 (2023), $64,000 (2024), and $1,977,750 (thereafter).

## 16. Income Taxes

Income taxes consisted of the following for the years ended:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current federal tax benefit | $ — | $ — |
| Current state tax benefit (expense) | 309,411 | (31,936) |
| Net deferred federal tax expense | — | — |
| Net deferred state tax expense | — | — |
| **Income tax benefit (expense)** | $ 309,411 | $ (31,936) |

## 17. Equity

As of December 31, 2019 and 2018, the Company authorized 100,000,000 common shares, par value $0.001. NPH is the Company's sole common stockholder. As of December 31, 2019 and 2018, the Company paid an aggregate of $688,735,264 and $687,735,264 of dividends on common shares, respectively.

As of December 31, 2019 and 2018, the Company had 125 shares outstanding in connection with a private placement of 12.5% Series A Cumulative Non-Voting Preferred Stock, par value $0.001 per share (Series A Preferred Stock), respectively. In general, holders of Series A Preferred Stock are entitled to receive cumulative dividends semiannually at a per annum rate equal to 12.5% of the total purchase price of $1,000 per share plus accumulated and unpaid dividends. The Series A Preferred Stock is redeemable by the Company for $1,000 per share plus accumulated and unpaid dividends. Upon liquidation and dissolution of the Company, the holders of the Series A Preferred Stock are entitled to a liquidation preference in the amount of the share's purchase price, plus all accumulated and unpaid dividends. Series A Preferred Stock are not convertible or exchangeable for any other property or securities of the Company. As of December 31, 2019 and 2018, the Company paid an aggregate of $219,874 and $204,249 of dividends on Series A preferred shares, respectively.

## 18. Related Party Transactions

On December 31, 2013, the Company entered into a management assistance agreement with Prospect Administration LLC ("Prospect") to provide significant managerial assistance to the Company on behalf of PSEC. On January 1, 2018, the management assistance agreement was amended to increase the annual fee from $1,300,000 to $2,100,000.

In accordance with the Investment Company Act of 1940, PSEC must make available "significant managerial assistance" to the Company. Prospect provides assistance with significant guidance and counsel concerning the management, operations, and business objectives and policies to the Company. Services may include arranging financing, managing relationships with financing sources, restructuring existing debt and evaluating acquisition and divestiture opportunities. Prospect also exercises a controlling influence over the policies of the Company. On a quarterly basis, the Company pays a managerial assistance fee to Prospect for time and effort in assisting and providing commercial and mezzanine lending, investment banking, and private equity investing services. The Company incurred managerial assistance fees of $2,100,000 for each of the years ended December 31, 2019 and 2018, which are included in management fees in the accompanying combined consolidated statements of operations.

On a quarterly basis, the Company pays Prospect for professional services provided related to legal counsel, taxation, and general accounting. For the years ended December 31, 2019 and 2018, the Company incurred professional service fees of $390,215 and $439,135, respectively, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations. As of December 31, 2019 and 2018, $142,280 and $141,159, respectively, is due to Prospect and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2019, $7,821 and $11,180 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2018, $1,431 and $51,554 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

The Company generally incurs a 2% to 3% structuring fee for the PSEC equity portion of each acquired property. The structuring fee is paid to PSEC for structuring and providing guidance for each purchase transaction. For the years ended December 31, 2019 and 2018, the Company incurred structuring fees of $1,638,087 and $1,899,547, respectively.

The Company generally incurs a transaction fee equal to 2% of the sale price of each disposed wholly owned property. The transaction fee is paid to PSEC for providing mergers and acquisitions and advisory services guidance in connection to certain disposition transactions. For the years ended December 31, 2019 and 2018, the Company incurred transaction fees of $7,595,000 and $496,000, respectively. These amounts are included in the management fee line item in the accompanying combined consolidated statements of operations.

The Company also entered into property management agreements with the non-controlling interest joint venture partners to manage the operations of the properties. The Company pays a monthly management fee of 2% - 6% of the gross monthly rents to the property managers. For the years ended December 31, 2019 and 2018, property management fees were $7,517,276 and $7,327,679, respectively, and are included in management fees in the combined consolidated statements of operations.

The Company also pays a monthly asset management fee up to 1.25% of the gross monthly rents to the property managers. For the years ended December 31, 2019 and 2018, asset management fees were $1,836,713 and $1,728,477, respectively. These amounts are included in the management fee line item in the accompanying combined consolidated statements of operations.

As of December 31, 2019 and 2018, $2,654,539 and $1,824,262 of management fees and asset management fees, respectively, were payable to property managers, and is included in due to affiliates in the accompanying combined consolidated balance sheets.

The property management agreements also stipulate that a construction management fee of 4% - 6% of project cost is to be paid to the property managers. For the years ended December 31, 2019 and 2018, capitalized construction management fees were $2,261,583 and $1,328,612, respectively, and is included within building and improvements in the accompanying combined consolidated balance sheets.

The Company generally incurs an acquisition fee from 0.5% to 1% of the purchase price of each acquired property. The acquisition fee is paid to the Property Managers for services rendered in connection with the investigation, selection, sourcing, due diligence and acquisition of a property or investment. For the years ended December 31, 2019 and 2018, the Company incurred acquisition fees of $1,653,250 and $2,126,500, respectively. The amounts related to the year ended December 31, 2019 and 2018 have been capitalized and included in real estate assets in the accompanying combined consolidated balance sheet.

In connection with the acquisitions of several properties during the year ended December 31, 2019, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. During the years ended 2019 and 2018, $1,920,500 and $1,494,000, respectively, were paid to the non-controlling joint venture partners, respectively. As of December 31, 2019, $2,614,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2019, $1,553,268 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

In connection with the acquisitions of several properties during the year ended December 31, 2018, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. No performance measures have been met as of December 31, 2018. As of December 31, 2018, $3,383,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2018, $3,076,785 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

The Company noted that certain expenses are paid for by the property managers and have yet to be reimbursed. As of December 31, 2019 and 2018, unreimbursed advances and other amounts due to related parties were $1,250,992 and $823,288, respectively, and are recorded by the Company as due to affiliates on the combined consolidated balance sheets.

**19. Senior Secured Term Loans - Related Party**

*NPRC Credit Agreement*

On April 1, 2014, the Company entered into a credit agreement (the "Credit Agreement") with PSEC in the form of a senior secured term loan. On December 31, 2018, the Company refinanced and amended the Credit Agreement. The Credit Agreement consists of a senior secured term loan A ("TLA") and senior secured term loan B ("TLB"), collectively referred to as the "Term Loans". The refinancing resulted in an increase in the outstanding Term Loans from $498,202,638 to $638,553,250.

The amendment increased the interest rate floor, reduced the interest rate margins, extended the maturity dates, and replaced Net Operating Income Interest with Residual Profit Interest. The additional borrowings of $140,350,612 was used as an equity distribution to NPH. The maturity date of the senior secured term loans under the amended Credit Agreement is December 31, 2023. As of December 31, 2019 and 2018, the total commitment was $1,250,000,000 and $1,500,000,000, respectively. The Credit Agreement refinancing resulted in $12,771,065 of structuring fees, which was capitalized as a direct offset to the Term Loan balance on the combined consolidated balance sheets.

The Credit Agreement does not require payments on the outstanding principal until maturity, with prepayments allowed but may be subject to a prepayment penalty. During the year ended December 31, 2019, the Company has voluntarily pre-paid in aggregate $126,000,000 of the Term Loan B commitment under the Credit Agreement.

Upon restructuring, the Residual Profit Interest replaced the Net Operating Income Interest whereby the Company incurred net operating income interest equivalent to 500 basis points of the net operating income earned during the applicable period. The Company is required to make payments for Residual Profit Interest equivalent to 8.33% of the Residual Profit earned during the applicable period. The Company determines the Residual Profit as all Gross Receipts received by the Company less the sum of Operating Expenses, interest expense, structuring fees, M&A fees, and cost basis in connection to the sale of any real estate property during the applicable period.

Cash interest and Residual Profit Interest are payable in cash quarterly. PIK interest due quarterly is added to the outstanding principal balance of the loan or paid in cash, in whole or in part, at the option of the Company.

During the year ended December 31, 2019, the Company amended and restated the Credit Agreement. The restructuring resulted in a new tranch of senior secured term loan C ("TLC"). Under the amended and restated Credit Agreement, the new TLC incurs cash interest equivalent to three-month USD LIBOR rate with a floor of 1.00%, plus 12.00%, and PIK interest of 2.25%. The Company incurred $2,100,000 of structuring fees from this restructuring, which is deferred and amortized over the life of the senior secured term loan.

For the years ended December 31, 2019 and 2018, the Company incurred $2,100,000 and $12,810,449 of structuring fees for borrowings under the senior secured term loans, respectively. The structuring fees are deferred and amortized over the life of the senior secured term loan. For the years ended December 31, 2019 and 2018, $2,638,213 and $541,055 were amortized and recorded within interest expense on the combined consolidated statements of operations, respectively.

*ACL Credit Agreement*

On June 30, 2014, ACLLH, a wholly owned subsidiary of the Company, entered into a credit agreement with PSEC in the form of a senior secured term loan. On December 15, 2015, ACLL, a wholly owned subsidiary of the Company entered into a credit agreement (collectively referred to as the "ACL Credit Agreement") with PSEC in the form of senior secured term loan.

During the year ended December 31, 2018, the Company made non-cash contributions of $111,851,664 to NMF through a transfer and assignment from ACLLH to the Company of senior secured term loans with PSEC having an aggregate outstanding principal amount of $111,851,664. The ACL Credit Agreement outstanding principal balance was repaid in full.

Upon the Company's refinancing of the Credit Agreement on December 31, 2018, the ACL Credit Agreement was terminated.

The following tables present a summary of our senior secured term loan terms and payable as of December 31, 2019 and 2018:

| | As of December 31, 2019 | | |
|---|---|---|---|
| **Senior Secured Term Loan** | **Cash Rate** | **PIK Rate** | **Outstanding Principal** |
| Term Loan A | 3-Mo LIBOR[1] + 3.50% | 5.00% | $433,553,250 |
| Term Loan B | 3-Mo LIBOR[1] + 2.00% | 5.50% | 79,000,000 |
| Term Loan C | 3-Mo LIBOR[2] + 12.00% | 2.25% | 51,428,040 |
| **Total outstanding principal** | | | **$563,981,290** |
| Less: unamortized debt issuance costs | | | (12,232,852) |
| **Total senior secured term loans, net of debt issuance costs** | | | **$551,748,438** |

(1) Rates are accrued at minimum LIBOR floor of 300 basis points

(2) Rates are accrued at minimum LIBOR floor of 100 basis points

| | As of December 31, 2018 | | |
|---|---|---|---|
| **Senior Secured Term Loan** | **Cash Rate [1]** | **PIK Rate** | **Outstanding Principal** |
| Term Loan A | 3-Mo LIBOR + 3.50% | 5.00% | $433,553,250 |
| Term Loan B | 3-Mo LIBOR + 2.00% | 5.50% | 205,000,000 |
| **Total outstanding principal** | | | **$638,553,250** |
| Less: unamortized debt issuance costs | | | (12,771,065) |
| **Total senior secured term loans, net of debt issuance costs** | | | **$625,782,185** |

(1) Rates are accrued at minimum LIBOR floor of 300 basis points

For the year ended December 31, 2019, the Company incurred $37,664,128, $30,836,965, and $27,066,176 of cash interest, PIK interest, and Residual Profit Interest, respectively. For the year ended December 31, 2019, a total of $30,640,296 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2019, $1,217,623 of cash interest and $196,668 of PIK interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

For the year ended December 31, 2018, the Company incurred $47,579,438, $36,296,683, and $7,070,522 of cash interest, PIK interest, and Net Operating Income Interest, respectively. For the year ended December 31, 2018, a total of $36,600,419 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2018, $935 of cash interest, $0 of PIK interest and $655,958 of Net Operating Income Interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

## 20. Commitments and Contingencies

The Company believes that it has complied with the requirements of the mortgage payable by obtaining the requisite third party insurance coverage for losses that may be incurred at the properties. Losses for amounts below the threshold of the deductible amounts specified in certain of the Company's insurance policies are self-insured, however, management does not believe that this exposure will have a material adverse effect on the Company's combined consolidated financial position or results of operations.

Periodically, the Company may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of the business. The Company does not believe that there are any proceedings threatened or pending, if determined adversely, that would have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

## 21. Subsequent Events

On January 9, 2020, the Company sold the Michigan self-storage portfolio to an unaffiliated third party for a gross sales price of $102,000,000. The Company recognized a gain of $48,964,341 in connection with the sale.

On January 23, 2020, the Company invested $22,814,950 to purchase collateralized loan obligations.

On March 27, 2020, Vesper Kennesaw, LLC (West 22) entered into supplemental mortgage agreement for $2,615,000. The supplemental mortgage is secured by the real estate property and certain cash reserve accounts required by the borrowing agreements. The supplemental mortgage accrues interest 4.06% and matures on October 1, 2026.

On March 31, 2020, the Company invested $10,848,750 to purchase collateralized loan obligations.

On April 8, 2020, the Company invested $1,051,250 to purchase collateralized loan obligations.

On June 4, 2020, Vesper Manhattan KS, LLC (The Gramercy) entered into refinancing mortgage agreement for $14,679,000. The refinanced mortgage accrues interest at 1-month LIBOR + 3.04% and matures on June 4, 2030.

On June 12, 2020, Crestview at Cordova, LLC entered into refinancing mortgage agreement for $12,952,000. The refinanced mortgage accrues interest at 1-month LIBOR + 2.90% and matures on July 1, 2030.

On June 19, 2020, the Company amended and restated the Credit Agreement. Upon restructuring, the total commitment was increased to $1,500,000,000. The restructuring resulted in a new tranch of senior secured term loan D ("TLD") for $183,425,355, funded on a cashless basis as a debt-for-equity exchange. Under the amended and restated Credit Agreement, the new TLD incurs cash interest equivalent to three-month USD LIBOR rate with a floor of 3.00%, plus 0.50%, and PIK interest of 2.50%. The Company incurred $3,668,507 of structuring fees from this restructuring, which is deferred and amortized over the life of the senior secured term loan.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

The Company has evaluated subsequent events through June 30, 2020, the date of which these combined consolidated financial statements were available to be issued, and has determined that, except for the above, there have not been any additional events that have occurred that would require adjustments to, or disclosures in, the combined consolidated financial statements.

# National Property REIT Corp.

Combined Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(With Independent Auditor's Report Thereon)

**National Property REIT Corp.**
**Combined Consolidated Financial Statements**
**Table of Contents**

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New York, NY 10017
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## Independent Auditor's Report

Board of Directors
National Property REIT Corp.
New York, NY

We have audited the accompanying combined consolidated financial statements of National Property REIT Corp. and its subsidiaries, which comprise the combined consolidated balance sheets as of December 31, 2018 and 2017, and the related combined consolidated statements of operations, changes in (deficit) equity and cash flows for the years then ended, and the related notes to the combined consolidated financial statements.

### *Management's Responsibility for the Combined Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Property REIT Corp. and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

August 1, 2019

## National Property REIT Corp.
## Combined Consolidated Balance Sheets

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Real estate assets** | | |
| Land | $ 230,994,277 | $ 202,694,929 |
| Building and improvements | 1,685,323,802 | 1,410,337,215 |
| Furniture, fixtures, and equipment | 106,467,449 | 76,336,485 |
| Total real estate assets held for investment | 2,022,780,328 | 1,689,368,629 |
| Less: accumulated depreciation | (220,837,891) | (180,740,198) |
| **Net real estate assets held for investment** | 1,801,942,437 | 1,508,628,431 |
| Real estate assets held for sale, net | 30,252,748 | 97,395,082 |
| **Total real estate assets, net** | 1,832,195,185 | 1,606,023,513 |
| Cash and cash equivalents | 62,218,982 | 34,116,793 |
| Restricted cash ($4,936,275 and $11,184,297 as of December 31, 2018 and 2017, respectively, related to consolidated variable interest entity ("VIE")) | 52,998,143 | 65,016,495 |
| Accounts receivable, net | 5,378,809 | 5,098,527 |
| Interest receivable ($312,317 and $1,693,096 as of December 31, 2018 and 2017, respectively, related to consolidated VIE) | 2,937,853 | 9,818,312 |
| Due from LendingClub Corporation ($179,529 and $1,098,778 as of December 31, 2018 and 2017, respectively, related to consolidated VIE) | 2,863,462 | 5,848,661 |
| Due from Prosper Funding LLC | 209,786 | 758,878 |
| Due from Avant, Inc. | — | 2,214 |
| Due from affiliates | 73,512 | 36,663 |
| Prepaid expenses and other assets | 11,352,463 | 10,131,187 |
| Unsecured consumer loans at fair value ($16,841,432 and $93,182,654 as of December 31, 2018 and 2017, respectively, related to consolidated VIE) | 181,077,995 | 596,148,010 |
| Residual interests in securitizations, at fair value | 69,188,648 | 33,689,314 |
| Deferred leasing costs, net | 85,050 | 308,569 |
| Lease intangibles, net | 3,233,339 | 4,239,553 |
| **TOTAL ASSETS** | **$ 2,217,785,227** | **$ 2,371,357,091** |
| **LIABILITIES AND DEFICIT** | | |
| **Liabilities** | | |
| Mortgages payable, net of unamortized discount and debt issuance costs | $ 1,613,427,315 | $ 1,351,820,354 |
| Mortgages payable related to real estate assets held for sale, net of unamortized discount and debt issuance costs | 32,221,119 | 91,706,233 |
| Revolving credit facilities, at fair value | 46,972,955 | 264,130,359 |
| Debt (net of debt issuance costs) related to consolidated VIE | 9,798,386 | 87,198,587 |
| Senior secured term loans, net of debt issuance costs | 625,782,185 | 552,753,007 |
| Accounts payable and accrued expenses | 27,276,718 | 24,072,910 |
| Security deposits | 5,184,905 | 4,399,000 |
| Due to affiliates | 8,211,387 | 6,718,472 |
| Prepaid rent and other liabilities | 4,170,270 | 3,814,477 |
| **Total liabilities** | 2,375,048,240 | 2,386,673,399 |
| Commitments and contingencies (Note 15) | | |
| **Deficit** | | |
| Preferred stock, $0.001 par value, Series A Cumulative Non-Voting, 12.5%; $125,000 liquidation preference, 125 shares authorized, issued and outstanding | 109,950 | 109,950 |
| Common stock, $0.001 par value: 100,000,000 common shares authorized, 3,110,101 and 2,663,825 issued and outstanding, respectively | 3,110 | 2,664 |
| Additional paid-in-capital | 154,893,454 | 281,621,029 |
| Accumulated deficit | (331,890,275) | (308,567,214) |
| Non-controlling interest | 19,621,748 | 11,517,263 |
| **Total deficit** | (157,263,013) | (15,316,308) |
| **TOTAL LIABILITIES AND DEFICIT** | $ 2,217,785,227 | $ 2,371,357,091 |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Combined Consolidated Statements of Operations**

| | | Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2018 | | 2017 |
| **Revenues** | | | | |
| Rental income | $ | 231,970,242 | $ | 205,583,493 |
| Interest income | | 86,412,671 | | 164,141,373 |
| Other income | | 33,116,007 | | 28,006,701 |
| Total revenues | | 351,498,920 | | 397,731,567 |
| **Costs and expenses** | | | | |
| Property operating expenses | | 113,383,427 | | 97,203,632 |
| Management fees | | 15,765,673 | | 16,881,394 |
| Depreciation and amortization | | 84,800,841 | | 81,202,478 |
| General and administrative expenses | | 18,472,572 | | 21,362,604 |
| Total costs and expenses | | 232,422,513 | | 216,650,108 |
| **Other (expense) income** | | | | |
| Interest expense | | (184,050,309) | | (188,963,955) |
| Fair value adjustments | | (48,407,906) | | (114,395,663) |
| Gain on sale of real estate assets | | 147,727,373 | | 53,392,817 |
| (Loss) gain on sale of interest in consolidated VIE | | (2,261,777) | | 457,448 |
| Total other (expense) income, net | | (86,992,619) | | (249,509,353) |
| **Net income (loss) before income tax** | | 32,083,788 | | (68,427,894) |
| Income tax expense | | (31,936) | | (198,777) |
| **Net income (loss)** | | 32,051,852 | | (68,626,671) |
| (Income) loss attributable to non-controlling interest | | (24,080,348) | | 3,317,193 |
| Dividends attributable to preferred shares | | (15,625) | | (15,625) |
| **Net income (loss) attributable to common shares** | $ | 7,955,879 | $ | (65,325,103) |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Combined Consolidated Statements of Changes in (Deficit) Equity**

| | Preferred Shares | Common Shares | Additional Paid-In-Capital | Accumulated Deficit | Total Stockholders' (Deficit) Equity | Non-Controlling Interest | Total (Deficit) Equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2016** | $ 109,950 | $ 1,844 | $ 176,308,017 | $ (243,242,111) | $ (66,822,300) | $ 26,514,854 | $ (40,307,446) |
| Issuance of common shares | — | 820 | 147,749,553 | — | 147,750,373 | — | 147,750,373 |
| Contribution from non-controlling interest | — | — | — | — | — | 7,462,045 | 7,462,045 |
| Dividends on common shares | — | — | (41,954,441) | — | (41,954,441) | — | (41,954,441) |
| Dividends on preferred shares | — | — | — | (15,625) | (15,625) | — | (15,625) |
| Distributions to non-controlling interest | — | — | — | — | — | (16,992,860) | (16,992,860) |
| Purchase of subsidiary shares from non-controlling interest | — | — | (482,100) | — | (482,100) | (2,149,583) | (2,631,683) |
| Net loss | — | — | — | (65,309,478) | (65,309,478) | (3,317,193) | (68,626,671) |
| **Balance at December 31, 2017** | $ 109,950 | $ 2,664 | $ 281,621,029 | $ (308,567,214) | $ (26,833,571) | $ 11,517,263 | $ (15,316,308) |
| Issuance of common shares | — | 446 | 77,454,114 | — | 77,454,560 | — | 77,454,560 |
| Contribution from non-controlling interest | — | — | — | — | — | 18,581,145 | 18,581,145 |
| Dividends on common shares | — | — | (204,182,689) | (31,278,940) | (235,461,629) | — | (235,461,629) |
| Dividends on preferred shares | — | — | — | (15,625) | (15,625) | — | (15,625) |
| Distributions to non-controlling interest | — | — | — | — | — | (34,557,008) | (34,557,008) |
| Net income | — | — | — | 7,971,504 | 7,971,504 | 24,080,348 | 32,051,852 |
| **Balance at December 31, 2018** | $ 109,950 | $ 3,110 | $ 154,892,454 | $ (331,890,275) | $ (176,884,761) | $ 19,621,748 | $ (157,263,013) |

*See Notes to Combined Consolidated Financial Statements*

## National Property REIT Corp.
## Combined Consolidated Statements of Cash Flows

| | Years Ended December 31, 2018 | Years Ended December 31, 2017 |
|---|---|---|
| ***Cash Flows from Operating Activities:*** | | |
| Net income (loss) | $ 32,051,852 | $ (68,626,671) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 74,446,877 | 62,490,185 |
| Amortization of in-place leases | 10,354,764 | 18,712,293 |
| Amortization of above-market leases | — | 74,201 |
| Amortization of below-market leases | — | (369,494) |
| Amortization of deferred leasing costs | 418,012 | 212,008 |
| Amortization of debt issuance costs and debt discounts and premiums | 3,019,896 | 7,555,059 |
| Interest paid in kind | — | 776,149 |
| Gain on sale of real estate assets | (147,727,373) | (53,392,817) |
| Gain on involuntary conversions | — | (117,379) |
| Loss on early extinguishment of debt | 10,017,347 | 5,585,188 |
| Fair value adjustments of unsecured consumer loans | 47,135,373 | 112,189,223 |
| Fair value adjustments of residual interests in securitizations | 1,272,533 | 2,206,440 |
| Realized loss (gain) on sale of accrued interest into securitizations | 2,261,777 | (457,448) |
| Income from accretion on residual interests in securitizations | (5,005,776) | (1,945,931) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (780,282) | (2,167,057) |
| Interest receivable | 4,618,682 | 564,877 |
| Due to (due from) affiliates, net | 1,396,066 | 915,332 |
| Prepaid expenses and other assets | (1,221,276) | (6,406,707) |
| Accounts payable and accrued expenses | (915,143) | 1,297,051 |
| Security deposits and other liabilities | 1,141,698 | (26,962) |
| Deferred leasing costs | (230,576) | (528,977) |
| **Net cash provided by operating activities** | **32,753,651** | **78,546,563** |
| ***Cash Flows from Investing Activities:*** | | |
| Acquisition of real estate assets | (452,302,972) | (259,240,133) |
| Additions to real estate assets | (44,375,357) | (29,180,937) |
| Additions to lease intangibles | (9,212,067) | (7,509,867) |
| Proceeds from disposition of real estate assets | 285,597,463 | 87,101,619 |
| Proceeds from insurance settlement | — | 326,987 |
| Purchases of unsecured consumer loans | (106,476,634) | (520,691,146) |
| Principal payments received on unsecured consumer loans | 261,888,655 | 407,993,257 |
| Proceeds from sale of unsecured consumer loans | 166,701,211 | 122,797,118 |
| Proceeds from recoveries and sales of charged-off loans | 12,855,452 | 10,683,136 |
| Purchase of residual interest in securitization | (17,052,354) | (3,480,000) |
| Principal payments received on securitized residual interests | 24,280,221 | — |
| Proceeds from sale of debt related to consolidated VIE | — | 39,723,448 |
| Decrease in Due from LendingClub Corporation | 2,985,199 | 1,226,696 |
| Decrease in Due from Prosper Funding LLC | 549,092 | 51,589 |
| Decrease (increase) in Due from Avant, Inc. | 2,214 | (506) |
| **Net cash provided by (used in) investing activities** | **125,440,123** | **(250,198,739)** |
| ***Cash Flows from Financing Activities:*** | | |
| Proceeds from mortgages payable | 410,876,812 | 326,243,000 |
| Repayments of mortgages payable | (142,632,832) | (41,000,538) |

## National Property REIT Corp.
## Combined Consolidated Statements of Cash Flows (Continued)

| | Years Ended December 31, 2018 | 2017 |
|---|---|---|
| Proceeds from revolving credit facilities | 58,892,493 | 357,756,148 |
| Repayments of revolving credit facilities | (276,050,897) | (311,205,158) |
| Principal payments under debt related to consolidated VIE | (78,326,559) | (161,059,606) |
| Proceeds from senior secured term loan | 51,457,676 | 62,366,322 |
| Repayments of senior secured term loan | (106,549,101) | (155,333,792) |
| Deferred financing costs | (4,318,279) | (4,955,924) |
| Deferred financing costs - related party | (12,810,449) | — |
| Payment of debt extinguishment costs | (9,021,858) | (4,965,308) |
| Proceeds from issuance of common stock | 77,454,560 | 147,750,573 |
| Capital distributions | (63,832,077) | (41,954,441) |
| Dividends on common shares | (31,278,940) | — |
| Dividends on preferred shares | (15,625) | (15,625) |
| Acquisition of subsidiary interest from non-controlling interest | — | (2,631,683) |
| Contributions from non-controlling interest | 18,581,145 | 7,462,045 |
| Distributions to non-controlling interests | (34,557,002) | (16,992,860) |
| **Net cash (used in) provided by financing activities** | (142,129,939) | 178,471,958 |
| **Net increase in cash, cash equivalents, and restricted cash** | 16,063,835 | 6,819,782 |
| Cash, cash equivalents, and restricted cash, beginning of year | 99,153,290 | 92,333,508 |
| **Cash, cash equivalents, and restricted cash, end of year** | $ 115,217,125 | $ 99,153,290 |

| | Years Ended December 31, 2018 | 2017 |
|---|---|---|
| **Supplemental Disclosures** | | |
| Cash paid during the year for: | | |
| Interest expense | $ 181,427,100 | $ 178,950,978 |
| Income taxes | $ 33,923 | $ 299,116 |
| Non-cash investing and financing activities: | | |
| Mortgage loan assumed by purchaser upon sale of property | $ 62,309,541 | $ 41,643,462 |
| Accrued additions to real estate assets | $ 4,585,018 | $ 466,067 |
| Residual interest acquired in securitization | $ 32,565,958 | $ 30,469,823 |
| Increase in borrowings under senior secured term loans | $ 140,350,612 | $ — |
| Increase in borrowings under debt related to consolidated VIE | $ — | $ 29,299,400 |

*See Notes to Combined Consolidated Financial Statements*

**National Property REIT Corp.**
**Notes to Combined Consolidated Financial Statements**

## 1. Organization

References herein to the "Company", "we", "us", or "our" refer to National Property REIT Corp. ("NPRC"), formerly known as National Property Holdings Corp., unless the context specifically requires otherwise.

The Company is a Maryland corporation and is a real estate investment trust ("REIT") for U.S. federal income tax purposes. The Company was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. The Company intends to acquire real estate assets, including, but not limited to, industrial, commercial, student housing, self-storage, and multi-family properties. The Company commenced operations on December 31, 2013.

NPH Property Holdings, LLC ("NPH"), a Delaware limited liability company, owns all of the outstanding common stock of the Company. NPH is a wholly owned subsidiary of Prospect Capital Corporation ("PSEC"). On December 31, 2013, PSEC contributed to the Company, through NPH, ownership interests in entities that own real estate properties. In exchange for the contribution of assets, NPH received shares of the Company's common stock. These entities were NPH McDowell, LLC ("Oxford"), APH Carroll 41, LLC ("Bexley"), and 146 Forest Parkway, LLC ("146 FP"). On October 23, 2014, United Property REIT Corp. ("UPRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in Michigan Storage, LLC ("Michigan"), an entity that owns a portfolio of self-storage real estate properties. UPH Property Holdings, LLC ("UPH"), a Delaware limited liability company, owned all of the outstanding common stock of UPRC. UPH was a wholly owned subsidiary of PSEC. On November 26, 2014, American Property REIT Corp. ("APRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in APH Carroll Resort, LLC ("The Resort"), an entity that owns a multi-family real estate property. On May 1, 2015, APRC contributed to the Company, ownership interest in 5100 Live Oaks Blvd, LLC ("Amberly"), an entity that owns a multi-family real estate property. APH Property Holdings, LLC ("APH"), a Delaware limited liability company, owned all of the outstanding common stock of APRC. APH was a wholly owned subsidiary of PSEC. These entity contribution transactions are collectively referred to as the "Common Control Transfer".

On May 23, 2016, APRC and UPRC (collectively referred to as the "Affiliated REITs") were merged ("Merger") with and into the Company, with the Company continuing as the surviving corporation. The Affiliated REITs were formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets. At the date of Merger, the Affiliated REITs held an investment portfolio of real estate assets owned directly or through joint ventures by making a majority equity investment in property-owning entities. The real estate investments acquired during the Merger are collectively known as the "Merger Investments".

In accordance with FASB ASC 805, "Business Combinations," the Merger and Common Control Transfer transactions noted above were executed between entities under common control. The assets and liabilities of each of the entities acquired through these transactions were recorded at their historical carrying amounts, and the results of operations of these entities have been recognized in the accompanying combined consolidated statements of operations for all periods presented. NPRC's combined consolidated balance sheets as of December 31, 2018 and 2017 reflect the historical carryover basis in the assets and liabilities acquired. The Company has also retrospectively adjusted its financial statements to combine the operating results of the Company and the entities acquired from the date common control began.

National Marketplace Finance, LLC (formerly known as Prospect Finance Company, LLC) ("NMF") is a subsidiary of the Company, and currently owns the online originated unsecured consumer loan portfolio and residual interests in securitizations. NMF holds the interests in ACL Loan Holdings, Inc. ("ACLLH") and American Consumer Lending Limited ("ACLL").

ACLLH was formed to hold the indirect interest in ACL Consumer Loan Trust ("ACL Trust"), which was contributed to ACLLH on June 30, 2014 by the Company, its initial sole member. ACL Trust and American Consumer Lending (Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust, referred to as the "ACL Subsidiaries"), holds unsecured consumer loans purchased from Prosper Funding LLC ("Prosper").

ACL Consumer Loan Trust III ("ACL Trust III"), a subsidiary of ACLLH, formed on June 10, 2014, and American Consumer Lending III (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust III, referred to as the "ACL III Subsidiaries"), formed on June 13, 2014, holds unsecured consumer loans purchased from LendingClub Corporation. ACL Consumer Loan Trust IV ("ACL Trust IV"), a subsidiary of ACLLH, formed on March 23, 2015, and American Consumer Lending IV (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust IV, referred to as the "ACL IV Subsidiaries"), formed on January 15, 2015, holds unsecured consumer loans originated by and purchased from LendingClub Corporation. ACL Patient Solutions Trust ("ACL PS"), a subsidiary of ACLLH, formed on October 14, 2015, and ACL Patient Solutions Holdings, LLC, a subsidiary of ACLL, formed on October 5, 2015, holds unsecured consumer loans from NBT Bank, National Association ("NBT"). From October 20, 2015 to December 31, 2018 ACL PS acquired and held unsecured consumer loans as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone Financial, LLC ("Springstone"), a wholly-owned subsidiary of LendingClub Corporation. ACL Consumer Loan Trust V ("ACL Trust V"), a subsidiary of ACLL, formed on October 16, 2015, holds unsecured consumer loans purchased from Avant II, LLC ("Avant") for the period November 17, 2015 to December 31, 2018. ACL Consumer Loan Trust VI ("ACL Trust VI"), a subsidiary of ACLL II, formed on April 27, 2016, and American Consumer Lending VI, LLC, a subsidiary of ACLL, (collectively with ACL Trust VI, referred to as the "ACL VI Subsidiaries"), formed on November 30, 2015, holds unsecured consumer loans purchased from LendingClub Corporation for the period May 1, 2016 to December 31, 2018. Murray Hill Securitization Holdings Limited ("Murray Hill"), a subsidiary of ACLL, formed on July 24, 2015, holds interest in Murray Hill Marketplace Trust 2016-LC1, a securitization of unsecured consumer loans purchased from LendingClub Corporation for the period October 13, 2016 to December 31, 2018. Murray Hill also holds residual interests in securitizations. Lending Club Corporation and Springstone are hereafter collectively referred to as "Lending Club". American Consumer Lending VII, LLC, a subsidiary of ACLL, formed on October 5, 2017, holds unsecured consumer loans purchased from Prosper and NBT during the period July 28, 2015 to December 31, 2018.

NPH Guarantor, LLC was contributed to NMF on January 13, 2015 by the Company, its initial sole member. NPH Guarantor, LLC is the indemnitor of the ACL III Subsidiaries and ACL PS revolving credit facilities outlined in Note 11. There was no activity in NPH Guarantor, LLC from inception through December 31, 2018.

## 2. Significant Accounting Policies

### a. *Principles of Reporting and Use of Estimates*

The accompanying combined consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the combined consolidated financial statements and the reported amounts of revenues and expenses during the reported periods.

Management makes significant estimates regarding the allocation of a property's purchase price to the tangible and intangible assets and liabilities acquired, revenue recognition, and determining whether an asset is impaired. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment.

As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates.

### b. *Basis of Consolidation and Transfers of Financial Assets*

The accompanying combined consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. All intercompany balances and transactions have been eliminated. A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are required to be presented as a separate component of equity in the combined consolidated balance sheet and the presentation of net income (loss) is modified to present the net income (loss) attributed to controlling and non-controlling interests.

For a variable interest entity ("VIE"), an entity is subject to consolidation if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs that meet certain scope characteristics are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analysis. We are required on an ongoing basis to assess whether we are the primary beneficiary of a VIE.

We may periodically enter into transactions in which we sell financial assets. Upon a transfer of financial assets, we may retain or acquire senior or subordinated interests in the related assets. In connection with such transactions, a determination must be made as to whether we, as the transferor, have surrendered control over transferred financial assets. That determination must consider our continuing involvement in the transferred financial assets, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under applicable GAAP limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

From time to time, we may securitize unsecured consumer loans we hold if such securitization allows us access to better financing terms. Depending upon the structure of the securitization transaction, these transactions will be accounted for as either a "sale" and the loans will be removed from the combined consolidated balance sheet or, as a "financing" with the loans and financing reported on our combined consolidated balance sheet. Significant judgment may be exercised by us in determining whether a transaction should be recorded as a "sale" or a "financing."

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the entity used to facilitate the transactions was a VIE and, if so, whether the VIE should be consolidated. Based on our evaluations, we have concluded that one of our securitizations is a VIE that should be consolidated. The Company has determined that the other securitizations that we participated in should not be consolidated since, among other things, we concluded that the transfer of the underlying assets qualifies as a sale.

c. ***Purchase Accounting and Acquisitions of Real Estate***

Prior to the Company's adoption of ASU 2017-01 in January 2018, the Company recorded the acquisition of real estate that will be used for the production of income as a business combination. All assets acquired and liabilities assumed in a business combination were measured at their acquisition date fair values. Acquisition costs were expensed as incurred. Upon adoption of ASU 2017-01, the Company records the acquisition of real estate that will be used for the production of income as an asset acquisition, with all assets acquired and liabilities assumed recorded at their acquisition date fair values. Acquisition costs are capitalized and allocated to the acquired tangible assets, consisting of land, building and improvements, furniture, fixtures and equipment. The Company assesses the acquisition date fair values of all tangible assets, and identified lease intangibles, consisting of in-place leases, tenant relationships, deferred leasing costs, and above-market and below-market leases.

Real estate assets, including land, building and improvements, and furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Costs associated with the development, construction and improvement of the Company's real estate assets are capitalized as incurred. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred, while major replacements and betterments, which improve or extend the useful life of the asset, are capitalized and depreciated over the estimated useful lives.

The Company records depreciation expense using the straight-line method over the useful lives of the respective assets. The estimated useful lives are as follows:

| Category | Term |
|---|---|
| Building | 10 to 51 years |
| Improvements | 1 to 12 years |
| Furniture, fixtures, and equipment | 3 to 17 years |

Depreciation expense for the years ended December 31, 2018 and 2017 was $74,446,077 and $62,490,185, respectively, and is included in depreciation and amortization expense in the accompanying combined consolidated statements of operations.

The value of acquired land, buildings and improvements is estimated by formal appraisals, observed comparable sales transactions and information gathered during pre-acquisition due diligence activities. The valuation approach considers the value of the property as if it were vacant. The values of furniture, fixtures and equipment are estimated by calculating their replacement cost and reducing that value by factors based upon estimates of their remaining useful lives.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease and the tenant's credit quality, among other factors.

The value allocable to the above-market or below-market component of an acquired in-place lease is determined based upon the present value, using a market discount rate, of the difference between (i) the contractual rents to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of rents that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above or below-market leases are amortized on a straight-line basis as an increase or reduction to rental income over the remaining non-cancelable term of the respective leases. Amortization of above and below-market rents resulted in a net increase in rental income of $0 and $295,293 for the years ended December 31, 2018 and 2017, respectively.

The value of in-place leases and deferred leasing costs are amortized to expense over the remaining term of the respective leases, which range from less than a year to seventeen years. The amount allocated to acquire in-place leases is determined by calculating the estimated time to fill a hypothetically empty property to its stabilization level based on historical observed move-in rates for each property. The intangible assets are calculated by estimating the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. The amount allocated to deferred leasing costs is determined by what the Company would have paid to a third party to secure a new tenant reduced by the expired term of the respective lease. The value of tenant relationships is amortized over the remaining initial lease term and expected renewals, which is thirty seven years. The amount allocated to tenant relationships is the benefit resulting from the likelihood of a tenant renewing its lease. Acquired intangible assets generally have no residual value. Amortization expense related to these assets was $10,354,764 and $18,712,293 for years ended December 31, 2018 and 2017, respectively.

d. ***Impairment of Real Estate***

The Company reviews the carrying value of its real estate assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such reviews indicate that the asset may be impaired, given that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis, the asset's carrying amount is written down to its fair value. Estimating future cash flows and fair values is highly subjective and such estimates could differ materially from actual results. For the years ended December 31, 2018 and 2017, the Company did not record any impairment charges related to real estate assets.

e. ***Assets Held for Sale and Discontinued Operations***

The Company classifies certain real estate assets as held for sale on the combined consolidated balance sheets once the criteria, as defined by GAAP, have been met. Real estate assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell and are no longer depreciated. The Company reports discontinued operations when the disposal of real estate assets represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. No disposal met the definition of discontinued operations as of December 31, 2018 and 2017.

f. ***Environmental Matters***

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. The Company recognizes a liability for environmental matters if it is probable a liability has been incurred and the amount of loss can be reasonably estimated. As of December 31, 2018 and 2017, the Company is not aware of any environmental matters that would have an impact on the combined consolidated financial statements.

g. ***Fair Value Measurements***

In accordance with FASB ASC 820, "*Fair Value Measurement*," fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market considering the highest and best use of an asset or nonperformance risk related to a liability, at the measurement date. The Company uses the most observable inputs that are available to measure fair value. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's views about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 - observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 - unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk, where applicable, in the Company's assessment of fair value.

The Company carries its mortgages payable, debt related to consolidated VIE, and senior secured term loan at cost, net of unamortized discount, debt issuance costs, and associated amortization, on the accompanying combined consolidated balance sheets. The fair values of the Company's mortgages payable are estimated using a discounted cash flow analysis based upon indications of market pricing for similar types of instruments with the same remaining maturities and other valuation techniques as appropriate. Although the Company has determined that the majority of inputs used to value its debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its debt utilize Level 3 inputs, such as estimates of current credit spreads. The fair value of debt related to consolidated VIE is estimated as the amount of the outstanding principal of the debt, and is considered a level 3 measurement. The fair value of senior secured term loans is calculated using an enterprise value waterfall, the key unobservable input being fair value of the underlying collateral, and is considered a level 3 measurement. Accordingly, mortgages payable, debt related to consolidated VIE, and the senior secured term loan have been classified as Level 3 fair value measurements. Management estimates the fair values of the mortgages payable, debt related to consolidated VIE, and senior secured term loan were $1,667,785,077, $9,798,386, and $638,553,250, respectively, as of December 31, 2018. Management estimates the fair values of the mortgages payable, debt related to consolidated VIE, and senior secured term loan were $1,461,708,253, $88,124,945, and $553,079,958, respectively, as of December 31, 2017. Additionally, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, due to/due from affiliates, security deposits, prepaid rent, and accounts payable approximate their fair values. See Note 8 for additional disclosure around the Company's fair value measurements of the unsecured consumer loan portfolio, residual interests in securitizations, and revolving credit facilities.

h. ***Fair Value of Financial Instruments***

Pursuant to Accounting Standards Codification ("ASC") 825, *Financial Instruments* ("ASC 825"), which provides entities with an option to report selected financial assets and liabilities at fair value, the Company has made an election to measure its unsecured consumer loans, residual interest in securitizations, and revolving credit facilities at fair value on the combined consolidated balance sheets. We elected to use the fair value option to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Under this election, unsecured consumer loans charged off, recoveries, realized gains (losses), net increase or decrease in unrealized appreciation (depreciation) of the unsecured consumer loans, residual interest in securitizations, and revolving credit facilities are recorded as fair value adjustments on the combined consolidated statements of operations.

i. ***Revenue Recognition***

Rental revenues from residential, student housing, and self-storage tenants are recognized on a contractual basis, as lease periods for these investments are short-term in nature. The Company recognizes reimbursement for utilities and other expenses recoveries as other revenue when earned. Rental revenues from industrial and commercial tenants are recognized on a straight-line basis over the term of the lease. The industrial and commercial leases contain rental increases at specified intervals. The Company records as an asset, and includes in rental revenues, deferred rent receivable that will be received if the tenant makes all rent payments required through the expiration of the initial term of the lease. Deferred rent receivable in the accompanying combined consolidated balance sheets includes the cumulative difference between rental revenue recorded on a straight-line basis and rents received from the tenants in accordance with the respective lease terms.

Minimum future rental receipts under the noncancelable portion of commercial and industrial tenant leases, assuming no new or re-negotiated leases, for the next five years is as follows: $1,074,349 (2019), $1,074,525 (2020), $1,040,719 (2021), $1,040,857 (2022), $504,372 (2023), and $1,136,751 (Thereafter).

Interest income is recognized on an accrual basis, in accordance with the terms of the loan agreement, to the extent that such amounts are expected to be collected. Generally, our unsecured consumer loans are placed on non-accrual status when the loan is greater than 60 days contractually delinquent or charged off, which may occur if a borrower were to declare bankruptcy prior to a loan being 60 days delinquent, at which point the associated interest receivable balance is reversed against the interest income on the combined consolidated statements of operations. For residual interests in securitizations, interest income is recognized using the effective interest method. Under this method, we recognize as interest income, over the life of the securities, the excess of the cash flows expected to be collected over the securities' carrying value. We update our estimates of expected cash flows quarterly and recognize changes in the calculated effective interest rate on a prospective basis.

j. ***Cash and Cash Equivalents***

The Company considers all highly liquid instruments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents includes funds deposited with financial institutions and short-term, highly liquid overnight investment in money market funds. As of December 31, 2018 and 2017, $28,371 and $53,315 of the cash and cash equivalents, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds, with the remainder held in deposit accounts, substantially all of which exceeded applicable insurance limits.

k. ***Restricted Cash***

Restricted cash consists of cash escrowed under the operating agreements and mortgage agreements for debt service, real estate taxes, property insurance, and capital improvements and other restricted deposits. In addition, restricted cash includes funds deposited with Texas Capital Bank, Bank of New York Mellon, U.S. Bank National Association, and NBT in relation to the revolving credit facilities outlined in Note 10. As of December 31, 2018 and 2017, $7,270,299 and $18,917,518 of the restricted cash, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds.

l. ***Unsecured Consumer Loans***

Unsecured consumer loans consist of individual loans purchased from various originators of unsecured consumer loans ("Lending Platforms") under terms of the Company's agreement with the respective platforms, who are sellers of the unsecured consumer loans that continue to service such loans. Unsecured consumer loans made through the Lending Platforms are issued by WebBank, an FDIC-insured, Utah chartered industrial bank, except for loans issued by NBT. After funding a loan, WebBank sells the loan to the Lending Platform, without recourse, in exchange for the principal amount of the loan. Loans issued by NBT are purchased by the Company as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone. All loans purchased are unsecured obligations of individual borrowers with a fixed interest rate and loan terms set between 12 to 84 months. Unsecured consumer loans are recorded on the date purchased by the Company, which is generally at least fifteen days after origination. Unsecured consumer loans are charged off in the month that the loan becomes greater than 120 days contractually delinquent or in the month that the borrower has entered bankruptcy, at which point the outstanding principal amount is written off against the principal of the unsecured consumer loans on the consolidated balance sheets which results in a fair value adjustment on the combined consolidated statements of operations. Recoveries on charged off loans and sales of charged off loans to third parties are recorded as received, net of fees.

m. ***Due from Lending Platforms***

Avant, LendingClub and Prosper are online marketplace Lending Platforms from which we purchase unsecured consumer loans. The Due from Avant, Inc. balance represents amounts owed to the Company related to reimbursements of bank fees and other miscellaneous credits. The Due from LendingClub Corporation and Due from Prosper Funding LLC amounts presented on the combined consolidated balance sheets, represent cash deposited at LendingClub and Prosper, respectively.

n. ***Allowance for Doubtful Accounts***

The Company continuously monitors collections from its tenants and recognizes an allowance for uncollectible accounts based on a specific tenant collection issues that the Company has identified. When management has determined that receivables are uncollectible, they are written off against the allowance for doubtful accounts.

o. ***Asset Management and Management Services***

Management fee expenses are recognized when incurred in accordance with the terms of each respective management agreement.

p. ***Debt Issuance Costs and Unamortized Debt Discounts***

The Company defers costs incurred in connection with obtaining financing and amortizes the costs using the straight-line method, which approximates the effective interest rate method, over the terms of the related debt as a component of interest expense. The Company also recognizes a debt discount or premium in connection with mortgages assumed at fair value in accordance with ASC 805. Debt issuance costs and unamortized debt discounts have been presented as a direct deduction to our mortgages payable, mortgages payable related to real estate assets held for sale, debt related to consolidated VIE, and senior secured term loans in the accompanying combined consolidated balance sheets.

At December 31, 2018 and 2017, the Company had net debt issuance costs and debt discounts of $24,994,907 and $10,741,102, respectively. Amortization of debt issuance costs and debt discounts of $3,019,896 and $7,555,059 are included in interest expense in the combined consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively.

q. ***Non-controlling Interests***

Non-controlling interests are comprised of the Company's joint venture partners' interests in the joint ventures in real estate properties that the Company consolidates. The Company reports its joint venture partners' interests in its consolidated real estate joint ventures and other subsidiary interests held by third parties as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss and equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are generally allocated pro rata based on the respective ownership percentages until the venture reaches certain performance measures, at which time the other venture party will be entitled to preferred distributions (profit interests).

r. ***Income Taxes***

The Company elected to be taxed as a REIT for U.S. federal income tax purposes, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Company believes it operates in such a manner as to qualify for treatment as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its taxable income. A REIT is subject to a number of organizational and operational requirements, including, among others, a requirement that it currently distributes at least 90% of its taxable income to stockholders, subject to certain adjustments. If the Company fails to qualify as a REIT in any taxable year without the benefit of certain relief provisions, it will be subject to federal and state income taxes on its taxable income at regular corporate income tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state or local taxes on its income, property or net worth and federal taxes and excise taxes on its undistributed income. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") will be fully subject to federal, state and local income taxes.

The Company accounts for TRS income taxes under the liability method as required by ASC Topic 740, "Income Taxes." Under the liability method, deferred income taxes are recognized for the temporary differences between the GAAP basis and tax basis of the TRS income, assets and liabilities. For the years ended December 31, 2018 and 2017, several of the Company's subsidiaries were considered taxable corporations for U.S. federal and state income tax purposes. The taxable U.S. corporate subsidiaries are subject to corporate level U.S. federal, state and local income tax on their net taxable income.

As of December 31, 2018, the Company's U.S. taxable subsidiaries had a U.S. federal net operating loss carryforward of $32,904,348, which may be carried forward and applied against future federal taxable income, which will begin to expire beginning with the tax year ended December 31, 2034. The Company's taxable subsidiaries also had state net operating loss carryforwards of $16,735,990, which may be carried forward and applied against future applicable state taxable income, which will begin to expire over various periods (depending on each jurisdiction), beginning with the tax year ended December 31, 2024.

s. ***Concentration of Counterparty Risk and Credit Risk***

In the normal course of its business, the Company encounters counterparty risk and credit risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, principal and interest outstanding on unsecured consumer loans, and amounts deposited with each of the Company's Lending Platforms. Counterparty risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

t. ***Servicing, Collection and Upfront Fees***

The Company incurs a monthly servicing fee for each outstanding unsecured consumer loan, which is payable to the Lending Platforms for managing payments from borrowers and maintaining loan account portfolios. The Company incurs collection fees on amounts recovered from delinquent loans, which is payable to the Lending Platforms. The Company incurs an upfront fee on unsecured consumer loans purchased from Avant. All servicing, collection and upfront fees are expensed as incurred.

u. ***Recent Accounting Pronouncements***

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18") to require that a statement of cash flows explain the change during the period in restricted cash or restricted cash equivalents, in addition to changes in cash and cash equivalents. That is, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The ASU includes examples of the revised presentation guidance, and additional presentation and disclosure requirements apply. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments should be applied retrospectively to each period presented. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of the amended guidance in ASU 2016-18 did not have a significant effect on our consolidated financial statements and disclosures.

v. ***Reclassifications***

Certain reclassifications have been made to prior periods to conform with current reporting. These reclassifications had no effect on the previously reported net loss.

## 3. Recent Real Estate Transactions

*Acquisition of Real Estate Assets Held for Investment*

During 2018 and 2017, the Company acquired the following properties:

- On October 30, 2018, the Company, together with a joint venture partner, acquired Lorring Park, a multi-family property located in Forestville, Maryland for an aggregate purchase price of $58,521,100 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $47,680,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,678,029.

- On September 21, 2018, the Company, together with a joint venture partner, acquired Ashwood Ridge, a multi-family property located in Jonesboro, Georgia for an aggregate purchase price of $9,600,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $7,300,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $0.

- On August 30, 2018, the Company, together with a joint venture partner, acquired Crown Pointe, a multi-family property located in Danbury, Connecticut for an aggregate purchase price of $108,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $89,400,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $5,005,036.

- On August 8, 2018, the Company, together with a joint venture partner, acquired Falling Creek, a multi-family property located in Richmond, Virginia for an aggregate purchase price of $25,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $19,335,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $744,100.

- On July 20, 2018, the Company, together with a joint venture partner, acquired Villages of Wildwood, a multi-family property located in Fairfield, Ohio for an aggregate purchase price of $46,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $39,525,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $825,242.

- On June 1, 2018, the Company, together with a joint venture partner, acquired Olentangy Commons, a multi-family property located in Columbus, Ohio for an aggregate purchase price of $113,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $92,876,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,886,823.

- On May 9, 2018, the Company, together with a joint venture partner, acquired Laurel Pointe and Bradford Ridge, two multi-family properties located in Forest Park, Georgia for an aggregate purchase price of $45,505,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $36,400,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $5,000,000.

- On January 9, 2018, the Company, together with a joint venture partner, acquired Steeplechase, a multi-family property located in Largo, Maryland for an aggregate purchase price of $44,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $36,668,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $793,764.

- On November 8, 2017, the Company, together with a joint venture partner, acquired Silver Oaks and Sutton Place, two multi-family properties located in Southfield, Michigan for an aggregate purchase price of $68,500,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $58,229,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,285,027.

- On October 31, 2017, the Company, together with a joint venture partner, acquired Villages of Baymeadows and Casa del Mar, two multi-family properties located in Jacksonville, Florida for an aggregate purchase price of $111,000,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $88,800,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $2,187,085.

- On January 30, 2017, the Company, together with a joint venture partner, acquired Seasons, a multi-family property located in Laurel, Maryland for an aggregate purchase price of $187,250,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $153,580,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,351,279.

*Acquisition of Non-controlling Interest in Real Estate Joint Ventures*

- On June 30, 2017, the Company paid $2,030,023 in cash consideration to acquire the 5% non-controlling limited partner interest in the Resort joint venture, which owns multi-family property with a total of 1,520 units located in Pembroke, Florida. The Company now owns all of the interests in the Resort joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $439,084 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

- On June 30, 2017, the Company paid $413,416 in cash consideration to acquire the 7% non-controlling limited partner interest in the Bartram Park joint venture, which owns multi-family property with a total of 323 units located in Jacksonville, Florida. The Company now owns all of the interests in the Bartram Park joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $40,418 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

- On June 30, 2017, the Company paid $188,244 in cash consideration to acquire the 7% non-controlling limited partner interest in the Atlantic Beach joint venture, which owns multi-family property with a total of 204 units located in Atlantic Beach, Florida. The Company now owns all of the interests in the Atlantic Beach joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $2,598 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

The below listed 2018 acquisitions have been accounted for as asset acquisitions, while the 2017 acquisitions have been accounted for as business combinations. The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the date of acquisition. The Company allocated the purchase price, plus capitalized acquisition costs, of the properties acquired during 2018 and 2017 as follows:

| Property | Land | Building | Improvements | FF&E | Lease Intangibles | Total Purchase Price |
|---|---|---|---|---|---|---|
| **2018 Acquisitions:** | | | | | | |
| Steeplechase | $ 3,418,694 | $ 37,894,167 | $ 2,430,222 | $ 998,855 | $ 894,174 | $ 45,636,112 |
| Laurel Pointe | 2,616,452 | 27,519,537 | 1,949,317 | 865,233 | 903,697 | 33,854,236 |
| Bradford Ridge | 1,495,759 | 9,865,644 | 795,616 | 392,504 | 315,549 | 12,865,072 |
| Ashwood Ridge | 1,396,696 | 7,646,172 | 499,566 | 244,668 | 232,058 | 10,019,160 |
| Olentangy Commons | 7,945,269 | 97,637,479 | 4,463,475 | 3,078,881 | 1,137,127 | 114,262,231 |
| Villages of Wildwood | 5,500,080 | 36,949,740 | 1,964,305 | 1,726,550 | 954,845 | 47,095,520 |
| Falling Creek | 3,182,739 | 19,996,811 | 439,720 | 1,476,205 | 583,775 | 25,679,250 |
| Crown Pointe | 16,133,196 | 87,170,476 | 2,734,961 | 1,772,091 | 2,560,946 | 110,371,670 |
| Lorring Park | 4,114,949 | 52,215,802 | 1,332,255 | 2,438,886 | 1,629,896 | 61,731,788 |
| **Total 2018:** | **$ 45,803,834** | **$ 376,895,828** | **$ 16,609,437** | **$ 12,993,873** | **$ 9,212,067** | **$ 461,515,039** |
| **2017 Acquisitions:** | | | | | | |
| Seasons | $ 31,584,720 | $ 141,172,597 | $ 4,873,936 | $ 6,488,490 | $ 3,130,257 | $ 187,250,000 |
| Villages of Baymeadows | 11,550,923 | 73,946,082 | 4,620,369 | 3,278,646 | 2,303,980 | 95,700,000 |
| Casa del Mar | 1,650,205 | 12,427,468 | 346,339 | 529,695 | 346,293 | 15,300,000 |
| Sutton Place | 5,075,895 | 41,896,273 | 1,198,475 | 2,628,588 | 1,200,769 | 52,000,000 |
| Silver Oaks | 2,257,376 | 12,185,833 | 469,454 | 1,058,769 | 528,568 | 16,500,000 |
| **Total 2017:** | **$ 52,119,119** | **$ 281,628,253** | **$ 11,508,573** | **$ 13,984,188** | **$ 7,509,867** | **$ 366,750,000** |

The weighted average amortization period of acquired in-place leases was approximately 6 months and 7 months for the years ended December 31, 2018 and 2017, respectively.

Summarized information regarding properties sold during the years ended December 31, 2018 and 2017, is set forth in the table below:

| Property | Disposition Date | Asset Type | Gross Sale Price | Gain on Sale |
|---|---|---|---|---|
| **2018 Dispositions:** | | | | |
| Central Park | 1/11/2018 | Multifamily | $ 52,750,000 | $ 19,761,152 |
| St. Marin | 2/22/2018 | Multifamily | 94,000,000 | 27,934,801 |
| Matthews Reserve | 8/29/2018 | Multifamily | 33,800,000 | 13,875,452 |
| Amberly Place | 10/12/2018 | Multifamily | 102,150,000 | 49,521,799 |
| City West | 11/15/2018 | Multifamily | 44,000,000 | 22,677,782 |
| Island Club | 12/14/2018 | Multifamily | 24,800,000 | 13,956,387 |
| **Total 2018:** | | | **$ 351,500,000** | **$ 147,727,373** |
| | | | | |
| **2017 Dispositions:** | | | | |
| Bexley | 1/18/17 | Multifamily | $ 54,975,000 | $ 28,424,279 |
| Mission Gate | 6/15/17 | Multifamily | 65,400,000 | 21,600,326 |
| Plantations at Hillcrest | 8/29/17 | Multifamily | 9,860,000 | 3,368,212 |
| **Total 2017:** | | | **$ 130,235,000** | **$ 53,392,817** |

## 4. Real Estate Assets

The Company's ownership interests in real estate properties range from 67% to 100% via either direct ownership or ownership of a property owning entity. Through its ownership interests, the Company controls and therefore consolidates the properties and property owning entities. The interest owned by the other joint venture partner is reflected as non-controlling interest in these combined consolidated financial statements.

The Company's real estate assets consisted of the following as of December 31, 2018 and 2017:

| Property | Acquisition Date | Ownership Percentage | Asset Type | Location | Real Estate Assets, Net of Accumulated Depreciation | |
|---|---|---|---|---|---|---|
| | | | | | 2018 | 2017 |
| File of Chicken | 10/24/2012 | 100.0% | Industrial | Forest Park, GA | $ 4,707,023 | $ 4,892,715 |
| Amberly | 1/17/2013 | 97.7% | Multifamily | Tampa, FL | — | 52,566,237 |
| Lofton Place | 4/30/2013 | 93.2% | Multifamily | Tampa, FL | 22,427,510 | 21,921,527 |
| Arlington Park | 5/8/2013 | 93.5% | Multifamily | Marietta, GA | 12,558,144 | 12,764,967 |
| The Resort | 6/24/2013 | 100.0% | Multifamily | Pembroke Pines, FL | 204,408,689 | 207,308,659 |
| Cordova Regency | 11/15/2013 | 99.3% | Multifamily | Pensacola, FL | 11,959,762 | 12,080,285 |
| Crestview at Oakleigh | 11/15/2013 | 99.3% | Multifamily | Pensacola, FL | 15,110,790 | 15,267,261 |
| Inverness Lakes | 11/15/2013 | 99.3% | Multifamily | Mobile, AL | 25,349,425 | 25,272,831 |
| Kings Mill | 11/15/2013 | 99.3% | Multifamily | Pensacola, FL | 17,665,507 | 17,866,529 |
| Plantations at Pine Lake | 11/15/2013 | 99.3% | Multifamily | Tallahassee, FL | 15,687,856 | 15,669,691 |
| Verandas at Rocky Ridge | 11/15/2013 | 99.3% | Multifamily | Vestavia Hills, AL | 15,419,215 | 15,170,791 |
| Matthews Reserve | 11/19/2013 | 90.0% | Multifamily | Matthews, NC | — | 19,692,084 |
| City West | 11/19/2013 | 90.0% | Multifamily | Orlando, FL | — | 20,439,818 |
| Vinings Corner | 11/19/2013 | 90.0% | Multifamily | Smyrna, GA | 30,352,948 | 31,122,794 |
| Central Park | 11/19/2013 | 90.0% | Multifamily | Altamonte Springs, FL | — | 32,125,940 |
| St. Marin | 11/19/2013 | 90.0% | Multifamily | Coppell, TX | — | 65,269,141 |
| Eastwood Village | 12/12/2013 | 92.6% | Multifamily | Stockbridge, GA | 22,150,639 | 22,211,620 |
| Monterey Village | 12/12/2013 | 92.6% | Multifamily | Jonesboro, GA | 9,792,626 | 9,943,657 |
| Hidden Creek | 12/12/2013 | 92.6% | Multifamily | Morrow, GA | 4,004,118 | 4,058,555 |
| Meadow Springs | 12/12/2013 | 92.6% | Multifamily | College Park, GA | 10,793,548 | 11,020,760 |
| Meadow View | 12/12/2013 | 92.6% | Multifamily | College Park, GA | 11,777,532 | 12,062,242 |
| Peachtree Landing | 12/12/2013 | 92.6% | Multifamily | Fairburn, GA | 14,489,647 | 14,535,180 |
| Indigo | 12/31/2013 | 100.0% | Multifamily | Jacksonville, FL | 31,163,541 | 32,180,349 |
| Crestview at Cordova | 1/17/2014 | 99.3% | Multifamily | Pensacola, FL | 7,121,615 | 7,116,695 |
| Island Club | 1/31/2014 | 100.0% | Multifamily | Atlantic Beach, FL | — | 10,994,632 |
| Taco Bell, OK | 6/4/2014 | 100.0% | Commercial | Yukon, OK | 1,049,396 | 1,100,282 |
| Taco Bell, MO | 6/4/2014 | 100.0% | Commercial | Marshall, MO | 1,296,757 | 1,353,280 |
| Chesterfield | 8/19/2014 | 85.0% | Self-Storage | Chesterfield, MI | 4,647,282 | 4,812,909 |

## National Property REIT Corp.
## Notes to Combined Consolidated Financial Statements

| Property | Acquisition Date | Ownership Percentage | Asset Type | Location | Real Estate Assets, Net of Accumulated Depreciation 2018 | 2017 |
|---|---|---|---|---|---|---|
| Wyoming | 5/19/2014 | 85.6% | Self-Storage | Wyoming, MI | 4,019,356 | 4,156,299 |
| Grand Rapids | 8/19/2014 | 85.0% | Self-Storage | Grand Rapids, MI | 5,868,365 | 6,089,700 |
| Westland | [illegible] | 85.0% | Self-Storage | Westland, MI | 4,097,827 | 4,127,555 |
| State Street | 8/28/2014 | 85.0% | Self-Storage | Ann Arbor, MI | 3,541,615 | 3,675,310 |
| Jackson | 8/28/2014 | 85.0% | Self-Storage | Ann Arbor, MI | 7,224,688 | 7,511,854 |
| Kalamazoo | 8/28/2014 | 85.0% | Self-Storage | Kalamazoo, MI | 2,012,388 | 2,053,611 |
| Canterbury | 9/29/2014 | [illegible] | Multifamily | Fort Wayne, IN | [illegible] | [illegible] |
| Abbie Lakes | 9/30/2014 | 79.1% | Multifamily | Canal Winchester, OH | 11,373,400 | 11,811,398 |
| Brookridge | 9/30/2014 | 79.1% | Multifamily | Reynoldsburg, OH | [illegible] | 11,001,035 |
| Reserve at Abbie Lakes | 9/30/2014 | 79.1% | Multifamily | Canal Winchester, OH | 25,897,491 | 25,234,473 |
| Lakes Edge | 9/30/2014 | 79.1% | Multifamily | Pickerington, OH | 11,296,249 | 9,606,510 |
| Sunbury Ridge | 9/30/2014 | 79.1% | Multifamily | Columbus, OH | 12,995,078 | 12,473,445 |
| Stonebridge | 9/30/2014 | 79.1% | Multifamily | Blacklick, OH | [illegible] | [illegible] |
| Jefferson Chase | 9/30/2014 | 79.1% | Multifamily | Blacklick, OH | 12,135,282 | 13,023,799 |
| Lake Ridge | 10/29/2014 | 79.1% | Multifamily | Hilliard, OH | 6,810,090 | 7,155,500 |
| Okemos | 1/16/2015 | 85.0% | Self-Storage | Okemos, MI | 5,802,655 | 6,046,456 |
| Lansing West | 1/16/2015 | 85.0% | Self-Storage | Lansing West, MI | 1,411,813 | 1,460,419 |
| Novi | 1/16/2015 | 85.0% | Self-Storage | Novi, MI | 5,442,779 | 5,622,397 |
| Lake Orion | 1/16/2015 | 85.0% | Self-Storage | Lake Orion, MI | 5,724,872 | 5,846,264 |
| Ypsilanti | 1/16/2015 | 85.0% | Self-Storage | Ypsilanti, MI | 3,005,813 | 3,074,576 |
| Orchard Village | [illegible] | 85.0% | Multifamily | Aurora, IL | [illegible] | [illegible] |
| Sterling Crimson | 9/28/2016 | 67.0% | Student Housing | Tuscaloosa, AL | 47,531,964 | 48,783,585 |
| Hawks Ridge | 9/28/2016 | 67.0% | Student Housing | Iowa City, IA | [illegible] | [illegible] |
| Islander Village | 9/28/2016 | 67.0% | Student Housing | Corpus Christi, TX | 12,630,745 | 12,631,770 |
| Campus Quarters | [illegible] | 67.0% | Student Housing | Corpus Christi, TX | [illegible] | [illegible] |
| District on Luther | 9/28/2016 | 67.0% | Student Housing | College Station, TX | 36,937,333 | 37,441,476 |
| West 22 | [illegible] | 67.0% | Student Housing | Kennesaw, GA | [illegible] | [illegible] |
| Legacy | 9/28/2016 | 67.0% | Student Housing | Statesboro, GA | 7,303,224 | 7,348,757 |
| University Crossing | [illegible] | 67.0% | Student Housing | Manhattan, KS | [illegible] | [illegible] |
| Union Place | 12/7/2016 | 85.0% | Multifamily | Franklin, MA | 60,880,357 | 62,276,510 |
| Seasons | [illegible] | 92.5% | Multifamily | Laurel, MD | [illegible] | [illegible] |
| Villages of Baymeadows | 10/31/2017 | 92.5% | Multifamily | Jacksonville, FL | 91,970,457 | 93,047,509 |
| Casa del Mar | 10/31/2017 | 92.5% | Multifamily | Jacksonville, FL | [illegible] | [illegible] |
| Silver Oaks | 11/8/2017 | 92.5% | Multifamily | Southfield, MI | 16,106,049 | 16,083,584 |
| Sutton Place | [illegible] | 92.5% | Multifamily | Southfield, MI | [illegible] | [illegible] |
| Steeplechase | 1/10/2018 | 92.5% | Multifamily | Largo, MD | 44,087,491 | — |
| Laurel Pointe | [illegible] | [illegible] | Multifamily | Forest Park, GA | 31,930,021 | — |
| Bradford Ridge | 5/9/2018 | 69.2% | Multifamily | Forest Park, GA | 12,204,323 | — |
| Ashwood Ridge | 9/21/2018 | 69.2% | Multifamily | Jonesboro, GA | 9,700,116 | — |
| Olentangy Commons | 6/1/2018 | 92.5% | Multifamily | Columbus, OH | 113,167,904 | — |
| Villages of Wildwood | [illegible] | [illegible] | Multifamily | Fairfield, OH | 47,002,097 | — |
| Falling Creek | 8/8/2018 | 90.0% | Multifamily | Richmond, VA | 24,736,446 | — |
| Crown Pointe | [illegible] | [illegible] | Multifamily | Danbury, CT | 106,845,758 | — |
| Lorring Park | 10/30/2018 | 80.0% | Multifamily | Forestville, MD | 59,969,092 | — |
| Total net real estate assets | | | | | $ 1,832,195,185 | $ 1,606,023,513 |

## 5. Lease Intangibles

Lease intangibles consist of the following:

| | As of December 31, 2018 | | | As of December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Lease Intangibles | Accumulated Amortization | Lease Intangibles, net | Lease Intangibles | Accumulated Amortization | Lease Intangibles, net |
| In-place leases | $ 55,716,988 | $ (53,099,859) | $ 2,617,129 | $ 49,192,424 | $ (45,514,029) | $ 3,678,395 |
| Above-market leases | — | — | — | 106,002 | (106,002) | — |
| Below-market leases | — | — | — | (527,848) | 527,848 | — |
| Tenant relationships | 239,208 | (39,689) | 199,519 | 239,208 | (33,253) | 205,955 |
| Deferred leasing costs | 635,325 | (218,634) | 416,691 | 635,325 | (180,122) | 455,203 |
| **Total** | **$ 56,591,521** | **$ (53,358,182)** | **$ 3,233,339** | **$ 49,645,111** | **$ (45,305,558)** | **$ 4,339,553** |

Future amortization expense for the Company's lease intangibles is as follows: $2,218,374 (2019), $95,686 (2020), $95,686 (2021), $95,686 (2022), $95,686 (2023), and $632,221 (thereafter).

## 6. Real Estate Assets Held for Sale

As of December 31, 2018, the real estate assets held by the Vinings Corner property met the criteria to be classified as held for sale. The Company entered into a purchase and sale agreement with an unrelated third party on October 15, 2018. The sale closed on January 18, 2019, resulting in the recognition of a gain in the amount of $28,159,258.

Below is a summary of the major classes of real estate assets classified as held for sale:

| Real Estate Assets Held for Sale | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Land | $ 3,357,357 | $ 6,140,942 |
| Building and improvements | 32,131,944 | 100,570,131 |
| Furniture, fixtures, and equipment | 1,494,666 | 2,359,724 |
| Less: accumulated depreciation | (6,731,219) | (11,675,715) |
| **Total net real estate assets held for sale** | **$ 30,252,748** | **$ 97,395,082** |

## 7. Unsecured Consumer Loans and Residual Interests in Securitizations

The Company purchased $106,476,634 and $520,691,146 aggregate principal of unsecured consumer loans from LendingClub and NBT during the year ended December 31, 2018 and 2017 respectively.

During the year ended December 31, 2018, the Company purchased a trust certificate in LendingClub Issuance Trust, Series 2016-NP1 ("LCIT 2016-NP1") with a fair value of $5,665,256 representing a 59.32% interest in LCIT 2016-NP1. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, we do not consolidate the Club 2017 Securitization trust, which we determined was a VIE, associated with this securitization.

During the year ended December 31, 2018, the Company purchased a trust certificate in LendingClub Issuance Trust, Series 2016-NP2 ("LCIT 2016-NP2") with a fair value of $10,458,275 representing a 72.60% interest in LCIT 2016-NP2. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, we do not consolidate the Club 2017 Securitization trust, which we determined was a VIE, associated with this securitization.

On March 21, 2018, the Company sold 28,474 of unsecured consumer loans (with a cost of $200,001,980 and accrued interest of $2,261,777) previously purchased from LendingClub to Consumer Loan Underlying Bond (CLUB) Depositor, LLC ("Club 2018-NP-1") for proceeds of $166,701,211 net of related transaction expenses, and a trust certificate with a fair value of $32,965,958 representing a 56.36% interest in the Club 2018-NP1. On the date of sale, the Company reversed the unrealized loss of $(334,812) and the accrued interest of $(2,261,777), recording realized losses of $(334,812). The Company acquired an additional residual interest in the securitization for $928,822, increasing the total interest in the Club 2018-NP1 to 57.95%.

On June 22, 2017, the Company sold 21,926 of its LendingClub loans with a total cost of $151,472,878 held in ACL III, ACL IV and ACL VI to the Consumer Loan Underlying Bond Grantor Trust 2017-NP1 ("CLUB 2017-

NPI") for proceeds of $153,266,941, net of related transactions expenses, and a trust certificate representing 42.71% interest in the CLUB 2017-NP1 trust series, realizing a gain of $1,794,063. On October 22, 2017, the Company purchased an additional 4.94% interest in the equity certificate of the CLUB 2017-NP1 trust series for $3,480,000.

The Company's portfolio of unsecured consumer loans consists of a large number of small balance homogeneous loans. As of December 31, 2018, the portfolio consisted of 42,206 loans having an average outstanding principal balance of $4,650 and a maximum balance of $50,000 at the time of origination. As of December 31, 2018, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 23.8% based on outstanding principal of the unsecured consumer loans. As of December 31, 2017, the portfolio consisted of 105,315 loans having an average outstanding principal balance of $6,076 and maximum balance of $50,000. As of December 31, 2017, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 24.8% based on outstanding principal of the unsecured consumer loans.

The ability of the borrowers of the unsecured consumer loans to repay the Company are affected by their continuing financial stability. The credit risk of the unsecured consumer loans and the residual interest in securitizations is considered to be higher than for secured loans.

The Lending Platforms classify the unsecured consumer loans into separately identified pools by rating ("Rating"), which indicates the expected level of risk associated with the loan. Each Rating corresponds to an estimated average annualized loss rate range as of the time the Rating is given. The estimated annual loss rate for each loan is based primarily on a proprietary custom risk model developed by each of the Lending Platforms using their respective historical data, borrower specific factors and Fair Isaac Corporation score ("FICO score") obtained from a credit reporting agency. As part of the Rating determination, the Lending Platforms also consider borrower specific factors such as, but not limited to, credit related inquiries in the last six months and debt-to-income ratio.

Ratings are not consistent between Lending Platforms; as such the Company stratifies its unsecured consumer loans into separately identified pools based on the FICO score obtained from a credit reporting agency and as provided by each Lending Platform at origination. The stratified pools are designated "Super Prime," "Prime" or "Near Prime," and defined as follows: Super Prime loans as loans to borrowers with a FICO score of 720 or greater, Prime Loans as loans to borrowers with a FICO score of between 660 and 719 and Near Prime loans as loans to borrowers with a FICO score of between 600 and 659.

The following table summarizes the Company's unsecured consumer loans held as of December 31, 2018:

| Category | Outstanding Principal | Fair Value | Interest Rate Range | Weighted Average Interest Rate* |
|---|---|---|---|---|
| Super Prime | $ 14,681,433 | $ 14,254,372 | 4.0% - 24.1% | 12.5% |
| Prime | 40,595,103 | 38,015,262 | 4.0% - 36.0% | 17.2% |
| Near Prime | 140,986,722 | 128,808,361 | 6.0% - 36.0% | 26.8% |
| Total Loans | $ 196,263,258 | $ 181,077,995 | | 23.8% |

The following table summarizes the unsecured consumer loans held as of December 31, 2017:

| Category | Outstanding Principal | Fair Value | Interest Rate Range | Weighted Average Interest Rate* |
|---|---|---|---|---|
| Super Prime | $ 28,643,862 | $ 27,730,473 | 4.0% - 30.0% | 13.3% |
| Prime | 90,104,451 | 85,268,067 | 4.0% - 36.0% | 16.0% |
| Near Prime | 521,138,923 | 483,149,470 | 6.0% - 36.0% | 26.9% |
| Total Loans | $ 639,887,236 | $ 596,148,010 | | 24.8% |

* *Based on outstanding principal of the unsecured consumer loans.*

The following table summarizes the delinquency status of the unsecured consumer loans:

| | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| Delinquency Status | Outstanding Principal | Fair Value | % of Total | Outstanding Principal | Fair Value | % of Total |
| Current | $ 169,202,967 | $ 167,074,145 | 86.22 % | $ 573,760,325 | $ 565,138,510 | 94.80 % |
| 1 - 30 days | 12,803,482 | 10,594,053 | 6.52 % | 29,821,122 | 23,949,424 | 4.02 % |
| 31 - 60 days | 5,399,530 | 1,952,646 | 2.75 % | 13,497,725 | 3,697,017 | 0.62 % |
| 61 - 90 days | 4,451,532 | 954,000 | 2.27 % | 11,988,876 | 2,140,942 | 0.36 % |
| 91 - 120 days | 4,405,747 | 503,151 | 2.24 % | 10,819,188 | 1,222,117 | 0.20 % |
| Total Loans | $ 196,263,258 | $ 181,077,995 | 100.00% | $ 639,887,236 | $ 596,148,010 | 100.00% |

## 8. Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the price that we would receive upon selling an asset or pay to transfer a liability in an orderly transaction to an independent buyer in the principal or most advantageous market in which that financial instrument is transacted.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

*Unsecured Consumer Loans, Residual Interests in Securitizations, and Revolving Credit Facilities at Fair Value*

All of our financial instruments measured at fair value on a recurring basis were classified as Level 3 as of December 31, 2018 and 2017. We did not transfer any assets or liabilities in or out of Level 3 during the years ended December 31, 2018 and 2017. Transfers between levels, should they occur, will be recognized at the beginning of the quarter during which the asset or liability was transferred.

The unsecured consumer loans, residual interests in securitizations, and revolving credit facilities do not trade in an active market with readily observable prices. For the unsecured consumer loans and residual interests in securitizations, fair value is estimated by using a discounted cash flow methodology based upon significant unobservable inputs, such as loss adjusted discount rates and projected loss rates. The loss adjusted discount rates are used to discount the estimated future cash flows expected to be received from the underlying unsecured consumer loans, which includes both future principal and interest payments. The projected loss rates are based on the perceived credit risk inherent in each Rating of the unsecured loan portfolio. For the revolving credit facilities, fair value is estimated as the amount of the outstanding principal at the credit facilities as of December 31, 2018. See Notes 7 and 9 for details of the unsecured consumer loans.

The following table shows the fair value of our unsecured consumer loans, residual interest in securitizations, and revolving credit facilities disaggregated into the three levels of the ASC 820, *Fair Value Measurement* ("ASC 820") valuation hierarchy as of December 31, 2018.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Unsecured consumer loans | $ — | $ — | $ 181,077,995 | $ 181,077,995 |
| Residual interests in securitizations | — | — | 63,160,648 | 63,160,648 |
| **Total investments at fair value** | **$ —** | **$ —** | **$ 244,238,643** | **$ 244,238,643** |
| **Liabilities** | | | | |
| Revolving credit facilities | $ — | $ — | $ 46,972,955 | $ 46,972,955 |

The following table shows the fair value of our unsecured consumer loans and revolving credit facilities disaggregated into the three levels of the ASC 820 valuation hierarchy as of December 31, 2017.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Unsecured consumer loans | $ — | $ — | $ 596,148,010 | $ 596,148,010 |
| Residual interests in securitizations | — | — | 33,689,314 | 33,689,314 |
| **Total Investments at fair value** | $ — | $ — | **$ 629,837,324** | **$ 629,837,324** |
| **Liabilities** | | | | |
| Revolving credit facilities | $ — | $ — | $ 264,130,359 | $ 264,130,359 |

Refer to Note 7 for details of the unsecured consumer loans.

The following table shows the aggregate changes in the fair value of our Level 3 unsecured consumer loans and residual interests in securitizations during the years ended December 31, 2018 and 2017.

| | Unsecured Consumer Loans | Residual Interests in Securitizations |
|---|---|---|
| **Fair Value at December 31, 2016** | **$ 759,589,421** | $ — |
| Purchases | 520,691,146 | 33,949,823 |
| Sales | (153,266,941) | — |
| Principal payments | (407,993,257) | — |
| Proceeds from recoveries and sales of charged off loans | (10,683,136) | — |
| Accretion of residual interests | — | 1,945,931 |
| **Carrying value before fair value adjustments** | **$ 708,337,233** | **$ 35,895,754** |
| Fair value adjustments: | | |
| Net increase in unrealized depreciation | (6,645,971) | (2,206,440) |
| Realized gain on sale into securitization | 1,794,063 | — |
| Charge offs | (118,020,451) | — |
| Recoveries | 10,683,136 | — |
| **Fair value adjustments** | **$ (112,189,223)** | **$ (2,206,440)** |
| **Fair Value at December 31, 2017** | **$ 596,148,010** | **$ 33,689,314** |
| Purchases | 106,476,634 | 50,018,312 |
| Sales | (199,667,169) | — |
| Principal payments | (261,888,655) | (24,280,221) |
| Proceeds from recoveries and sales of charged off loans | (12,855,452) | — |
| Accretion of residual interests | — | 5,005,776 |
| **Carrying value before fair value adjustments** | **$ 228,213,368** | **$ 64,433,181** |
| Fair value adjustments: | | |
| Net decrease (increase) in unrealized depreciation | 28,577,756 | (1,272,533) |
| Realized loss on sale into securitization | (334,812) | — |
| Charge-offs | (88,233,769) | — |
| Recoveries | 12,855,452 | — |
| **Fair value adjustments** | **$ (47,135,373)** | **$ (1,272,533)** |
| **Fair Value at December 31, 2018** | **$ 181,077,995** | **$ 63,160,648** |

For the year ended December 31, 2018, the net increase in unrealized depreciation on the unsecured consumer loans was $(10,279,606) for unsecured consumer loans still held as of December 31, 2018. For the year ended December 31, 2017, the net increase in unrealized depreciation on the unsecured consumer loans was $(47,413,109) for unsecured consumer loans still held as of December 31, 2017.

The unsecured consumer loans noted a net decrease in unrealized depreciation of $28,577,756 and a net increase in unrealized depreciation of $(6,645,971), for the years ended December 31, 2018 and 2017, respectively. The residual interests in securitizations noted net increases in unrealized depreciation of $(1,272,533) and $(2,206,440) for the years ended December 31, 2018 and 2017, respectively. The unrealized depreciation which is part of the fair value adjustments included in net income (loss) on the combined consolidated statements of operations is primarily attributable to instrument-specific changes in estimated future credit losses (i.e. default losses). Pools of unsecured consumer loans, based on purchase month and Rating, that are projected to have higher future default losses than previously estimated have lower expected future cash flows over the remaining life, which reduces the estimated fair value. Conversely, the pools of unsecured consumer loans that are projected to have lower future default losses than previously estimated have higher expected future cash flows over the remaining life, which increases the estimated fair value. Changes in the unobservable inputs, such as loss adjusted discount rates and projected loss rates, may have a significant impact on the fair value of unsecured consumer loans.

The following table shows the aggregate changes in the fair value of our Level 3 revolving credit facilities during the years ended December 31, 2018 and 2017.

| | | Revolving Credit Facilities |
|---|---|---|
| **Fair Value at December 31, 2016** | $ | **217,579,369** |
| Borrowings | | 357,756,148 |
| Principal payments | | (311,205,158) |
| **Carrying value before fair value adjustments** | $ | **264,130,359** |
| Net change in fair value | | — |
| **Fair Value at December 31, 2017** | $ | **264,130,359** |
| Borrowings | | 58,893,493 |
| Principal payments | | (276,050,897) |
| **Carrying value before fair value adjustments** | $ | **46,972,955** |
| Net change in fair value | | — |
| **Fair Value at December 31, 2018** | $ | **46,972,955** |

*Financial Instruments Not Recorded at Fair Value*

The fair values of the Company's assets and liabilities, which qualify as financial instruments, approximate the carrying amounts presented on the combined consolidated balance sheets, except for debt related to consolidated VIE and senior secured term loans, which have been presented in the table below:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | **Carrying Value** | **Estimated Fair Value** | **Carrying Value** | **Estimated Fair Value** |
| **Liabilities** | | | | |
| Debt related to consolidated VIE | $ 9,798,386 | $ 9,798,386 | $ 87,198,587 | $ 88,124,945 |
| Senior secured term loans | $ 625,782,185 | $ 638,553,250 | $ 552,753,007 | $ 553,079,958 |

The ranges of unobservable inputs used in the fair value measurement of our Level 3 financial instruments as of December 31, 2018 and 2017 were as follows:

**December 31, 2018**

| Assets/Liabilities | Fair Value | Valuation Technique | Unobservable Input | Weighted Average | Range |
|---|---|---|---|---|---|
| Unsecured consumer loans | $ 181,077,995 | Discounted cash flow | Loss-adjusted discounted rate | 10.91% | 3.00% - 13.63% |
| | | | Projected prepay rate | 3.61% | 0.00% - 24.08% |
| | | | Projected loss rate | 2.64% | 0.00% - 15.62% |
| | | | Recovery rate | 9.34% | 7.50% - 11.00% |
| | | | | | |
| Residual interests in securitizations | $ 63,160,648 | Discounted cash flow | Forecasted prepay % of current balance | 33.94% | 12.58% - 46.29% |
| | | | Forecasted default % of current balance | 16.73% | 9.75% - 21.50% |
| | | | Severity | 89.00% | 89.00% - 89.00% |
| | | | Discount rate | 13.00% | 12.00% - 15.00% |
| | | | | | |
| Revolving credit facilities | $ 46,972,955 | Par | Unsecured consumer loans collateral | — | — |

**December 31, 2017**

| Assets/Liabilities | Fair Value | Valuation Technique | Unobservable Input | Weighted Average | Range |
|---|---|---|---|---|---|
| Unsecured consumer loans | $596,148,010 | Discounted cash flow | Loss-adjusted discounted rate | 11.48% | 3.00% - 14.50% |
| | | | Projected loss rate | 7.82% | 0.01% - 22.71% |
| | | | Recovery rate | 9.48% | 7.50% - 11.00% |
| | | | | | |
| Residual interests in securitizations | $31,689,314 | Discounted cash flow | Cumulative prepay % of cutoff balance | 20.84% | 20.64% - 21.05% |
| | | | Cumulative default % of cutoff balance | 22.34% | 21.27% - 23.40% |
| | | | Severity | 90.00% | 90.00% - 90.00% |
| | | | Discount rate | 14.01% | 14.01% - 14.01% |
| | | | | | |
| Revolving credit facilities | $764,130,359 | Yield analysis | Market yield | 4.10% | 1.90% - 7.30% |

## 9. Variable Interest Entity

Special Purpose Entities ("SPEs") are entities designed to fulfill a specific limited need of the entity that organizes it and are often used to facilitate transactions that involve securitizing financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on more favorable terms than available on such assets on an unsecuritized basis. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business, through the SPEs issuance of debt or equity instruments. Investors in a VIE usually have recourse only to the assets in the SPE and, depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or additional credit enhancement provided by the subordination of mezzanine debt.

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the SPE used to facilitate the transaction was a VIE and, if so, whether it should be consolidated. The Company's variable interests in VIE's includes debt and equity interests that arose from securitization activities. We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and reassess such determination on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over a VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of being considered the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of, or a right to receive benefits from, the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Through December 31, 2018, we completed one securitization transaction associated with our financing of unsecured consumer loans in which the Company was determined to be the primary beneficiary of the VIE. In creating the securitization vehicle, we were involved in the decisions made during the establishment and design of the entity and hold variable interests consisting of debt and equity securities retained that could potentially be significant to the securitized vehicle. The assets of the securitized vehicle deemed a VIE, consist of unsecured consumer loans, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIE do not have recourse to our general credit, and the assets of the VIE are not available to satisfy any other debt. We have not provided financial or other support during the years ended December 31, 2018 and 2017 to the VIE that was not previously contractually required to provide.

The following table summarizes the key details of the VIE we consolidated as of December 31, 2018:

| | | October 2016 Securitization |
|---|---|---|
| Name of securitization trust consolidated as a VIE | | MH 2016-LC1 |
| Principal value of unsecured consumer loans sold into the securitization trust | $ | 314,135,226 |
| Current principal value of unsecured consumer loans in securitization trust | $ | 17,722,637 |
| Face amount of Class A Note issued by the VIE and sold to a third-party investor[1] | $ | 204,187,000 |
| Stated interest rate for Class A Note issued | | 4.19% |
| Face amount of Class B Note issued by the VIE and sold to a third-party investor[1] | $ | 39,266,000 |
| Stated interest rate for Class B Note issued | | 6.15% |
| Face amount of Class C Note issued by the VIE and sold to the Company[2] | $ | 39,266,000 |
| Stated interest rate for Class C Note issued | | 10.00% |
| Year of final contractual maturity of Class A, B, and C Notes | | 2022 |
| Cash received upon sale of the Class A and B notes sold to third-party investor | $ | 243,441,829 |
| Face/Par value of residual interest certificate received by the Company[2] | $ | 42,290,561 |
| Cumulative gross securitization expenses incurred | $ | 4,615,830 |

*(1) The Class A Notes will also benefit from the additional credit enhancement provided by the subordination of the Class B Notes and the Class C Notes and the Class B Notes also benefit from the additional credit enhancement provided by the subordination of the Class C Notes.*

*(2) Amount reflects 100% of the Class C Note the Company received, which is subordinate to and provides credit support for the sequential Class A and B notes sold to third-party investors. The Company retained the Class C Note until it was sold to a third-party investor on February 2, 2017, for cash proceeds of $39,723,446 net of related transaction expenses. The Class C Note and the associated interest expense was eliminated in consolidation with the associated trust for the period during which the Company held the security.*

We consolidate the underlying trust associated with our MH 2016-LC1 Securitization. As a result, the notes that were sold to third-party investors is presented on our consolidated balance sheet as "Debt (net of debt issuance costs) related to consolidated VIE" and the unsecured consumer loans held by the trust that collateralize the securities issued by the trust are included as a component of "Unsecured consumer loans, at fair value" on our consolidated balance sheet. The third-party beneficial interest holders in the VIE have no recourse against us, except that we may have an obligation to repurchase assets from the VIE in the event that we breach certain representations and warranties in relation to the unsecured consumer loans sold to the VIE. Other than the foregoing, we have no obligation to provide, nor have we provided, any other explicit or implicit support to this or any other VIE that we consolidate.

Future scheduled principal payments of the debt related to the consolidated VIE, based on expected cash flows of the securitized unsecured consumer loans, as adjusted for projected losses and prepayments on such loans, at December 31, 2018 were $9,798,386.

The table below reflects the assets and liabilities recorded in our consolidated balance sheet related to our consolidated VIEs as of the dates presented. The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation. As of December 31, 2018 and 2017, the Company held all the equity interests of the VIE.

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Restricted cash and cash equivalents | $ 4,956,275 | $ 11,181,297 |
| Unsecured consumer loans at fair value | 16,841,433 | 93,182,654 |
| Due from LendingClub Corporation | 179,529 | 1,098,778 |
| Interest receivable | 312,317 | 1,693,096 |
| **TOTAL ASSETS** | **$ 22,289,554** | **$ 107,155,825** |
| Debt (net of debt issuance costs) related to consolidated VIE [(a)] | 9,798,386 | 87,198,587 |
| Accrued expenses | 106,211 | 132,704 |
| Interest payable | 51,979 | 130,701 |
| Servicing fee payable | 14,555 | 74,602 |
| **TOTAL LIABILITIES** | **$ 9,971,131** | **$ 87,536,594** |

*(a) Debt related to consolidated VIE includes a Class C Note with a maturity date of November 25, 2022, outstanding principal balance of $9,798,386, and interest rate of 10.00%. As of December 31, 2018 and 2017, $0 and $926,358, respectively, of unamortized debt issuance costs are recorded as a direct deduction to the debt.*

The following table reflects the income and expense amounts recorded in our consolidated statements of operations related to our consolidated VIE for the periods presented:

| | For the Years Ended | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| Interest income | $ 12,017,214 | $ 43,322,359 |
| Other income | 212,404 | 177,589 |
| Fair value adjustments | (7,586,884) | (35,403,039) |
| Gain on sale of interest in consolidated VIE | — | 457,448 |
| **Total net revenues** | **$ 4,642,734** | **$ 8,554,357** |
| Interest and credit facility expenses | 4,991,623 | 12,555,034 |
| Servicing, collection and upfront fees | 835,952 | 2,186,989 |
| **Net loss** | **$ (1,184,841)** | **$ (6,187,666)** |

The following table reflects the amounts included on our consolidated statements of cash flows related to our consolidated VIEs for the periods presented:

| | | For the Years Ended | |
|---|---|---|---|
| | | December 31, 2018 | December 31, 2017 |
| ***Cash Flows from Operating Activities:*** | | | |
| Net loss | $ | (1,184,841) $ | (6,187,666) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Fair value adjustments of unsecured consumer loans | | 7,586,884 | 35,403,039 |
| Realized gain on sale of interest in consolidated VIE (Note 6) | | — | (457,448) |
| Amortization of debt issuance costs - related to debt of the consolidated VIE | | 926,358 | 3,110,373 |
| Changes in assets and liabilities: | | | |
| Decrease in interest receivable | | 1,380,779 | 2,708,061 |
| (Decrease) increase in interest payable | | (78,722) | 49,947 |
| (Decrease) increase in accrued expenses | | (26,493) | 48,350 |
| (Decrease) in servicing fee payable | | (60,047) | (129,036) |
| **Net Cash Provided by Operating Activities** | | **8,543,918** | **34,545,620** |
| ***Cash Flows from Investing Activities:*** | | | |
| Principal payments received on unsecured consumer loans | | 65,517,749 | 136,085,839 |
| Proceeds from recoveries and sales of charged off loans | | 3,234,163 | 2,970,952 |
| Proceeds from sale of debt related to consolidated VIE | | — | 39,723,448 |
| Decrease in due from LendingClub Corporation | | 919,249 | 717,693 |
| **Net Cash Provided by Investing Activities** | | **69,671,161** | **179,497,932** |
| ***Cash Flows from Financing Activities:*** | | | |
| Borrowings under debt related to consolidated VIE | | — | — |
| Principal payments under debt related to consolidated VIE | | (78,326,559) | (164,050,600) |
| Debt issuance costs | | — | — |
| Member contributions | | — | — |
| Member distributions | | (6,113,542) | (58,407,878) |
| **Net Cash Used in Financing Activities** | $ | **(84,440,101) $** | **(222,458,478)** |
| **Net decrease in cash, cash equivalents, and restricted cash** | | (6,225,022) | (8,414,926) |
| Cash, cash equivalents, and restricted cash, beginning of year | | 11,181,297 | 19,596,223 |
| **Cash, cash equivalents, and restricted cash, end of year** | $ | **4,956,275 $** | **11,181,297** |
| | | | |
| **Supplemental Disclosures** | | | |
| Cash paid for interest expense | $ | 4,065,265 $ | 9,427,435 |
| | | | |
| **Non-Cash Investing and Financing Activities:** | | | |
| Increase in borrowings under debt related to consolidated VIE | $ | — $ | 39,266,000 |

*Residual Interests in Securitization*

In securitizations structured as a sale, in which the Company is not considered a primary beneficiary, we have sold pools of loans to trusts in exchange for cash and certificates evidencing our residual ownership interests in the trusts and the transactions were accounted for as sales under GAAP.

Our maximum exposure to loss related to the Company's residual interests in the Club 2018 securitization and the Club 2017 securitization is calculated as the maximum potential charge that we would recognize in earnings if that investment were to become worthless.

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our consolidated balance sheets related to our variable interests in unconsolidated VIEs and the associated maximum exposure to loss.

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Residual Interests in LCIT 2016-NP1, at Fair Value | $ 5,182,285 | $ — |
| Residual Interests in LCIT 2016-NP1, at Amortized Cost | $ 5,330,943 | $ — |
| Residual Interests in LCIT 2016-NP2, at Fair Value | $ 5,891,003 | $ — |
| Residual Interests in LCIT 2016-NP2, at Amortized Cost | $ 6,148,313 | $ — |
| Residual Interests in Club 2018-NP-1, at Fair Value | $ 37,101,320 | $ — |
| Residual Interests in Club 2018-NP-1, at Amortized Cost | $ 37,907,950 | $ — |
| Residual Interests in Club 2017-NP-1, at Fair Value | $ 14,986,040 | $ 33,689,314 |
| Residual Interests in Club 2017-NP-1, at Amortized Cost | $ 17,252,412 | $ 35,895,754 |

## 10. Revolving Credit Facilities

The ACL III Subsidiaries Facility, the ACL IV Subsidiaries Facility, the ACL PS Facility, and the ACL VII Facility are collectively referred to as "Revolving Credit Facilities".

The Revolving Credit Facilities require us to hold unsecured consumer loans as collateral in order to borrow under the credit facilities. During the terms of the Revolving Credit Facilities, all principal and interest payments on the unsecured consumer loans held as collateral are used to pay facility expenses, interest expenses or applied to reduce the outstanding balance on the Revolving Credit Facilities. The remaining balance will become due upon maturity.

The Revolving Credit Facilities contain restrictions pertaining to the unsecured consumer loans considered as eligible collateral. Restrictions on eligible collateral include, but are not limited to, the maximum and minimum size, maximum interest rate, original term and credit score of the borrower related to the unsecured consumer loans. The Revolving Credit Facilities also contains certain requirements relating to the portfolio of loans and portfolio performance, including, but are not limited to, minimum FICO score of borrowers, average aggregate principal amount payable, maximum delinquencies and charge-offs, maximum leverage ratios, minimum interest coverage ratios, minimum annual net income, violations of which could result in the early termination of the Revolving Credit Facilities. Borrowings on the Revolving Credit Facilities are generally limited to 50.0% to 80.0% of the outstanding eligible principal balance of the portfolio of unsecured consumer loans. The ACL IV Subsidiaries Facility include portfolio excess concentration tests which if greater than specified concentration limits decrease the amount of eligible collateral. As of December 31, 2018 the Company was in compliance with the requirements of the Revolving Credit Facilities.

During the years ended December 31, 2018 and 2017, we accrued $93,746 and $3,368,677 respectively, of agent fees, unused line fees and debt issuance costs on the Revolving Credit Facilities, which are recorded as interest expense on the combined consolidated statements of operations.

The following table presents a summary of our Revolving Credit Facilities terms and payable as of December 31, 2018 and 2017:

| | As of December 31, 2018 | | |
|---|---|---|---|
| Lender | Interest Rate | Unused Line Fee | Outstanding Principal |
| Texas Capital Bank[1] | 1-Mo Libor + 3.00% | —% | $ 33,405,226 |
| Macquarie | 1-Mo Libor + 3.00% | —% | 13,567,729 |
| **Total outstanding principal** | | | **$ 46,972,955** |

*(1) Effective as of 6/6/2018 the Company can no longer increase borrowing under this agreement. is paying down the loan on a monthly basis. the interest rate was lowered to 1 month Libor + 3.00%. The unused line fee was eliminated.*

| | As of December 31, 2017 | | |
|---|---|---|---|
| Lender | Interest Rate | Unused Line Fee | Outstanding Principal |
| Texas Capital Bank | 1-Mo Libor + 3.50% | 0.25% - 0.375% | $ 63,666,892 |
| Macquarie | 1-Mo Libor + 3.00% | —% | 61,833,665 |
| Morgan Stanley | 1-Mo Libor + 3.25% or 1-Mo Libor + 3.40% | 0.10% - 0.60% | 137,448,614 |
| Pacific Western Bank | 1-Mo Libor + 4.00% | 0.35% - 0.50% | 1,181,188 |
| **Total outstanding principal** | | | **$264,130,359** |

## 11. Mortgages Payable

The Company has outstanding mortgages payable that bear interest at either a fixed or variable rate. Each mortgage payable is secured by a respective real estate property and certain cash reserve accounts required by the borrowing agreements, which are included as restricted cash on the accompanying combined consolidated balance sheets. The following table presents a summary of our mortgages payable as of December 31, 2018 and 2017:

| Mortgage Note | Interest Rate | Maturity Date | Amortizing or Interest Only | Outstanding Principal 12/31/2018 | Outstanding Principal 12/31/2017 |
|---|---|---|---|---|---|
| Amberly - Loan 1 [1] | 3.75% | 2/1/2023 | Interest Only | $ — | $ 39,000,000 |
| Amberly - Loan 2 [1] | 4.99% | 2/1/2023 | Interest Only | — | 7,000,000 |
| Lofton Place - Loan 1 | 3.97% | 5/1/2023 | Amortizing | 16,795,806 | 16,965,000 |
| Lofton Place - Loan 2 | 4.71% | 5/1/2023 | Amortizing | 3,303,028 | 3,358,309 |
| Arlington Park | 4.08% | 6/1/2023 | Amortizing | 9,570,355 | 9,650,000 |
| The Resort - Loan 1 | 4.17% | 7/1/2023 | Amortizing | 151,010,655 | 153,500,360 |
| The Resort - Loan 2 | 4.80% | 7/1/2023 | Amortizing | 23,351,394 | 23,653,982 |
| Cordova Regency - Loan 1 | 4.55% | 12/1/2023 | Interest Only | 9,026,000 | 9,026,000 |
| Cordova Regency - Loan 2 | 4.61% | 12/1/2023 | Interest Only | 2,349,000 | 2,349,000 |
| Crestview at Oakleigh - Loan 1 | 4.55% | 12/1/2023 | Interest Only | 11,488,000 | 11,488,000 |
| Crestview at Oakleigh - Loan 2 | 4.61% | 12/1/2023 | Interest Only | 2,357,000 | 2,357,000 |
| Inverness Lakes - Loan 1 | 4.55% | 12/1/2023 | Interest Only | 19,400,000 | 19,400,000 |
| Inverness Lakes - Loan 2 | 4.61% | 12/1/2023 | Interest Only | 5,300,000 | 5,300,000 |
| Kings Mill - Loan 1 | 4.55% | 12/1/2023 | Interest Only | 13,622,000 | 13,622,000 |
| Kings Mill - Loan 2 | 4.61% | 12/1/2023 | Interest Only | 3,926,000 | 3,926,000 |
| Plantations at Pine Lake - Loan 1 | 4.55% | 12/1/2023 | Interest Only | 11,817,000 | 11,817,000 |
| Plantations at Pine Lake - Loan 2 | 4.61% | 12/1/2023 | Interest Only | 2,275,000 | 2,275,000 |
| Verandas at Rocky Ridge | 4.55% | 12/1/2023 | Interest Only | 10,205,000 | 10,205,000 |
| Matthews Reserve - Loan 1 [2] | 4.46% | 12/1/2023 | Interest Only | — | 17,571,000 |
| Matthews Reserve - Loan 2 [2] | 5.61% | 12/1/2023 | Amortizing | — | 2,957,260 |
| City West - Loan 1 [3] | 4.46% | 12/1/2023 | Interest Only | — | 18,533,000 |
| City West - Loan 2 [3] | 5.59% | 12/1/2023 | Amortizing | — | 4,728,309 |
| Vinings Corner - Loan 1 | 4.46% | 12/1/2023 | Amortizing | 36,223,866 | 36,640,000 |
| Vinings Corner - Loan 2 | 5.50% | 12/1/2023 | Amortizing | 6,171,466 | 6,261,611 |
| Central Park - Loan 1 [4] | 4.46% | 12/1/2023 | Interest Only | — | 27,421,000 |
| Central Park - Loan 2 [4] | 5.55% | 12/1/2023 | Amortizing | — | 2,322,[illegible] |
| St. Marin - Loan 1 [5] | 4.46% | 12/1/2023 | Interest Only | — | 53,863,000 |
| St. Marin - Loan 2 [5] | 5.52% | 12/1/2023 | Amortizing | — | 8,520,289 |
| Lakewood Village - Loan 1 | 4.60% | 1/1/2024 | Amortizing | 19,193,889 | 19,509,315 |
| Monterey Village - Loan 1 | 4.60% | 1/1/2024 | Amortizing | 8,918,723 | 9,065,527 |
| Hidden Creek - Loan 1 | 4.60% | 1/1/2024 | Amortizing | 3,511,112 | 3,569,082 |
| Meadow Springs - Loan 1 | 4.60% | 1/1/2024 | Amortizing | 9,873,592 | 10,038,919 |
| Meadow View - Loan 1 | 4.60% | 1/1/2024 | Amortizing | 10,808,812 | 10,986,577 |
| Peachtree Landing - Loan 1 | 4.60% | 1/1/2024 | Amortizing | 13,159,716 | 13,386,104 |
| Indigo | 4.49% | 7/1/2023 | Amortizing | 26,908,725 | 27,402,362 |
| Crestview at Cordova - Loan 1 | 4.43% | 12/1/2020 | Amortizing | 4,614,974 | 4,684,794 |
| Crestview at Cordova - Loan 2 | 4.43% | 12/1/2020 | Amortizing | 3,080,300 | 3,188,709 |

| Mortgage Note | Interest Rate | Maturity Date | Amortizing or Interest Only | Outstanding Principal 12/31/2018 | Outstanding Principal 12/31/2017 |
|---|---|---|---|---|---|
| Island Club - Loan 1 [(5)] | 4.36% | 1/1/2019 | Amortizing | — | 7,000,938 |
| Island Club - Loan 2 [(5)] | 5.14% | 1/1/2019 | Amortizing | — | 1,526,032 |
| Chesterfield | 4.51% | 9/6/2024 | Interest Only | 4,350,000 | 4,350,000 |
| Wyoming | 4.51% | 9/6/2024 | Interest Only | 3,600,000 | 3,600,000 |
| Grand Rapids | 4.51% | 9/6/2024 | Interest Only | 5,460,000 | 5,460,000 |
| Woodland | 4.45% | 9/6/2024 | Interest Only | 3,480,000 | 3,480,000 |
| State Street | 4.45% | 9/6/2024 | Interest Only | 3,345,000 | 3,345,000 |
| Jackson | 4.45% | 9/6/2024 | Interest Only | 6,695,000 | 6,695,000 |
| Kalamazoo | 4.45% | 9/6/2024 | Interest Only | 1,775,000 | 1,775,000 |
| Canterbury Green - Loan 1 | 4.21% | 10/1/2024 | Interest Only | 65,825,000 | 65,825,000 |
| Canterbury Green - Loan 2 | 5.13% | 10/1/2024 | Amortizing | 8,157,479 | 8,283,996 |
| Abbie Lakes | 4.20% | 10/1/2024 | Interest Only | 10,440,000 | 10,440,000 |
| Brookstone | 4.20% | 10/1/2024 | Interest Only | 11,990,000 | 11,990,000 |
| Reserve at Abbie Lakes | 4.20% | 10/1/2024 | Interest Only | 20,142,000 | 20,142,000 |
| Lakes Edge | 4.20% | 10/1/2024 | Interest Only | 10,080,000 | 10,080,000 |
| Sunbury Ridge | 4.20% | 10/1/2024 | Interest Only | 10,480,000 | 10,480,000 |
| Stonebridge | 4.20% | 10/1/2024 | Interest Only | 15,480,000 | 15,480,000 |
| Jefferson Chase | 4.20% | 10/1/2024 | Interest Only | 12,240,000 | 12,240,000 |
| Lake Ridge | 4.11% | 11/1/2024 | Interest Only | 8,040,000 | 8,040,000 |
| Okemos | 4.19% | 3/6/2025 | Interest Only | 5,620,000 | 5,620,000 |
| Lansing West | 4.19% | 3/6/2025 | Interest Only | 1,305,000 | 1,305,000 |
| Novi | 4.19% | 3/6/2025 | Interest Only | 5,025,000 | 5,025,000 |
| Lake Orion | 4.19% | 3/6/2025 | Interest Only | 5,225,000 | 5,225,000 |
| Ypsilanti | 4.19% | 3/6/2025 | Interest Only | 2,630,000 | 2,630,000 |
| Orchard Village | 4.43% | 12/1/2025 | Interest Only | 26,450,000 | 26,450,000 |
| Sterling Crimson - Loan 1 | 4.20% | 10/1/2026 | Interest Only | 41,250,000 | 41,250,000 |
| Hawk's Ridge | 4.20% | 10/1/2026 | Interest Only | 24,825,000 | 24,825,000 |
| Islander Village | 4.20% | 10/1/2026 | Interest Only | 10,800,000 | 10,800,000 |
| Campus Quarters | 4.20% | 10/1/2026 | Interest Only | 14,175,000 | 14,175,000 |
| District on Luther | 4.20% | 10/1/2026 | Interest Only | 32,058,000 | 32,058,000 |
| West 22 - Loan 1 | 4.20% | 10/1/2026 | Interest Only | 44,727,000 | 44,727,000 |
| Legacy [(6)] | 4.71% | 1/1/2029 | Interest Only | 7,180,000 | 5,517,703 |
| University Crossing [(7)] | 4.91% | 2/1/2026 | Interest Only | 15,115,169 | 17,487,362 |
| Union Place | 4.39% | 1/1/2029 | Interest Only | 51,800,000 | 51,800,000 |
| Eastwood Village - Loan 2 | 4.39% | 1/1/2024 | Amortizing | 3,167,050 | 3,220,011 |
| Monterey Village - Loan 2 | 4.39% | 1/1/2024 | Amortizing | 1,960,312 | 1,993,307 |
| Hidden Creek - Loan 2 | 4.39% | 1/1/2024 | Amortizing | 1,115,851 | 1,165,019 |
| Meadow Springs - Loan 2 | 4.39% | 1/1/2024 | Amortizing | 2,931,290 | 2,980,328 |
| Meadow View - Loan 2 | 4.39% | 1/1/2024 | Amortizing | 2,053,063 | 2,087,408 |
| Peninsula Landing - Loan 2 | 4.39% | 1/1/2024 | Amortizing | 2,065,623 | 2,100,178 |
| Seasons | 4.59% | 2/1/2029 | Interest Only | 153,580,000 | 153,580,000 |
| Abbie Lakes - Loan 2 | 5.82% | 10/1/2024 | Interest Only | 2,615,000 | 2,615,000 |
| Brookstone - Loan 2 | 5.82% | 10/1/2024 | Interest Only | 2,502,000 | 2,502,000 |
| Reserve at Abbie Lakes - Loan 2 | 5.82% | 10/1/2024 | Interest Only | 3,114,000 | 3,114,000 |
| Lakes Edge - Loan 2 | 5.84% | 10/1/2024 | Interest Only | 4,400,000 | 4,400,000 |
| Sunbury Ridge - Loan 2 | 5.82% | 10/1/2024 | Interest Only | 3,635,000 | 3,635,000 |
| Stonebridge - Loan 2 | 5.81% | 10/1/2024 | Interest Only | 2,848,000 | 2,848,000 |
| Jefferson Chase - Loan 2 | 5.82% | 10/1/2024 | Interest Only | 4,960,000 | 4,960,000 |
| Lake Ridge - Loan 2 | 5.82% | 11/1/2024 | Interest Only | 1,560,000 | 1,560,000 |
| 7915 Baymeadows Circle Owner LLC | 4.14% | 11/1/2027 | Interest Only | 76,560,000 | 76,560,000 |
| 8025 Baymeadows Circle Owner LLC | 4.14% | 11/1/2027 | Interest Only | 12,240,000 | 12,240,000 |
| 23275 Riverside Drive Owner LLC | 4.03% | 12/1/2029 | Interest Only | 44,044,000 | 44,044,000 |
| 23741 Pond Road Owner LLC | 4.03% | 12/1/2029 | Interest Only | 14,185,000 | 14,185,000 |
| 150 Steeplechase Way Owner | 4.07% | 2/1/2028 | Interest Only | 36,668,000 | — |
| West 22 - Loan 2 | 5.00% | 10/1/2026 | Amortizing | 3,919,665 | — |
| Sterling Crimson - Loan 2 | 5.04% | 10/1/2026 | Amortizing | 1,559,209 | — |

| Mortgage Note | Interest Rate | Maturity Date | Amortizing or Interest Only | Outstanding Principal 12/31/2018 | Outstanding Principal 12/31/2017 |
|---|---|---|---|---|---|
| Laurel Pointe Holdings, LLC | 4.52% | 6/1/2028 | Interest Only | 26,400,000 | — |
| Bradford Ridge Holdings, LLC | 4.54% | 6/1/2028 | Interest Only | 10,000,000 | — |
| Olentangy Commons Owner LLC | 4.45% | 6/1/2030 | Interest Only | 92,475,000 | — |
| Villages of Wildwood Holdings LLC | 4.46% | 8/1/2030 | Interest Only | 39,525,000 | — |
| Falling Creek Holdings LLC | 4.52% | 9/1/2030 | Interest Only | 19,335,000 | — |
| Residences at Abbie Lakes - Loan 3 | 5.88% | 10/1/2024 | Amortizing | 5,313,344 | — |
| Sunbury Ridge - Loan 3 | 5.96% | 10/1/2024 | Amortizing | 1,244,418 | — |
| Abbie Lakes - Loan 3 | 5.94% | 10/1/2024 | Amortizing | 1,177,610 | — |
| Brooksedge - Loan 3 | 5.90% | 10/1/2024 | Amortizing | 2,432,957 | — |
| Jefferson Chase - Loan 3 | 5.90% | 10/1/2024 | Amortizing | 2,393,343 | — |
| Lake Ridge - Loan 3 | 5.91% | 11/1/2024 | Amortizing | 2,293,357 | — |
| Crown Pointe Passthrough LLC | 4.44% | 9/1/2030 | Interest Only | 89,400,000 | — |
| Canterbury Green - Loan 3 | 6.16% | 10/1/2024 | Amortizing | 12,597,341 | — |
| Ashwood Ridge Holdings LLC | 4.68% | 10/1/2025 | Interest Only | 7,300,000 | — |
| Lansing Park Apts, LLC | 4.83% | 11/1/2030 | Interest Only | 47,680,000 | — |
| **Total outstanding principal** | | | | $ 1,659,875,276 | $ 1,455,940,738 |
| Less: unamortized discount and debt issuance costs | | | | (12,223,842) | (10,414,151) |
| **Total mortgages payable, net of unamortized discount and debt issuance costs** | | | | $ 1,647,651,434 | $ 1,443,526,587 |

*(1) Amberly Place was disposed of on October 12, 2018 (Note 3). The mortgage payable was extinguished at date of sale.*
*(2) Matthews Reserve was disposed of on August 30, 2018 (Note 3). The mortgage payable was extinguished at date of sale.*
*(3) City West was disposed of on November 15, 2018 (Note 3). The mortgage payable was extinguished at date of sale.*
*(4) Central Park was disposed of on January 11, 2018 (Note 3). The mortgage payable was extinguished at date of sale.*
*(5) St. Marin was disposed of on February 22, 2018 (Note 3). The mortgage payable was extinguished at date of sale.*
*(6) Island Club was disposed of on December 14, 2018 (Note 3). The mortgage payable was extinguished at date of sale.*
*(7) Interest at a variable rate indexed to the one month USD LIBOR interest rate, plus 216 basis points. Rate noted is as of December 31, 2018.*
*(8) During the year ended December 31, 2018, the Legacy loan was refinanced and was converted to a fixed interest rate of 4.22%. For the year ended December 31, 2017, Legacy interest was at a variable rate indexed to the one month USD LIBOR interest rate, plus 249 basis points.*

On December 14, 2018, in connection with the sale of the Island Club property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $8,372,852. As a result, the Company recognized a loss on early extinguishment of debt of $253,114, which is included within interest expense on the combined consolidated statements of operations.

On November 15, 2018, in connection with the sale of the City West property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $22,965,349. As a result, the Company recognized a loss on early extinguishment of debt of $1,793,873, which is included within interest expense on the combined consolidated statements of operations.

On October 12, 2018, in connection with the sale of the Amberly Place property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $46,227,804. As a result, the Company recognized a loss on early extinguishment of debt of $2,114,967, which is included within interest expense on the combined consolidated statements of operations.

On August 30, 2018, in connection with the sale of the Matthews Reserve property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $19,738,402. As a result, the Company recognized a loss on early extinguishment of debt of $1,879,410, which is included within interest expense on the combined consolidated statements of operations.

On February 22, 2018, in connection with the sale of the St. Marin property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $62,309,441. As a result, the Company recognized a loss on early extinguishment of debt of $294,656, which is included within interest expense on the combined consolidated statements of operations.

On January 11, 2018, in connection with the sale of the Central Park property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $29,793,156. As a result, the Company recognized a loss on early extinguishment of debt of $3,681,326, which is included within interest expense on the combined consolidated statements of operations.

On August 29, 2017, in connection with the sale of the Plantation at Hillcrest property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $4,769,699. As a result, the Company recognized a loss on early extinguishment of debt of $421,555, which is included within interest expense on the combined consolidated statements of operations.

On June 15, 2017, in connection with the sale of the Mission Gate property, as described in Note 3, *Recent Real Estate Transactions*, the associated outstanding mortgage balance in the amount of $41,715,014 was assumed by the acquirer. As a result, the Company recognized a loss on early extinguishment of debt of $240,968, which is included within interest expense on the combined consolidated statements of operations.

On January 18, 2017, in connection with the sale of the Bexley property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $32,429,255. As a result, the Company recognized a loss on early extinguishment of debt of $4,685,165, which is included within interest expense on the combined consolidated statements of operations.

Future scheduled principal payments of mortgage payable are as follows: $8,818,832 (2019), $35,508,555 (2020), $14,055,628 (2021), $17,512,663 (2022), $340,951,284 (2023), and $1,243,028,314 (thereafter).

## 12. Income Taxes

Income taxes consisted of the following for the years ended:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Current federal tax benefit | $ — | $ — |
| Current state tax expense | (31,936) | (198,777) |
| Net deferred federal tax expense | — | — |
| Net deferred state tax expense | — | — |
| **Income tax expense** | **$ (31,936)** | **$ (198,777)** |

Income tax expense for the years ended December 31, 2018 and 2017 differs from the amount determined by applying the statutory federal rate of 21.0% and 34.0%, respectively, to income (loss) before income tax expense generated by the Company's taxable REIT subsidiaries as follows:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Amount | Rate | Amount | Rate |
| **Income tax (expense) benefit at federal tax rate** | **$(2,407,491)** | **(21.0)%** | **$ 4,988,886** | **(34.0)%** |
| Change in valuation allowance | 399,050 | 3.5 % | (137,586) | 1.0 % |
| Tax benefit from fair value adjustment prior to sale to affiliate | 624,097 | 5.4 % | 4,094,379 | (27.9 )% |
| Income (loss) not subject to entity level tax | 1,377,637 | 12.0 % | (4,392,399) | 29.9 % |
| State income taxes, net of federal tax effect | (25,229) | (0.2 )% | (131,194) | 0.9 % |
| Change in federal tax rate | — | — % | (4,620,863) | 31.5 % |
| **Income tax expense** | **$ (31,936)** | **(0.3)%** | **$ (198,777)** | **1.4 %** |

Deferred tax assets consist of the following:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Deferred federal tax benefit | $ 6,905,671 | $ 7,464,471 |
| Deferred state tax benefit | 1,027,262 | 867,512 |
| **Total deferred tax assets** | **$ 7,932,933** | **$ 8,331,983** |
| Valuation allowance | (7,932,933) | (8,331,983) |
| **Deferred tax assets after valuation allowance** | **$ —** | **$ —** |

The tax effected cumulative temporary differences that give rise to the deferred tax assets as of December 31, 2018 and 2017 are the debt issuance costs on the revolving credit facilities, interest income on delinquent loans which are not charged off and the federal and state net operating losses from prior periods. Deferred tax assets are recognized subject to our judgment that realization is more likely than not. As of December 31, 2018 and 2017, the Company provided a full allowance on the deferred tax assets as it is more likely than not that these assets will not result in future tax benefits.

ASC 740, Income Taxes ("ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of December 31, 2018 and 2017, we did not have a liability for any unrecognized tax benefits. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. We file tax returns for U.S. Federal, various states and foreign jurisdictions. The statute of limitation is open for all jurisdictions for tax years beginning in 2015.

The Company's policy is to classify interest and penalties on tax positions, if any, as expenses. For the years ended December 31, 2018 and 2017, no interest and penalties have been accrued.

## 13. Equity

As of December 31, 2018 and 2017, the Company authorized 100,000,000 common shares, par value $0.001. NPH is the Company's sole common stockholder. As of December 31, 2018 and 2017, the Company paid an aggregate of $687,735,264 and $452,273,635 of dividends on common shares, respectively.

As of December 31, 2018 and 2017, the Company had 125 shares outstanding in connection with a private placement of 12.5% Series A Cumulative Non-Voting Preferred Stock, par value $0.001 per share (Series A Preferred Stock), respectively. In general, holders of Series A Preferred Stock are entitled to receive cumulative dividends semiannually at a per annum rate equal to 12.5% of the total purchase price of $1,000 per share plus accumulated and unpaid dividends. The Series A Preferred Stock is redeemable by the Company for $1,000 per share plus accumulated and unpaid dividends. Upon liquidation and dissolution of the Company, the holders of the Series A Preferred Stock are entitled to a liquidation preference in the amount of the share's purchase price, plus all accumulated and unpaid dividends. Series A Preferred Stock are not convertible or exchangeable for any other property or securities of the Company. As of December 31, 2018 and 2017, the Company paid an aggregate of $204,249 and $188,624 of dividends on Series A preferred shares, respectively.

## 14. Related Party Transactions

On December 31, 2013, the Company entered into a management assistance agreement with Prospect Administration LLC ("Prospect") to provide significant managerial assistance to the Company on behalf of PSEC. On January 1, 2018, the management assistance agreement was amended to increase the annual fee from $1,300,000 to $2,100,000.

In accordance with the Investment Company Act of 1940, PSEC must make available "significant managerial assistance" to the Company. Prospect provides assistance with significant guidance and counsel concerning the management, operations, and business objectives and policies to the Company. Services may include arranging financing, managing relationships with financing sources, restructuring existing debt and evaluating acquisition and divestiture opportunities. Prospect also exercises a controlling influence over the policies of the Company. On a quarterly basis, the Company pays a managerial assistance fee to Prospect for time and effort in assisting and providing commercial and mezzanine lending, investment banking, and private equity investing services. The Company incurred managerial assistance fees of $2,100,000 and $1,300,000, respectively, for the years ended December 31, 2018 and 2017, which are included in management fees in the accompanying combined consolidated statements of operations.

On a quarterly basis, the Company pays Prospect for professional services provided related to legal counsel, taxation, and general accounting. For the years ended December 31, 2018 and 2017, the Company incurred professional service fees of $439,135 and $1,735,894, respectively, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations. As of December 31, 2018 and 2017, $141,159 and $122,179, respectively, is due to Prospect and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2018, $1,431 and $51,554 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2017, $11,477 and $19,707 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

The Company generally incurs a 2% to 3% structuring fee for the PSEC equity portion of each acquired property. The structuring fee is paid to PSEC for structuring and providing guidance for each purchase transaction. For the years ended December 31, 2018 and 2017, the Company incurred structuring fees of $1,899,547 and $1,883,103, respectively.

On February 9, 2016, the Company entered into an Amended and Restated Services Agreement with First Financial Partners, Inc. ("FFP"), whose principal and sole owner is Mr. Stock, a director of the Company, regarding the Company's engagement of FFP as an independent contractor to provide transaction and execution services. For the year ended December 31, 2018 and 2017, the Company incurred professional service fees and related expenses of $0 and $20,000, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations.

The Company also entered into property management agreements with the non-controlling interest joint venture partners to manage the operations of the properties. The Company pays a monthly management fee of 2% - 6% of the gross monthly rents to the property managers. For the years ended December 31, 2018 and 2017, property management fees were $7,327,679 and $7,176,724, respectively, and are included in management fees in the combined consolidated statement of operations.

The Company also pays a monthly asset management fee up to 1.25% of the gross monthly rents to the property managers. For the years ended December 31, 2018 and 2017, asset management fees were $1,728,477 and $927,961, respectively. These amounts are included in the management fee line item in the accompanying combined consolidated statements of operations.

As of December 31, 2018 and 2017, $1,824,262 and $721,003 of management fees and asset management fees, respectively, were payable to property managers, and is included in due to affiliates in the accompanying combined consolidated balance sheets.

The property management agreements also stipulate that a construction management fee of 4% - 6% of project cost is to be paid to the property managers. For the years ended December 31, 2018 and 2017, capitalized construction management fees were $1,328,612 and $812,899, respectively, and is included within building and improvements in the accompanying combined consolidated balance sheets.

The Company generally incurs an acquisition fee from 0.5% to 1% of the purchase price of each acquired property. The acquisition fee is paid to the Property Managers for services rendered in connection with the investigation, selection, sourcing, due diligence and acquisition of a property or investment. For the years ended December 31, 2018 and 2017, the Company incurred acquisition fees of $2,126,500 and $2,567,250, respectively. The amount related to the year ended December 31, 2018 has been capitalized and included in real estate assets in the accompanying combined consolidated balance sheet. The amount related to the year ended December 31, 2017 is included in acquisition costs in the accompanying combined consolidated statements of operations.

In connection with the acquisitions of several properties during the year ended December 31, 2018, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. During year ended 2018 and 2017, respectively, $1,494,000 and $0 were paid to the non-controlling joint venture partners. As of December 31, 2018, $3,383,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2018, $3,076,785 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

In connection with the acquisitions of several properties during the year ended December 31, 2017, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. No performance measures have been met as of December 31, 2017. As of December 31, 2017, $4,141,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2017, $3,691,000 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

The Company noted that certain expenses are paid for by the property managers and have yet to be reimbursed. As of December 31, 2018 and 2017, unreimbursed advances and other amounts due to related parties were $823,288 and $136,307, respectively, and are recorded by the Company as due to affiliates on the combined consolidated balance sheets.

## 15. Senior Secured Term Loans - Related Party

*NPRC Credit Agreement*

On April 1, 2014, the Company entered into a credit agreement (the "Credit Agreement") with PSEC in the form of a senior secured term loan. On December 31, 2018, the Company refinanced and amended the Credit Agreement. The Credit Agreement consists of a senior secured term loan A ("TLA") and senior secured term loan B ("TLB"), collectively referred to as the "Term Loans". The refinancing resulted in an increase in the outstanding Term Loans from $498,202,638 to $638,553,250.

The amendment increased the interest rate floor, reduced the interest rate margins, extended the maturity dates, and replaced Net Operating Income Interest with Residual Profit Interest. The additional borrowings of $140,350,612 was used as an equity distribution to NPH. The maturity date of the senior secured term loans under the amended Credit Agreement is December 31, 2023. As of December 31, 2018 and 2017, the total commitment was $1,250,000,000 and $1,500,000,000, respectively.

The Credit Agreement refinancing resulted in $12,771,065 of structuring fees, which was capitalized as a direct offset to the Term Loan balance on the combined consolidated balance sheets. For the years ended December 31, 2018 and 2017, the Company also incurred $39,384 and $459,158 of structuring fees for borrowings under the senior secured term loans, respectively. The structuring fees are deferred and amortized over the life of the senior secured term loan. For the years ended December 31, 2018 and 2017, $541,055 and $1,399,491 were amortized and recorded within interest expense on the combined consolidated statements of operations, respectively.

The Credit Agreement does not require payments on the outstanding principal until maturity, with prepayments allowed but subject to a prepayment penalty. During the year ended December 31, 2017, the Company has voluntarily pre-paid in aggregate $23,750,000 of the Term Loan A commitment under the Credit Agreement. As a result, the Company recognized a prepayment premium of $237,500, which is included within interest expense on the combined consolidated statements of operations.

Upon restructuring, the Residual Profit Interest replaced the Net Operating Income Interest whereby the Company incurred net operating income interest equivalent to 500 basis points of the net operating income earned during the applicable period. The Company is required to make payments for Residual Profit Interest equivalent to 25% of the Residual Profit earned during the applicable period. The Company determines the Residual Profit as all Gross Receipts received by the Company less the sum of Operating Expenses, interest expense, structuring fees, M&A fees, and cost basis in connection to the sale of any real estate property during the applicable period.

Cash interest and residual profit interest are payable in cash quarterly. PIK interest due quarterly is added to the outstanding principal balance of the loan or paid in cash, in whole or in part, at the option of the Company.

*ACL Credit Agreement*

On June 30, 2014, ACLLH, a wholly owned subsidiary of the Company, entered into a credit agreement with PSEC in the form of a senior secured term loan. On December 15, 2015, ACLL, a wholly owned subsidiary of the Company entered into a credit agreement (collectively referred to as the "ACL Credit Agreement") with PSEC in the form of senior secured term loan.

During the year ended December 31, 2018, the Company made non-cash contributions of $111,851,664 to NMF through a transfer and assignment from ACLLH to the Company of senior secured term loans with PSEC having an aggregate outstanding principal amount of $111,851,664. The outstanding principal balance was repaid in full.

During the year ended December 31, 2017, the Company made non-cash contributions of $73,558,293 to NMF through a transfer and assignment from ACLLH to the Company of senior secured term loans with PSEC having an aggregate outstanding principal amount of $73,558,293.

Upon the Company's refinancing of the Credit Agreement on December 31, 2018, the ACL Credit Agreement was terminated.

Following tables present a summary of our senior secured term loan terms and payable as of December 31, 2018 and 2017:

| | As of December 31, 2018 | | |
|---|---|---|---|
| **Senior Secured Term Loan** | **Cash Rate [1]** | **PIK Rate** | **Outstanding Principal** |
| Term Loan A | 3-Mo Libor + 5.50% | 5.00% | $433,553,250 |
| Term Loan B | 3-Mo Libor + 2.00% | 5.50% | 205,000,000 |
| **Total outstanding principal** | | | **$638,553,250** |
| Less: unamortized debt issuance costs | | | (12,771,065) |
| **Total senior secured term loans, net of debt issuance costs** | | | **$625,782,185** |

(1) Rates are accrued at minimum LIBOR floor of 300 basis points

| | As of December 31, 2017 | | |
|---|---|---|---|
| **Senior Secured Term Loan** | **Cash Rate [1]** | **PIK Rate** | **Outstanding Principal** |
| Term Loan A | 1-Mo Libor + 4.00% | 10.50% | $293,202,638 |
| Term Loan E | 1-Mo Libor + 9.00% | 5.00% | 113,239,760 |
| Term Loan C (ACLLII) | 1-Mo Libor + 9.00% | 5.00% | 14,273,602 |
| Term Loan C (ACLL) | 1-Mo Libor + 9.00% | 5.00% | 132,578,062 |
| **Total outstanding principal** | | | **$553,294,062** |
| Less: unamortized debt issuance costs | | | (541,055) |
| **Total senior secured term loans, net of debt issuance costs** | | | **$552,753,007** |

(1) Rates are accrued at minimum LIBOR floor of 200 basis points

For the year ended December 31, 2018, the Company incurred $47,579,438, $36,296,683, and $7,070,522 of cash interest, PIK interest, and net operating income interest, respectively. For the year ended December 31, 2018, a total of $36,600,419 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2018, $935 of cash interest, $0 of PIK interest and $655,958 of net operating income interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

For the year ended December 31, 2017, the Company incurred $50,045,938, $37,922,021, and $6,279,251 of cash interest, PIK interest, and net operating income interest, respectively. For the year ended December 31, 2017, a total of $36,842,136 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2017, $446,209 of cash interest, $303,736 of PIK interest and $582,483 of net operating income interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

## 16. Commitments and Contingencies

The Company believes that it has complied with the requirements of the mortgage payable by obtaining the requisite third party insurance coverage for losses that may be incurred at the properties. Losses for amounts below the threshold of the deductible amounts specified in certain of the Company's insurance policies are self-insured; however, management does not believe that this exposure will have a material adverse effect on the Company's combined consolidated financial position or results of operations.

Periodically, the Company may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of the business. The Company does not believe that there are any proceedings threatened or pending, if determined adversely, that would have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

## 17. Subsequent Events

In January 2019, Cobb County ("County") initiated condemnation actions to acquire by eminent domain 70 units of the Arlington Park at Wildwood Apartments property for the purpose of constructing a road. The County filed motions for immediate possession of the units with the court, so that the County could move forward with construction. Compensation of $10,351,000 has been received from the County based upon the County's initial appraisal. The Company has paid off the remaining portion of the Company's existing property loan principal and interest payable balances of $9,557,465 and $34,404, respectively, with the compensation received from the County. The Company is currently in the process of undergoing a third party appraisal with the goal of increasing the amount of compensation from the County.

On January 9, 2019, the Company, together with a joint venture partner, acquired a multi-family property located in Beachwood, Ohio for an aggregate purchase price of $96,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $79,520,000.

On January 18, 2019, the Company sold the Vinings Corner property to an unaffiliated third party for a gross sales price of $59,100,000. The Company recognized a gain of $28,159,258 in connection with the sale.

On January 28, 2019, NMF terminated its credit facility agreement with Morgan Stanley.

On March 27, 2019, NMF distributed $38,441,042 to the Company, which was used to pay down the TLB.

On March 27, 2019 NMF amended and restated its credit facility agreement with Texas Capital Bank, in which GIFS Capital Company, LLC and Credit Suisse AG, Cayman Islands Branch, sold and assigned all of their respective interests in the loan to Texas Capital Bank.

On March 28, 2019, the Company's Board of Directors approved and authorized a dividend to the sole common stockholder in the amount of $1,000,000, which was was paid in cash.

On May 21, 2019, the Company sold the Lofton Place property to an unaffiliated third party for a gross sales price of $43,150,000. The Company recognized a gain of $19,819,136 in connection with the sale.

On June 21, 2019, NMF terminated its credit facility agreement with Macquarie.

On June 28, 2019, the Company sold the South Atlanta portfolio to an unaffiliated third party for a gross sales price of $164,000,000. The Company recognized a gain of $82,165,579 in connection with the sale.

On June 28, 2019, the Company, together with a joint venture partner, acquired a multi-family property located in Orlando, Florida for an aggregate purchase price of $26,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $21,200,000.

On July 9, 2019, NMF fully paid off the outstanding revolving credit facility loan with Texas Capital Bank.

On July 12, 2019, the Company entered into a purchase and sale agreement with an unaffiliated third party to sell Indigo for a gross sales price of $57,750,000.

On July 24, 2019, the Company entered into a purchase and sale agreement with an unaffiliated third party to sell The Resort for a gross sales price of $322,000,000.

On July 30, 2019, the Company, together with a joint venture partner, acquired a multi-family property located in Atlanta, Georgia for an aggregate purchase price of $96,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $79,104,000.

The Company has evaluated subsequent events through August 1, 2019, the date of which these financial statements were available to be issued, and has determined that, except for the above, there have not been any additional events that have occurred that would require adjustments to, or disclosures in, the combined consolidated financial statements.

# First Tower Finance Company LLC and Subsidiaries

## Consolidated Financial Statements

As of December 31, 2019 and 2018 and
for each of the three years in the
Period Ended December 31, 2019

First Tower Finance Company LLC and Subsidiaries

Table of Contents
As of December 31, 2019 and 2018 and
for each of the three years in the Period Ended December 31, 2019

RSM

RSM US LLP

## Independent Auditor's Report

Board of Members
First Tower Finance Company LLC and Subsidiaries

**Report on the Financial Statements**
We have audited the accompanying consolidated financial statements of First Tower Finance Company LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income (loss), changes in members' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements).

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Tower Finance Company LLC and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**
The Company has also prepared consolidated financial statements as of December 31, 2019, 2018, and 2017 and for the years then ended in accordance with the accounting alternative available to private companies for goodwill. Our independent auditor's reports on those consolidated financial statements, dated April 24, 2020 and April 17, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Raleigh, North Carolina
August 21, 2020

**First Tower Finance Company LLC and Subsidiaries**

**Consolidated Balance Sheets**
**December 31, 2019 and 2018**

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ | 9,036,800 | $ | 9,093,211 |
| Investment in equity securities | | 2,078,184 | | 1,709,318 |
| Debt securities available for sale | | 61,067,683 | | 57,164,183 |
| Net finance receivables | | 596,519,761 | | 570,931,026 |
| Unearned premiums | | (48,988,927) | | (46,486,518) |
| Policy claim reserves | | (2,832,059) | | (3,010,113) |
| Net finance receivables, less unearned premiums and policy claim reserves | | 544,698,775 | | 521,434,395 |
| Other receivables | | 1,375,849 | | 1,322,304 |
| Real estate acquired by foreclosure | | 370,376 | | 562,433 |
| Property and equipment, net | | 28,073,779 | | 30,817,443 |
| Deferred policy acquisition costs | | 1,238,475 | | 1,171,686 |
| Intangible assets, net | | 11,983,044 | | 13,589,711 |
| Goodwill | | 136,176,452 | | 136,176,452 |
| Refundable income taxes | | 112,052 | | - |
| Other assets | | 429,708 | | 740,126 |
| **Total assets** | $ | 796,643,177 | $ | 773,581,462 |
| **Liabilities and Members' Equity** | | | | |
| Liabilities: | | | | |
| Notes payable | $ | 424,066,378 | $ | 406,264,785 |
| Subordinated notes payable to members | | 347,246,929 | | 339,981,294 |
| Accounts payable and accrued expenses | | 10,898,679 | | 10,166,945 |
| Other liabilities | | 2,171,941 | | 2,054,580 |
| Income taxes payable | | - | | 322,034 |
| Deferred tax liabilities, net | | 7,548,861 | | 6,178,873 |
| **Total liabilities** | | 791,932,788 | | 764,968,511 |
| Commitments and contingencies (Notes 13, 14, 18 and 19) | | | | |
| Members' Equity: | | | | |
| Class A members | | 2,909,679 | | 8,318,793 |
| Class B members | | 10,053 | | 13,133 |
| Class D members | | 526,097 | | 456,341 |
| Accumulated other comprehensive income (loss), net of income tax effect of ($420,000) and $58,000 as of December 31, 2019 and 2018, respectively | | 1,264,560 | | (175,316) |
| **Total members' equity** | | 4,710,389 | | 8,612,951 |
| **Total liabilities and members' equity** | $ | 796,643,177 | $ | 773,581,462 |

See notes to consolidated financial statements.

Exhibit 99.3

**First Tower Finance Company LLC and Subsidiaries**

**Consolidated Statements of Operations and Comprehensive Income (Loss)**
**Each of the Three Years in the Period Ended December 31, 2019**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Revenues: | | | |
| Interest and fee income from finance receivables | $ 217,752,396 | $ 204,437,224 | $ 177,571,040 |
| Insurance premiums | 37,561,562 | 35,777,421 | 33,450,540 |
| Net investment income | 1,385,454 | 1,590,520 | 1,324,690 |
| Unrealized gains (losses) on equity securities | 322,867 | (507,056) | 167,834 |
| Net realized investment gains (losses) | 212,979 | (217,003) | (39,446) |
| Other income | 15,656,106 | 14,855,658 | 12,695,343 |
| **Total revenues** | 272,891,364 | 255,936,864 | 225,170,001 |
| Expenses: | | | |
| Interest expense | 92,244,877 | 84,418,378 | 69,096,345 |
| Policyholders' benefits | 6,169,435 | 6,604,364 | 6,930,652 |
| Salaries and fringe benefits | 54,783,154 | 51,522,920 | 45,361,234 |
| Provision for credit losses | 74,830,504 | 66,334,256 | 60,161,397 |
| Other operating expenses | 47,053,282 | 44,749,351 | 39,656,685 |
| Management fees | 2,997,961 | 6,326,222 | 2,997,961 |
| **Total expenses** | 278,079,213 | 259,955,491 | 224,204,274 |
| **Income (loss) before income taxes** | (5,187,849) | (4,018,627) | 965,727 |
| Income tax expense (benefit) | 224,345 | 862,618 | (1,821,715) |
| **Net income (loss)** | (5,412,194) | (4,881,245) | 2,787,442 |
| Other comprehensive income (loss), net of income tax effects of approximately $479,000 in 2019, ($107,000) in 2018 and $140,000 in 2017 | | | |
| Unrealized holding gains (losses) on securities | 1,599,580 | (485,143) | 299,768 |
| Reclassification adjustments for amounts included in net income (loss) | (159,704) | 162,861 | 31,162 |
| **Other comprehensive income (loss)** | 1,439,876 | (322,282) | 330,930 |
| **Comprehensive income (loss)** | $ (3,972,318) | $ (5,203,527) | $ 3,118,372 |

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Changes in Members' Equity
Each of the Three Years in the Period Ended December 31, 2019

| | Class A Members Equity | Class B Members Equity | Class D Members Equity | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|
| Balance, January 1, 2017 | $ 7,057,110 | $ 10,746 | $ 316,810 | $ (154,354) | $ 7,230,312 |
| Member compensation vested | - | - | 69,772 | - | 69,772 |
| Net income | 2,785,856 | 1,586 | - | - | 2,787,442 |
| Reclassification of deferred income taxes | 27,925 | 1,685 | | (29,610) | - |
| Change in net unrealized loss on debt securities available for sale | - | - | - | 330,930 | 330,930 |
| Balance, December 31, 2017 | 9,870,891 | 14,017 | 386,582 | 146,966 | 10,418,456 |
| Member compensation vested | - | - | 69,759 | - | 69,759 |
| Net loss | (4,878,467) | (2,778) | - | - | (4,881,245) |
| Equity contribution | 3,326,369 | 1,894 | - | - | 3,328,263 |
| Change in net unrealized loss on debt securities available for sale | - | - | - | (322,282) | (322,282) |
| Balance, December 31, 2018 | 8,318,793 | 13,133 | 456,341 | (175,316) | 8,612,951 |
| Member compensation vested | - | - | 69,756 | - | 69,756 |
| Net loss | (5,409,114) | (3,080) | - | - | (5,412,194) |
| Change in net unrealized gain on debt securities available for sale | - | - | - | 1,439,876 | 1,439,876 |
| **Balance, December 31, 2019** | $ 2,909,679 | $ 10,053 | $ 526,097 | $ 1,264,560 | $ 4,710,389 |

See notes to consolidated financial statements.

**First Tower Finance Company LLC and Subsidiaries**

**Consolidated Statements of Cash Flows**
**Each of the Three Years in the Period Ended December 31, 2019**

| | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|
| Cash Flows From Operating Activities | | | | | | |
| Net income (loss) | $ | (5,412,194) | $ | (4,881,245) | $ | 2,787,442 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | | 7,731,446 | | 5,101,134 | | 4,671,250 |
| Amortization of discount on securities, net | | 919,859 | | 817,004 | | 1,142,444 |
| (Gain) loss on sales of investments, net | | (212,979) | | 217,003 | | 39,446 |
| Unrealized (gain) loss on equity securities held | | (322,867) | | 507,056 | | (167,834) |
| (Gain) loss on sales of assets | | (24,237) | | 30,900 | | 62,090 |
| Loss from sales and impairments of real estate acquired by foreclosure | | 77,316 | | 125,412 | | 39,046 |
| Deferred income tax expense (benefit) | | 891,310 | | 349,518 | | (3,080,985) |
| Provision for credit losses | | 74,830,504 | | 66,334,256 | | 60,161,397 |
| Member compensation expense | | 68,756 | | 68,759 | | 68,772 |
| Net loan costs deferred | | (838,736) | | (855,772) | | (83,473) |
| Paid-in-kind rate interest added to principal (paid) | | 7,265,635 | | (4,401,579) | | 702,882 |
| Changes in operating assets and liabilities, net of purchase of Harrison Finance | | | | | | |
| Reinsurance recoverables | | - | | - | | 871,949 |
| Other receivables | | (53,545) | | (165,761) | | 13,876 |
| Other assets | | 310,415 | | (95,849) | | 233,495 |
| Deferred policy acquisition cost | | (66,589) | | (109,988) | | (34,854) |
| Policy claim reserves | | (178,054) | | 226,182 | | 117,993 |
| Accounts payable and accrued expenses | | 731,734 | | (3,891,894) | | (1,533,507) |
| Unearned premiums and commissions | | 2,502,409 | | 3,924,873 | | 926,532 |
| Other liabilities | | (316,724) | | (235,634) | | (764,810) |
| **Net cash provided by operating activities** | $ | 87,903,457 | $ | 63,465,775 | $ | 68,274,151 |

(Continued)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Each of the Three Years in the Period Ended December 31, 2019

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Cash Flows From Investing Activities | | | |
| Loans originated | $ (811,094,676) | $ (755,410,063) | $ (634,135,341) |
| Loans repaid or sold | 711,375,068 | 583,713,146 | 559,403,338 |
| Purchase of Harrison Finance | - | (77,647,256) | - |
| Proceeds from sales of investment in real estate | 254,750 | 296,109 | 288,781 |
| Proceeds from calls or maturities of debt securities | 3,118,192 | 3,290,137 | 8,093,000 |
| Proceeds from sales of debt securities | 11,848,061 | 15,518,626 | 15,741,494 |
| Purchase of equity securities | (45,999) | (285,416) | (103,505) |
| Purchases of debt securities | (17,656,077) | (17,969,605) | (21,922,073) |
| Proceeds from sales of property and equipment | 51,431 | 257,188 | 31,332 |
| Purchase of property and equipment | (3,493,640) | (6,892,916) | (10,458,642) |
| **Net cash used in investing activities** | (105,644,792) | (155,130,050) | (81,061,618) |
| Cash Flows From Financing Activities | | | |
| Net changes in short-term borrowings | 17,686,524 | 63,863,999 | 18,069,770 |
| Proceeds from issuance of subordinated debt | - | 21,137,294 | - |
| Proceeds from equity contribution | - | 3,328,262 | - |
| **Net cash provided by financing activities** | 17,686,824 | 88,329,555 | 18,069,770 |
| **Increase (decrease) in cash and cash equivalents** | (54,411) | (3,334,720) | 4,282,303 |
| Cash and cash equivalents | | | |
| Beginning of period | 9,093,211 | 12,427,931 | 8,145,628 |
| End of period | $ 9,038,800 | $ 9,093,211 | $ 12,427,931 |
| Supplemental Disclosures of Cash Flow Information | | | |
| Non-cash activity - real estate acquired by foreclosure in satisfaction of finance receivables | $ 140,000 | $ 437,000 | $ 258,000 |
| Cash payments for interest on notes payable | $ 20,373,000 | $ 18,343,000 | $ 12,775,000 |
| Cash payments for interest including paid-in-kind interest, on subordinated notes payable to members | $ 71,764,000 | $ 65,791,000 | $ 56,030,000 |
| Income taxes paid | $ 257,000 | $ 492,000 | $ 1,075,000 |

See notes to consolidated financial statements.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 1. Description of Business**

First Tower Finance Company LLC is a Mississippi limited liability company which wholly-owns First Tower, LLC. First Tower, LLC is engaged in consumer lending and related insurance activities through its wholly-owned subsidiaries Tower Loan of Mississippi, LLC, Tower Loan of Illinois, LLC, First Tower Loan, LLC, Gulfco of Mississippi, LLC, Gulfco of Alabama, LLC, Gulfco of Louisiana, LLC, Tower Loan of Missouri, LLC, and Tower Auto Loan, LLC. Tower Loan of Mississippi, LLC is the sole member of American Federated Holding Company, which has two wholly-owned subsidiaries, American Federated Insurance Company (AFIC), and American Federated Life Insurance Company (AFLIC). These entities are collectively referred to as "the Company". The Company acquires and services finance receivables (direct loans, real estate loans and sales finance contracts) through branch offices located in Mississippi, Louisiana, Alabama, Illinois and Missouri. In addition, the Company writes credit insurance when requested by its loan customers.

On March 9, 2018 (date of consummation), the Company acquired 100% of the equity interests of Harrison Finance LLC ("HF"), a finance company operating in the Gulf Coastal region including the states of Alabama, Florida, Louisiana and Mississippi, for approximately $79,000,000 in cash. Concurrent with the acquisition of HF, the Company sold the loans made and serviced by HF's Florida locations for approximately $14,000,000 to a third party finance company.

The estimated fair value of the assets acquired and liabilities assumed, net of the sale of HF's Florida loans, as of March 9, 2018, the date of the transaction consummation, were summarized as follows:

| | |
|---|---|
| *Assets acquired:* | |
| Cash and cash equivalents | $ 1,200,000 |
| Finance receivables, net | 64,700,000 |
| Other receivables | 100,000 |
| Property and equipment, net | 400,000 |
| Other assets | 200,000 |
| Total assets acquired | 66,600,000 |
| *Liabilities assumed:* | |
| Accounts payable and other liabilities | (1,600,000) |
| Net assets acquired | $ 65,000,000 |

For the assets acquired and liabilities assumed, the Company utilized Level 1 inputs to determine the fair value of cash and cash equivalents. Level 3 inputs were used for determining the fair value of all other acquired assets and liabilities. The significant methodologies and assumptions for financial instruments are more fully described elsewhere in Note 2.

**Government Regulation:** The Company is subject to various state and federal laws and regulations in each of the states in which it operates that are enforced by the respective state regulatory authorities. These state laws and regulations impact the economic terms of the Company's products. In addition, these laws regulate collection procedures, the keeping of books and records and other aspects of the operation of consumer finance companies. As a result, the terms of products offered by the Company vary among the states in which it operates in order to comply with each state's specific laws and regulations.

Each of the Company's branch offices is separately licensed under the laws of the state in which the office is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations.

## Note 1. Description of Business (Continued)

The Company is also subject to state regulations governing insurance agents in the states in which it sells credit insurance. State insurance regulations require that insurance agents be licensed; govern the commissions that may be paid to agents in connection with the sale of credit insurance and limit the premium amount charged for such insurance.

## Note 2. Summary of Significant Accounting Policies

**Principles of Consolidation:** The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates:** The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In preparing its financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenues and expenses for each of the years in the three years ended December 31, 2019. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to change include the determination of the allowance for credit losses, policy claim reserves, evaluation of goodwill for impairment, realization of deferred tax assets and liabilities and the valuation of investments.

**Investment in Equity Securities:** The Company has an investment in a large capitalization equity mutual fund which is classified as an equity security. Changes in the unrealized gains and losses of equity security investments are recognized through earnings. Dividends on equity securities are recognized in net investment income. Realized gains and losses on sales of equity securities are determined using the specific identification method.

**Debt Securities Available for Sale:** Investments in debt securities are classified as available for sale. Available for sale debt securities are carried at fair value, with changes in the fair value of such securities being reported as other comprehensive income (loss), net of related deferred income taxes (benefit). When the fair value of a debt security falls below carrying value, an evaluation must be made to determine if the unrealized loss is a temporary or other than temporary impairment. Impaired debt securities that are not deemed to be temporarily impaired are written down to net realizable value by a charge to earnings to the extent the impairment is related to credit losses or if the Company intends, or more-likely-than not will be required, to sell the security before recovery of the security's amortized cost basis. In estimating other than temporary impairments, the Company considers the duration of time and extent to which the amortized cost exceeds fair value, the financial condition of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for anticipated recovery in fair value.

Premiums and discounts on debt securities are recognized as adjustments to net investment income by the interest method over the period to maturity and adjusted for prepayments as applicable. Realized gains and losses on sales of debt securities are determined using the specific identification method.

**Fair Value Measurements:** The Company carries its equity securities, and its debt securities available-for-sale at fair value on a recurring basis and measures certain other assets and liabilities at fair value on a nonrecurring basis using a hierarchy of measurements which requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Three levels of inputs are used to measure fair value:

| | |
|---|---|
| **Level 1** | Valuations based on unadjusted quoted prices for identical assets in active markets accessible at the measurement date. |
| **Level 2** | Valuations derived from (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in inactive markets; (iii) inputs other than quoted prices that are observable for the asset or liability; and (iv) inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. |
| **Level 3** | Valuations derived from unobservable (supported by little or no market activity) inputs that reflect an entity's best estimate of what hypothetical market participants would use to determine a transaction price at the reporting date. |

When quoted market prices in active markets are unavailable, the Company determines fair value using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed as Level 2. Generally, the Company obtains a single price or quote per instrument from independent third parties to assist in establishing the fair value of these investments.

If quoted market prices and independent third party valuation information are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or 3.

On occasions when pricing service data is unavailable, the Company may rely on bid/ask spreads from dealers in determining fair value.

To the extent the Company determines that a price or quote is inconsistent with actual trading activity observed in that investment or similar investments, or if the Company does not think the quote is reflective of the market value for the investment, the Company internally develops a fair value using this other market information and discloses the input as a Level 3.

**Finance Receivables:** Generally, we classify finance receivables as held for investment based on management's intent at the time of origination. We determine classification on a loan-by-loan basis. We classify finance receivables as held for investment due to our ability and intent to hold them until their contractual maturities. We carry finance receivables at amortized cost which includes accrued finance charges, net unamortized deferred origination costs and unamortized points and fees, unamortized net premiums and discounts on purchased finance receivables, and unamortized finance charges on precomputed receivables.

We include the cash flows from finance receivables held for investment in the consolidated statements of cash flows as investing activities, except for collections of interest, which we include as cash flows from operating activities. We may finance certain insurance products offered to our customers as part of finance receivables. In such cases, the insurance premium is included as an operating cash inflow and the financing of the insurance premium is included as part of the finance receivable as an investing cash flow in the consolidated statements of cash flows.

## Note 2. Summary of Significant Accounting Policies (Continued)

**Real Estate Acquired by Foreclosure**: The Company records real estate acquired by foreclosure at fair value, less estimated costs to sell, at the time of foreclosure. Any resulting loss on foreclosure is charged to the allowance for credit losses and a new basis is established in the property. A valuation allowance and a corresponding charge to operations is established to reflect declines in value subsequent to acquisition, if any, below the new basis. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other operating expenses.

**Property and Equipment**: Property and equipment are stated at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income when incurred; significant improvements and betterments are capitalized. The Company evaluates the recoverability of property, plant and equipment and other long-term assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, based upon expectations of non-discounted cash flows and operating income.

**Goodwill and Other Intangible Assets**: Goodwill is tested for impairment at least annually, or on an interim basis if an event occurs or circumstances change that would more than likely not reduce the fair value of the Company (considered as one reporting unit) below its carrying value. Under ASC 350-20, the Company has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Company will perform the quantitative test to compare the Company's fair value to its carrying value. The Company used the qualitative assessment as of December 31, 2019, 2018, and 2017. Other intangible assets consist of trade names, sales finance relationships, non-competition and license agreements and internally developed technology. Intangible assets are reviewed for events and or circumstances which could impact the recoverability of the intangible asset, such as a loss of significant relationships, increased competition or adverse changes in the economy. No impairment was identified for the Company's goodwill or its other intangible assets during 2019, 2018, and 2017.

**Debt Issue Costs:** Debt issue costs are included as a reduction of the related notes payable. Debt issue costs represent costs associated with obtaining the Company's credit facility, and is amortized on a straight line basis over the life of the related financing agreement, which approximates the interest method. Amortization expense for the years ended December 31, 2019, 2018 and 2017 approximated \$115,000, \$284,000 and \$292,000, respectively, and is included in interest expense.

**Deferred Policy Acquisition Costs**: Costs incurred to acquire credit insurance policies are deferred and amortized using the same methods the Company uses to earn the related insurance premiums.

**Income Recognition:** Precomputed finance charges are included in the gross amount of the Company's finance receivables. These precomputed charges are deferred and recognized as income on an accrual basis using the effective interest method over the terms of receivables. However, with certain exceptions, state regulations allow interest refunds to be made according to the Rule of 78's method for payoffs and renewals. Since a significant percentage of the Company's precomputed accounts are paid off or renewed prior to maturity, the result is that a majority of the precomputed accounts effectively yield on a Rule of 78's basis. The difference between income previously recognized under the interest yield method and the Rule of 78's method is recognized as an adjustment to interest income at the time of the renewal or payoff.

Insurance premiums on credit life and accident and health policies written by the Company are earned over the term of the policy using the pro-rata method, for level-term life policies, and the effective yield method, for decreasing-term life policies. Premiums on accident and health policies are earned based on an average of the pro-rata method and the effective yield method. Property and casualty credit insurance

**Note 2. Summary of Significant Accounting Policies (Continued)**

premiums written by the Company are earned over the period of insurance coverage using the pro-rata method or the effective yield method, depending on whether the amount of insurance coverage generally remains level or declines.

**Revenue from Contracts with Customers:** On January 1, 2018, the Company adopted ASU 2014-09, "*Revenue from Contracts with Customers*" and all subsequent amendments to the ASU that comprise ASC 606, "*Revenue from Contracts with Customers*" (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned (OREO). The majority of the Company's revenues come from interest income, insurance premiums and other sources that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within other income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 for the Company include (i) commissions earned from contracts with customers for the sale of accidental death and dismemberment insurance coverage and motor club memberships and (ii) the sale of real estate acquired through foreclosure.

- *Commissions Earned:* The Company earns commissions from the sale of accidental death and dismemberment insurance coverage and from motor club memberships to finance customers. These commissions are recognized at the time of origination. The Company has no future performance obligations related to the sale of these products. Other income includes commissions earned of approximately $13,055,000, $12,467,000 and $10,933,000 for the years ended December 31, 2019, 2018 and 2017, respectively.
- *Sale of Real Estate Acquired by Foreclosure:* When the Company finances the sale of real estate acquired through foreclosure to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the real estate acquired through foreclosure asset is derecognized and loss on sale is recorded upon the transfer of control of the property to the buyer, if the book value of the receivable is higher than the value of property. No gain is recognized should the value of the property exceed the value of the receivable. In determining the loss on the sale, the Company adjusts the transaction price and related loss on sale if a significant financing component is present. Should sales proceeds exceed the amount of the loan receivable at the time of foreclosure, the excess is paid to the borrower.

Revenue from contracts with customers are presented in other income and approximated 4.8% in 2019 and 4.9% in 2018 of total revenues. There was no change to previously reported amounts from the cumulative effect of the adoption of ASC 606.

**Acquired Loans:** For acquired loans that have experienced deterioration of credit quality between origination and the Company's acquisition of the loans, the amount paid for the loans reflects the Company's determination that it is probable the Company will be unable to collect all amounts due according to the loan's contractual terms. At acquisition, the Company reviews each loan to determine whether there is evidence of deterioration of credit quality since origination and if it is probable that the Company will be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, the Company determines whether such loans will be assembled into pools of loans based on common risk characteristics. The Company determines the excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all cash flows expected at acquisition as an amount that should be accreted.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Allowance for Credit Losses:** For periods subsequent to the acquisition date of acquired loans and for finance receivables originated by the Company, the allowance for credit losses is determined by several factors based upon each portfolio segment. Segments in the finance receivable portfolio include personal property, real estate and sales finance. Historical loss experience is the primary factor in the determination of the allowance for credit losses. An evaluation is performed to compare the amount of accounts charged off, net of recoveries of such accounts, in relation to the average net outstanding finance receivables for the period being reviewed. Historically, management has found that this methodology has provided an adequate allowance due to the Company's loan portfolio segments consisting of a large number of smaller balance homogeneous finance receivables. Further, management routinely evaluates the inherent risks and change in the volume and composition of the Company's finance receivable portfolio based on its extensive experience in the consumer finance industry in consideration of estimating the adequacy of the allowance. Also considered are delinquency trends, economic conditions, and industry factors. Provisions for credit losses are charged to income in amounts sufficient to maintain an allowance for credit losses at a level considered adequate to cover the probable loss inherent in the finance receivable portfolio. Since the estimates used in determining the allowance for credit losses are influenced by outside factors, such as consumer payment patterns and general economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change. Interest on past due finance receivables is recognized until charge-off. Finance receivables are generally charged off when they are five months contractually past due.

**Policy Claim Reserves:** Policy claim reserves represent (i) the liability for losses and loss-adjustment expenses related to credit property insurance and (ii) the liabilities for future policy benefits related to credit life and accident and health insurance. The liability for loss and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount based on past experience, for losses incurred but not reported. The liabilities for future policy benefits have been computed utilizing accepted actuarial techniques. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in earnings currently.

**Income Taxes:** First Tower Finance Company LLC and its finance company subsidiaries are limited liability companies organized as partnerships for federal and state tax purposes and are not considered taxable entities. Taxable income or loss is reported by the Company's members on their respective tax returns in accordance with the limited liability agreement.

American Federated Holding Company and its wholly-owned subsidiaries, AFIC and AFLIC, are subject to income taxes at the corporate level. As such, deferred income taxes are provided for temporary differences between financial statement carrying amounts of assets and liabilities and their respective bases for income tax purposes using enacted tax rates in effect in the years in which the differences are expected to reverse.

Potential exposures involving tax positions taken that may be challenged by taxing authorities contain assumptions based upon past experiences and judgments about potential actions by taxing jurisdictions. Management does not believe that the ultimate settlement of these items will result in a material amount. With limited exceptions, AFIC and AFLIC are no longer subject to income tax examinations prior to 2016.

**Cash and Cash Equivalents:** For purposes of the consolidated statements of cash flows, the Company considers certificates of deposit and all short-term securities with original maturities of three months or less to be cash equivalents.

First Tower Finance Company LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Comprehensive Income (Loss):** Comprehensive income for the Company consists of net income (loss) and changes in unrealized gains (losses) on investment securities classified as available-for-sale, net of taxes, and are presented in the consolidated statements of operations and comprehensive income (loss).

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, "*Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*" which allows a reclassification from accumulated other comprehensive income or loss to members' equity (deficit) for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Company adopted this accounting standards update in 2017, and as a result, reclassified $29,610 to accumulated other comprehensive income (loss) from members' equity for the impact of the deferred tax effects.

**Advertising:** Advertising costs are expensed as incurred. Advertising expenses approximated $7,539,000, $6,243,000 and $5,530,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

**Share-Based Compensation:** The Company entered into employment agreements with certain executives and, in connection therewith, granted member interests consisting of Class D share awards which vest over a ten year period. Compensation expense for these awards is determined based on the estimated fair value of the shares awarded on the applicable grant or award date, June 14, 2012, and is recognized over the applicable award's vesting period.

**Accumulated Other Comprehensive Income (Loss):** The Company has recorded certain amounts directly to a component of total members' equity (deficit) reflected on the consolidated balance sheet as accumulated other comprehensive income (loss). Such amounts include unrealized gains and losses on available for sale securities, net of the related income tax effect. Realized losses attributable to the credit component of an other-than-temporary security impairment are reclassified to earnings.

**Reclassifications:** Certain reclassifications have been made in the 2018 and the 2017 consolidated financial statements in order to conform to the method of presentation used in 2019. Such reclassifications did not impact members' equity or net income (loss) as previously reported.

**Subsequent Events:** The Company has evaluated its subsequent events (events occurring after December 31, 2019) through August 21, 2020 which represents the date the consolidated financial statements were available to be issued.

**Future Accounting Guidance:** In February 2016, the FASB issued ASU 2016-02, "*Leases*", which establishes a comprehensive lease standard under GAAP for virtually all industries. The FASB issued additional amendments related to ASU 2016-02: (1) ASU 2018-01 "*Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*"; (2) ASU 2018-10, "*Codification Improvements to Topic 842, Leases*"; and (3) ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*". The new standard and related amendments require lessees to recognize a right of use asset and a lease liability for virtually all of their leases, other than leases that meet the definition of short term leases. ASU 2019-10 was issued due to the transition challenges of public companies, which are often more significant in small private and nonprofit entities. Further, ASC 842-10-S65 states the SEC would not object to a public business entity (PBE) that would otherwise not meet the PBE definition except for the inclusion of its financial statements in another entity's filing with the SEC adopting ASC 842 in fiscal 2021. As a result, the Company has not adopted ASU 2016-02. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

**Note 2. Summary of Significant Accounting Policies (Continued)**

In June 2016, the FASB issued ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326)"*. ASU 2016-13 issued amended guidance on reporting credit loses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the amended guidance eliminates the probable recognition threshold, and, instead requires an entity to reflect the current estimate of all expected credit losses. For available for sale debt securities, credit losses are measured in a manner similar to current GAAP, however the amended guidance required that credit losses be presented as an allowance rather than as a permanent impairment. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *"Intangibles - Goodwill and Others (Topic 350): Simplifying the Test for Goodwill Impairment"*. The guidance is effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-12, *"Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts"* which improves financial reporting for insurance companies that issue long-duration contracts, such as life insurance, disability income, long-term care, and annuities. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early application of the amendments is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement"* which improves the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. This guidance is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"* which eliminates certain exceptions related to the approach for tax allocations and calculations and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also clarifies and simplifies other aspects of the accounting for income taxes. This standard is effective for fiscal years beginning after December 15, 2020, for public business entities. Early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

## Note 3. Debt Securities

The cost or amortized cost of debt securities available for sale and their fair values at December 31, 2019 and 2018 were as follows:

| *December 31, 2019* | Cost or Amortized Cost | Fair Value | Gross Unrealized Gains | Gross Unrealized Losses |
|---|---|---|---|---|
| Debt securities: | | | | |
| U.S. Government agencies and corporations | $ 7,720,778 | $ 7,865,645 | $ 166,248 | $ 21,381 |
| Obligations of states and political subdivisions | 34,711,973 | 35,836,515 | 1,139,543 | 15,001 |
| Industrial and miscellaneous | 16,256,360 | 16,670,474 | 418,298 | 4,184 |
| Commercial mortgage-backed securities | 693,611 | 695,049 | 4,004 | 2,566 |
| Total debt securities | $ 59,382,722 | $ 61,067,683 | $ 1,728,093 | $ 43,132 |

| *December 31, 2018* | Cost or Amortized Cost | Fair Value | Gross Unrealized Gains | Gross Unrealized Losses |
|---|---|---|---|---|
| Debt securities: | | | | |
| U.S. Government agencies and corporations | $ 9,017,359 | $ 8,993,441 | $ 56,827 | $ 80,745 |
| Obligations of states and political subdivisions | 31,276,715 | 31,292,387 | 212,473 | 196,801 |
| Industrial and miscellaneous | 16,394,348 | 16,174,747 | 22,353 | 241,954 |
| Commercial mortgage-backed securities | 709,358 | 703,608 | 1,048 | 6,798 |
| Total debt securities | $ 57,397,780 | $ 57,164,183 | $ 292,701 | $ 526,298 |

As of December 31, 2019 and 2018, accumulated other comprehensive income (loss) includes unrealized gains (losses) on available for sale debt securities, net of income tax effects, of approximately $1,265,000 and ($175,000), respectively.

The length of time impaired available-for-sale debt securities have been held in a loss position are as follows.

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| *December 31, 2019* | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government agencies and corporations | $ 1,536,113 | $ 18,535 | $ 548,823 | $ 1,846 | $ 2,084,936 | $ 21,381 |
| Obligations of states and political subdivisions | - | - | 757,738 | 15,001 | $ 757,738 | 15,001 |
| Industrial and miscellaneous | 818,002 | 3,368 | 661,479 | 816 | $ 1,479,481 | 4,184 |
| Commercial mortgage-backed securities | - | - | 566,226 | 2,566 | $ 566,226 | 2,566 |
| Total | $ 2,354,115 | $ 22,903 | $ 2,534,266 | $ 20,229 | $ 4,888,381 | $ 43,132 |

**Note 3. Debt Securities (Continued)**

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| *December 31, 2018* | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government agencies and corporations | $ - | $ - | $ 5,268,315 | $ 80,746 | $ 5,268,315 | $ 80,746 |
| Obligations of states and political subdivisions | 5,440,358 | 46,585 | 7,171,739 | 150,216 | 12,612,097 | 196,801 |
| Industrial and miscellaneous | 7,991,265 | 108,903 | 5,536,389 | 133,050 | 13,527,654 | 241,953 |
| Commercial mortgage-backed securities | - | - | 577,749 | 6,796 | 577,749 | 6,796 |
| Total | $ 13,431,623 | $ 155,488 | $ 18,554,192 | $ 370,810 | $ 31,985,815 | $ 526,298 |

Substantially all gross unrealized losses at December 31, 2019 and 2018 were attributable to interest rate changes rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or the underlying assets and are thus considered temporarily impaired. Due to the issuers' continued satisfaction of the securities' obligations in accordance with contractual terms, the expectation that they will continue to do so and the Company's intent and ability to hold these investments, management believes the securities in unrealized loss positions are temporarily depressed. As of December 31, 2019 the Company had 12 debt securities with temporary impairments, including 3 U.S. government securities, 4 securities classified as obligations of state and political subdivisions, 3 securities classified as corporate securities, and 2 securities classified as commercial mortgage-backed securities. As of December 31, 2018 the Company had 137 debt securities with temporary impairments, including 15 U.S. government securities, 43 securities classified as obligations of state and political subdivisions, 77 securities classified as corporate securities, and 2 securities classified as commercial mortgage-backed securities.

Management of the Company evaluates debt securities for other-than-temporary impairment ("OTTI") no less than annually or when economic or market concerns warrant such evaluation. The evaluation is based upon factors such as the creditworthiness of the issuer, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an OTTI condition. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost, and near-term prospects of the issuer.

The Company segregates the OTTI impact on impaired securities where impairment in value was deemed to be other than temporary between the component representing credit loss and the component representing loss related to other factors.

The Company assesses whether a credit loss exists by considering whether (i) the Company has the intent to sell the security, (ii) it is more likely than not that it will be required to sell the security before recovery, or (iii) it does not expect to recover the entire amortized cost basis of a debt security. The portion of the fair value decline attributable to credit loss is recognized as a charge to earnings. The credit loss evaluation is determined by comparing the present value of the cash flows expected to be collected, discounted at the rate in effect before recognizing any OTTI with the amortized cost basis of the debt security. The Company uses the cash flow expected to be realized from the security, which includes assumptions about interest rates, timing and severity of defaults, estimates of potential recoveries, the cash flow distribution from the bond indenture and other factors, then applies a discount rate equal to the effective yield of the security. The difference between the present value of the expected cash flows and the amortized book value is considered a credit loss. The difference between the fair market value and the security's remaining amortized cost is recognized in other comprehensive income or loss.

First Tower Finance Company LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 3. Debt Securities (Continued)**

The amortized cost and fair value of debt securities at December 31, 2019, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepay penalties.

| *December 31, 2019* | Cost or Amortized Cost | Fair Value |
|---|---|---|
| Due in one year or less | $ 4,851,251 | $ 4,888,733 |
| Due after one year but less than five years | 27,308,968 | 27,891,386 |
| Due after five years but less than ten years | 24,484,330 | 25,480,469 |
| Due after ten years | 2,064,562 | 2,132,046 |
| Commercial mortgage-backed securities | 693,611 | 695,049 |
| Total debt securities | $ 59,382,722 | $ 61,087,683 |

Investment securities with amortized cost of approximately $3,163,000 and with estimated fair values of $3,245,000 at December 31, 2019, were pledged by the Company with various states as required by state law. Investment securities with amortized cost of approximately $3,151,000 and with estimated fair values of $3,117,000 at December 31, 2018, were pledged by the Company with various states as required by state law.

Major categories of net investment income are summarized as follows for the years ended December 31, 2019, 2018 and 2017:

| *December 31,* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Debt securities | $ 1,287,277 | $ 1,401,939 | $ 1,397,366 |
| Equity securities | 45,998 | 285,417 | 103,504 |
| Commercial mortgage-backed securities | 6,000 | 6,700 | 7,800 |
| Cash and short-term investments | 130,351 | 95,977 | 40,889 |
| | 1,469,626 | 1,790,033 | 1,549,559 |
| Investment expenses | (84,172) | (199,413) | (224,869) |
| Net investment income | $ 1,385,454 | $ 1,590,620 | $ 1,324,690 |

Net realized investment gains (losses) are summarized as follows for the years ended December 31, 2019, 2018 and 2017:

| *December 31,* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Gross realized gains on sale of debt securities available for sale | $ 273,947 | $ 1,629 | $ 22,480 |
| Gross realized losses on sale of debt securities available for sale | (60,968) | (218,632) | (61,926) |
| Net realized investment gains (losses) | $ 212,979 | $ (217,003) | $ (39,446) |

Proceeds from sales of debt securities available for sale aggregated approximately $11,846,000, $15,519,000 and $19,741,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 4. Finance Receivables**

Finance receivables were as follows:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Consumer finance receivables: | | |
| Personal property | $ 727,924,546 | $ 680,720,897 |
| Real estate | 30,829,880 | 35,064,708 |
| Sales finance | 155,341,852 | 149,213,201 |
| | 914,096,278 | 864,998,806 |
| Add (deduct): | | |
| Net deferred origination costs | 7,632,125 | 8,792,335 |
| Unearned income | (256,250,396) | (235,509,978) |
| Unearned discount on acquired loans | (242,336) | (3,040,159) |
| Allowance for credit losses | (68,715,910) | (62,309,978) |
| Finance receivables, net | $ 596,519,761 | $ 570,931,026 |

Changes in the allowance for credit losses were as follows during the years ended December 31, 2019, 2018 and 2017:

| *December 31,* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Balance at beginning of year | $ 62,309,978 | $ 55,471,712 | $ 50,653,267 |
| Provision for credit losses | 74,830,504 | 66,334,256 | 60,161,397 |
| Receivables charged-off | (86,935,783) | (77,995,779) | (71,450,453) |
| Charge-offs recovered | 18,511,211 | 18,499,789 | 16,107,501 |
| Balance at end of year | $ 68,715,910 | $ 62,309,978 | $ 55,471,712 |

The balance in the allowance for credit losses by portfolio segment at December 31, 2019 and 2018 was as follows:

| *December 31, 2019* | Balance at Beginning of Period | Charge-offs | Recoveries | Provision for Credit Losses | Balance at End of Period | Finance Receivables at End of Period | Allowance as Percentage of Finance Receivables at End of Period |
|---|---|---|---|---|---|---|---|
| Personal Property | $ 58,356,329 | $ (81,957,312) | $ 17,195,233 | $ 71,233,173 | $ 64,828,073 | $ 535,815,204 | 12.1% |
| Real Estate | 80,370 | (161,535) | 60,524 | 82,887 | 62,228 | 21,052,511 | 0.3% |
| Sales Finance | 3,872,379 | (4,816,936) | 1,255,054 | 3,514,494 | 3,824,991 | 100,755,851 | 3.8% |
| Total loans | $ 62,309,978 | $ (86,935,783) | $ 18,511,711 | $ 74,830,504 | $ 68,715,910 | $ 657,623,566 | 10.4% |

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 4. Finance Receivables (Continued)**

| *December 31, 2018* | Balance at Beginning of Period | Charge-offs | Recoveries | Provision for Credit Losses | Balance at End of Period | Finance Receivables at End of Period | Allowance as Percentage of Finance Receivables at End of Period |
|---|---|---|---|---|---|---|---|
| Personal Property | $ 52,197,422 | $ (72,161,767) | $ 17,174,707 | $ 61,146,597 | $ 58,358,928 | $ 505,858,790 | 11.5% |
| Real Estate | 65,126 | (359,004) | 52,002 | 322,918 | 80,970 | 24,824,722 | 0.3% |
| Sales Finance | 3,209,164 | (5,474,888) | 1,273,050 | 4,864,853 | 3,872,078 | 96,765,157 | 4.0% |
| Total loans | $ 55,471,712 | $ (77,995,779) | $ 18,499,789 | $ 66,334,255 | $ 62,309,978 | $ 626,448,669 | 9.9% |

Finance receivables at the end of the period represents consumer finance receivables less unearned income and unearned discount on acquired loans.

The Company classifies delinquent accounts based upon the number of contractual installments past due. An aging of delinquent gross finance receivables as of December 31, 2019 and 2018 is as follows:

| *December 31, 2019* | Current | Past Due 30-90 Days | Past Due 91-150 Days | Past Due Greater Than 150 Days | Total |
|---|---|---|---|---|---|
| Personal Property | $ 643,681,623 | $ 65,530,913 | $ 18,712,659 | $ 19,351 | 727,924,546 |
| Real Estate | 27,571,955 | 2,841,499 | 158,506 | 257,920 | 30,829,880 |
| Sales Finance | 149,234,028 | 4,717,251 | 1,389,911 | 662 | 155,341,852 |
| Gross Finance Receivables | $ 820,487,606 | $ 73,089,663 | $ 20,261,076 | $ 277,933 | $ 914,096,278 |
| *Percentage of total receivables* | 89.75% | 8.00% | 2.22% | 0.03% | 100.00% |

| *December 31, 2018* | Current | Past Due 30-90 Days | Past Due 91-150 Days | Past Due Greater Than 150 Days | Total |
|---|---|---|---|---|---|
| Personal Property | $ 595,952,355 | $ 64,468,025 | $ 20,300,517 | $ - | $ 680,720,897 |
| Real Estate | 31,661,875 | 2,393,993 | 532,200 | 476,640 | 35,064,708 |
| Sales Finance | 143,226,326 | 4,740,286 | 1,241,533 | 5,056 | 149,213,201 |
| Gross Finance Receivables | $ 770,840,556 | $ 71,602,304 | $ 22,074,250 | $ 481,696 | $ 864,998,806 |
| *Percentage of total receivables* | 89.11% | 8.28% | 2.55% | 0.06% | 100.00% |

Nonperforming loans consisted of loans past due greater than 150 days and approximated $278,000 and $482,000 at December 31, 2019 and 2018, respectively. Additionally, the Company had gross finance receivables relating to customers in bankruptcy and which the terms of the original contract have been modified approximating $4,925,000 and $4,986,000 at December 31, 2019 and 2018, respectively.

First Tower Finance Company LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 5. Property and Equipment**

Property and equipment at December 31, 2019 and 2018 is as follows:

| | Estimated Useful Lives | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Land | | $ 441,890 | $ 441,890 |
| Building and improvements | 15 to 40 years | 3,780,201 | 3,879,735 |
| Office furniture and fixtures | 5 to 10 years | 3,151,537 | 2,904,330 |
| Information systems equipment | 3 to 5 years | 20,633,169 | 19,343,963 |
| Information systems software | 12 years | 16,157,539 | 14,659,588 |
| Automotive equipment | 3 years | 1,597,065 | 1,453,111 |
| Leasehold improvements | 5 years | 2,847,813 | 2,576,401 |
| Information systems in development | - | 104,862 | 322,644 |
| | | 48,714,076 | 45,581,662 |
| Less accumulated depreciation | | 20,640,297 | 14,964,219 |
| Property and equipment, net | | $ 28,073,779 | $ 30,617,443 |

Depreciation expense for the years ended December 31, 2019, 2018 and 2017 approximated $6,010,000, $3,568,000 and $2,962,000, respectively.

**Note 6. Goodwill and Intangible Assets**

A summary of goodwill is as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Goodwill | $ 136,176,452 | $ 136,176,452 |

A summary of the intangible assets and their estimated finite lives were as follows:

| | Estimated Useful Lives | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Trade names | 5 to 15 years | $ 24,400,000 | $ 24,400,000 |
| Non-competition and license agreements | 2 to 4 years | 2,323,800 | 2,323,800 |
| Internally developed technology | 2 years | 1,000,000 | 1,000,000 |
| Customer relationships and other | 2 to 3 years | 488,700 | 488,700 |
| | | 28,212,500 | 28,212,500 |
| Less accumulated amortization | | 16,229,456 | 14,622,789 |
| Intangible assets, net | | $ 11,983,044 | $ 13,589,711 |

Aggregate amortization expense for intangible assets for each of the years ended December 31, 2019 and 2018 approximated $1,607,000 and for the year ended December 31, 2017 approximated $1,834,000. Amortization expense of the finite-lived intangible assets is estimated to approximate $1,607,000 annually for the next five years.

## Note 7. Notes Payable and Credit Arrangements for Business Operations

The Company is party to a revolving loan agreement dated June 15, 2012, which provided for a total credit facility of up to $400,000,000, which would have terminated on July 19, 2020. The agreement provides for an increase in the credit facility of an additional $50,000,000, if needed. Borrowings are limited to a borrowing base as defined in the related agreement.

On March 9, 2018, in connection with the acquisition of HF, the Company amended the revolving loan agreement, which increased its total credit facility to $475,000,000 and extended its termination date from July 19, 2020 to March 9, 2021.

Borrowings under the revolving loan agreement bear interest at an annualized referenced rate equal to the higher of (i) the federal funds rate plus 0.50%, (ii) the lenders prime rate, or (iii) LIBOR plus 1%, and adjusted for an applicable margin based upon the current borrowing availability. The applicable margin ranges from 1.5% to 3% depending on the reference rate and borrowing availability percentage as defined in the agreement. The agreement includes a fee for unused credit, which is either 0.375% or 0.50% of the unused revolving loan. The fee for unused credit paid by the Company was calculated at the rate of 0.375%. Borrowings are collateralized by substantially all of the Company's consumer finance assets, including finance receivables and intangibles.

The revolving loan agreement contains covenants which place restrictions on the Company, including limitations on distributions, additional indebtedness, transactions with affiliates, and require that certain minimum interest coverage and senior debt leverage ratios be maintained. Distributions for the months of December 2019, January 2020 and February 2020 exceeded the amounts allowed by the covenants and as a result were events of default. Subsequent to year-end and prior to the issuance of this report, the Company received a waiver on the events of default and an amendment to the agreement was executed removing the distribution limitation through September 30, 2020. The Company is in discussions with current and prospective lenders regarding an amendment to extend the current agreement or entering into a new revolving loan agreement which it expects to execute prior to the March 9, 2021 expiration of the current agreement.

The Company had an $11,000,000 line of credit that was extended in June 2017 and a letter of credit in the amount of $1,000,000, which both terminated on June 29, 2019. The agreement was superseded on October 29, 2019 with a $10,000,000 line of credit, which terminates on June 30, 2021. Advances under the line of credit bear interest at one-month LIBOR plus 2.75% with a floor rate defined as the greater of 1% or the applicable LIBOR rate in effect at any given time, adjusted monthly, and are collateralized by all of the outstanding shares of American Federated Life Insurance Company and a first deed of trust on the Company's corporate office, located in Flowood, MS.

At December 31, 2019 and 2018, the amount outstanding under the revolving loan agreement was approximately $414,829,000 and $400,026,000, respectively, with an average effective interest rate of 5.28% and 4.94%, respectively. The amount outstanding under the other revolving line of credit was approximately $9,377,000 with an interest rate of 4.51% and $6,492,000 with an interest rate of 5.14% at December 31, 2019 and 2018, respectively. Interest is payable monthly.

## Note 8. Subordinated Notes Payable to Members

On June 24, 2014, First Tower, LLC ("FT LLC") issued subordinated term loan notes payable to the members of the Company in the aggregate amount of $313,844,000 pursuant to a subordinated loan agreement (the "Subordinated Loan Agreement"). The proceeds of the subordinated term loans were distributed to the Company, which were then distributed to its members as a return of capital.

**Note 8. Subordinated Notes Payable to Members (Continued)**

Under the terms of the Subordinated Loan Agreement, these subordinated term loans initially bore interest at a rate per annum equal to 10% plus a paid-in-kind rate (the "PIK Rate") of 7%. Interest accruing at the 10% rate is payable monthly in cash and the PIK Rate interest is payable monthly in cash, at FT LLC's option, subject to certain restrictions as specified by the terms of a subordination and intercreditor agreement with lenders of the Company's credit facility and revolving line of credit (See Note 7). Accruing PIK Rate interest that may be prohibited from being paid currently under the subordination and intercreditor agreement as a result of distributable income limitations from operating subsidiaries is automatically added to the principal of the subordinated term loan notes. Effective on April 1, 2018, the loan agreement was amended to increase the PIK rate to 10%. Effective on January 1, 2019, the loan agreement was amended to increase the PIK rate to 10.5%.

The subordinated term loan notes mature on the earlier of June 24, 2024 or six months after the termination of the Company's credit facility. Subject to the subordination and intercreditor agreement, FT LLC may prepay in whole or in part amounts outstanding.

However, any amounts prepaid prior to the third anniversary of the issuance would be subject to a prepayment premium ranging from 1% – 3% depending on the timing of the prepayment. FT LLC's obligations under the subordinated term loan notes are secured by a lien granted to Prospect Capital Corporation as collateral agent for the benefit of the holders of the subordinated term loan notes against all of the LLC interests of its wholly-owned finance company subsidiaries and all other FT LLC assets.

The Subordinated Loan Agreement contains various provisions which require FT LLC to make mandatory prepayments, subject to specified exceptions, with the proceeds of asset dispositions, debt and specified equity issuances, changes of control, and certain other events. In addition to other covenants, the Subordinated Loan Agreement places limits on FT LLC and its subsidiaries' ability to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, make capital expenditures, engage in mergers, acquisitions and asset sales, transact with affiliates and alter its business. Further, the Subordinated Loan Agreement contains events of default, including cross defaults under other debt obligations of the Company.

In December 2015, the Company issued an additional $5,000,000 in subordinated term loan notes under the same terms as the other subordinated term loan notes. On March 9, 2018, the Company issued an additional $21,137,284 in subordinated tern loan notes under the same terms as the other subordinated term loan notes. At December 31, 2019 and 2018, the principal amount outstanding of the subordinated term loan notes payable was approximately $347,247,000 and $339,981,000, respectively. Interest expense, including PIK Rate interest, incurred on the subordinated term loan notes approximated $71,757,000, $65,791,000 and $56,030,000 during 2019, 2018 and 2017, respectively.

In February 2019, the loan agreement was amended to change the maturity date to the earlier of June 24, 2024 and the date that is six months after the earlier to occur of the maturity date or the termination of the loan agreement.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 9. Policy Claim Liabilities**

Activity in policy claim reserves, including claim adjustment expenses, by significant lines of business for the years ended December 31, 2019 and 2018, is summarized as follows:

| *For the year ending December 31, 2019* | Property & Casualty Business | Life & Accident/ Health Business | Total |
|---|---|---|---|
| Balance at January 1, 2019 | $ 406,776 | $ 2,603,337 | $ 3,010,113 |
| Incurred related to current year | 974,379 | 5,934,860 | 6,909,239 |
| Incurred related to prior years | (52,639) | (687,165) | (739,804) |
| Total incurred | 921,740 | 5,247,695 | 6,169,435 |
| Paid related to current year | 760,550 | 3,949,092 | 4,709,642 |
| Paid related to prior years | 172,129 | 1,465,718 | 1,637,847 |
| Total paid | 932,679 | 5,414,810 | 6,347,489 |
| Balance at December 31, 2019 | $ 395,837 | $ 2,436,222 | $ 2,832,059 |

| *For the year ending December 31, 2018* | Property & Casualty Business | Life & Accident/ Health Business | Total |
|---|---|---|---|
| Balance at January 1, 2018 | $ 418,093 | $ 2,365,838 | $ 2,783,931 |
| Incurred related to current year | 1,072,904 | 5,945,842 | 7,018,746 |
| Incurred related to prior years | (83,107) | (331,275) | (414,382) |
| Total incurred | 989,797 | 5,614,567 | 6,604,364 |
| Paid related to current year | 825,563 | 3,785,419 | 4,610,982 |
| Paid related to prior years | 175,551 | 1,591,649 | 1,767,200 |
| Total paid | 1,001,114 | 5,377,068 | 6,378,182 |
| Balance at December 31, 2018 | $ 406,776 | $ 2,603,337 | $ 3,010,113 |

First Tower Finance Company LLC and Subsidiaries

Notes to Consolidated Financial Statements

## Note 9. Policy Claim Liabilities (Continued)

Incurred and paid claim development, by accident year for the property and casualty lines of business, for the year ended December 31, 2019, is summarized as follows:

| | Net Incurred Claims for the Year Ended December 31, | | | As of December 31, 2019 | |
|---|---|---|---|---|---|
| *AFIC Property & Casualty Accounts* | 2017 | 2018 | 2019 | Total of Incurred-but-Not-Reported Liabilities Plus Expected Development | Cumulative Number of Reported Claims |
| Accident year | | | | | |
| 2017 | $1,067,850 | $1,071,770 | $997,700 | 21,720 | 976 |
| 2018 | - | 1,072,904 | 1,110,680 | 117,410 | 993 |
| 2019 | - | - | 974,379 | 255,707 | 781 |
| Net incurred claims | $ 1,067,850 | $ 2,144,674 | $ 3,082,759 | | |

| | Net Cumulative Claim Payments for the Year Ended December 31, | | |
|---|---|---|---|
| *AFIC Property & Casualty Accounts* | 2017 | 2018 | 2019 |
| Accident year | | | |
| 2017 | $815,770 | $973,360 | $975,980 |
| 2018 | - | 825,564 | 993,272 |
| 2019 | - | - | 760,550 |
| Net cumulative claim payments | $ 815,770 | $ 1,798,924 | $ 2,729,802 |
| All outstanding liabilities before 2017, net of reinsurance | | | 42,680 |
| Liabilities for claims and claim adjustment expenses, net of reinsurance | | | $ 395,637 |

The incurred but not reported liability for the property and casualty lines of business approximated $396,000 and $407,000 as of December 31, 2019 and 2018, respectively. The average annual percentage payout of incurred claims for the property and casualty lines of business was approximately 76% in year 1, 16% in year 2 and 8% in year 3.

First Tower Finance Company LLC and Subsidiaries

**Notes to Consolidated Financial Statements**

## Note 9. Policy Claim Liabilities (Continued)

Incurred and paid claim development, by accident year for the life and accident/health lines of business, for the year ended December 31, 2019, is summarized as follows:

| *AFLIC Life & Accident/Health Accounts* | Net Incurred Claims for the Year Ended December 31, 2017 | 2018 | 2019 | As of December 31, 2019: Total of Incurred-but-Not-Reported Liabilities Plus Expected Development | As of December 31, 2019: Cumulative Number of Reported Claims |
|---|---|---|---|---|---|
| Accident year | | | | | |
| 2017 | $ 5,222,197 | $ 5,832,844 | $ 5,735,907 | 45,713 | 10,999 |
| 2018 | | 5,945,843 | 5,413,404 | 71,889 | 10,358 |
| 2019 | | | 5,934,860 | 736,646 | 10,007 |
| Net incurred claims | $ 5,222,197 | $ 11,778,687 | $ 17,088,231 | | |

| *AFLIC Life & Accident/Health Accounts* | Net Cumulative Claim Payments for the Year Ended December 31, 2017 | 2018 | 2019 |
|---|---|---|---|
| Accident year | | | |
| 2017 | $ 4,196,224 | $ 5,485,857 | $ 5,653,804 |
| 2018 | | 3,786,420 | 5,061,850 |
| 2019 | | | 3,949,192 |
| Net cumulative claim payments | $ 4,196,224 | $ 9,272,277 | $ 14,664,846 |
| All outstanding liabilities before 2017, net of reinsurance | | | 12,837 |
| Liabilities for claims and claim adjustment expenses, net of reinsurance | | | $ 2,436,222 |

The incurred but not reported liability for the life and accident/health lines of business approximated $854,000 and $1,043,000 as of December 31, 2019 and 2018, respectively.

## Note 10. Income Taxes

The Company's insurance subsidiaries file income tax returns in the U. S. federal jurisdiction and in the states in which they operate. The multiple state tax jurisdictions in which the insurance subsidiaries operate require the appropriate allocation of income and expense to each state based on a variety of apportionment or allocation bases.

The provision (benefit) for income taxes of the Company's insurance subsidiaries for the years ended December 31, 2019, 2018 and 2017 consisted of the following:

| *December 31,* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Current expense (benefit) | $ (666,965) | $ 513,100 | $ 1,259,270 |
| Deferred expense (benefit) | 891,310 | 349,518 | (3,080,985) |
| Income tax expense (benefit) | $ 224,345 | $ 862,618 | $ (1,821,715) |

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 10. Income Taxes (Continued)**

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act contained several key provisions that impacted the Company's business, including a reduction in the U.S. federal corporate tax rate from 34% to 21% effective January 1, 2018 as well as a change in how insurance companies discount loss reserves. At December 31, 2017, the Company made a reasonable estimate of the effects on its existing deferred tax balances. The deferred tax assets and deferred tax liabilities as of December 31, 2017 were re-measured based on the rates at which they are expected to reverse in the future, which was generally 21%. As a result, the Company recognized a benefit of approximately $826,000 in 2017 related to the re-measurement of deferred taxes, which was included as a component of income tax expense from continuing operations.

The Company did not have unrecognized tax benefits as of December 31, 2019 and does not expect this to change significantly over the next 12 months. It is the Company's policy to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2019, the Company had no accrued interest or penalties related to uncertain tax positions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes relating to the Company's insurance subsidiaries. The tax effects of significant items comprising the Company's net deferred tax liability and asset were as follows:

| *December 31,* | 2019 | 2018 |
|---|---|---|
| Deferred tax assets: | | |
| Policy claim reserves and unearned premiums | $ 2,759,268 | $ 3,436,019 |
| Net operating and capital loss carryforwards | 621,261 | 485,539 |
| Unrealized holding losses on equity securities | - | 53,141 |
| Unrealized losses on debt securities available for sale | - | 58,282 |
| | 3,380,529 | 4,032,981 |
| Deferred tax liabilities: | | |
| Remaining reserve adjustment | 220,867 | 746,581 |
| Goodwill and intangible assets | 4,416,106 | 3,896,966 |
| Deferred acquisition costs | 5,844,604 | 5,568,307 |
| Unrealized gain on equity securities | 27,415 | - |
| Unrealized gain on debt securities available for sale | 420,398 | - |
| | 10,929,390 | 10,211,854 |
| Deferred tax liabilities, net | $ (7,548,861) | $ (6,178,873) |

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 10. Income Taxes (Continued)**

The income tax expense (benefit) differs from the amount computed by applying the federal statutory rates of 21% (in 2019 and 2018) and 34% in 2017 to income (loss) before income taxes as follows:

| *December 31,* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Consolidated income (loss) before taxes | $ (5,187,849) | $ (4,018,627) | $ 965,724 |
| Less: non-taxable entities | (8,932,691) | (6,991,507) | (3,578,477) |
| Income (loss) before taxes from taxable entities | $ 3,744,842 | $ 2,972,880 | $ 4,544,201 |
| | | | |
| Tax based on federal statutory rate | $ 786,417 | $ 624,304 | $ 1,545,028 |
| Non-taxable interest income | (126,279) | (140,081) | (220,361) |
| State income taxes and other | 50,741 | 81,254 | 106,334 |
| Transactional costs | (27,678) | (17,299) | (44,812) |
| Enacted tax law rate change from revaluation of deferred income taxes | - | - | (3,159,681) |
| AMT and adjustments to prior year taxes | (458,856) | 314,440 | (48,223) |
| Income tax expense (benefit) | $ 224,345 | $ 862,618 | $ (1,821,715) |

The Company's insurance subsidiaries have approximately $1,794,000 in federal and $399,000 in state net operating loss carryforwards, that will expire in 2032, if not used.

**Note 11. Employee Profit Sharing Plan**

The Company established three profit sharing plans covering substantially all the Company's employees. A nonstandardized profit sharing plan was established for managers on January 1, 2015. Employer and participants' contributions are nonelective and at the sole discretion of the employer. Contributions are allocated as a uniform percentage of participant compensation.

The Company also established a plan which is intended to providing selected officers, members of the executive group, home office or district supervisors of the Company or its Affiliates, or the assistant to the chief executive officer of the Company, incentive awards for superior performance. The plan is intended to be a nonqualified deferred compensation plan that complies with the provisions of Section 409A of the Internal Revenue Code. The plan is also intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

Remaining employees are covered by a 401(k) provision which allows employees to contribute salary subject to the maximum contribution allowed by the IRS. The Company matches 50% of the first 6% of employee contributions. Additional contributions may be made at the discretion of the Company. Profit sharing expense approximated $629,000, $548,000 and $501,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 12. Members Equity**

The Company's capital structure consists of four classes of member common units. All classes of common units, except for Class D common units, share in the profits and losses of the Company and in the distributions of member capital on a pro-rata basis in proportion to total number of such units outstanding. The four classes of member common units are as follows:

- Class A common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 119,488,028 Class A common units issued to members outstanding as of December 31, 2019 and 2018. Issuance of additional Class A common units in excess of 10% of the fully diluted outstanding units of Class A and Class B common units require the approval of at least 81% of the outstanding Class A common units.

- Class B common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 68,031 Class B common units as of December 31, 2019 and 2018.

- Class C common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. As of December 31, 2019 and 2018, no Class C common units have been issued. These units will be issued upon the conversion of Class D common units.

- Class D common units – These units have no voting rights and are unvested upon issuance. Class D common units vest over a ten-year period beginning June 15, 2012 at 10% per year. Unvested Class D common units are forfeited upon the termination of the holder's employment for any reason. Each holder of Class D common units has the right to convert such units to Class C common units at a ratio of four Class D common units for one Class C common unit provided that (i) the date of such conversion occurs no earlier than the 10th anniversary of June 15, 2012, (ii) such holder notifies the Company thirty days prior to conversion, and (iii) the internal rate of return as of the most recent fiscal quarter exceeds a pre-defined minimum. On June 14, 2012, the Company entered into employment contracts with two key executives and, in connection therewith, granted these executives 12,941,176 unvested Class D common units with an estimated fair value at date of grant of approximately $698,000. Compensation expense related to Class D common units approximated $70,000 annually for the years ended December 31, 2019, 2018 and 2017.

Members have no power to vote on any matter except matters on which a vote of units is required pursuant to the Company's Operating Agreement. The Operating Agreement provides for, among other things, limitations on the transfer of member units, rights of first refusal, pre-emptive rights, and certain call and put provisions.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 13. Statutory Financial Information of Insurance Subsidiaries**

GAAP differs in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (Statutory). A reconciliation between net income and stockholder's equity of the Company's insurance subsidiaries as reported under GAAP and Statutory follows as of December 31, 2019, 2018 and 2017:

| *December 31, 2019* | Net Income (Loss) | Stockholder's Equity |
|---|---|---|
| GAAP basis, including effects of purchase accounting | $3,520,495 | $95,268,060 |
| Adjustments to: | | |
| Non-admitted assets | - | (119,101) |
| Accumulated depreciation | - | 32,533 |
| Investment securities and related unrealized gains | (379,790) | (1,751,019) |
| Deferred acquisition costs | (1,363,722) | (27,050,065) |
| Goodwill and intangible assets | | (41,975,470) |
| Policy claim reserves and unearned premiums | 339,532 | 6,140,522 |
| Deferred income taxes and income taxes payable | 624,621 | (2,966,503) |
| Asset valuation and interest maintenance reserves | (6,835) | (98,843) |
| Statutory Basis | $ 2,734,301 | $ 27,479,014 |

| *December 31, 2018* | Net Income (Loss) | Stockholder's Equity |
|---|---|---|
| GAAP basis, including effects of purchase accounting | $1,983,979 | $88,522,667 |
| Adjustments to: | | |
| Non-admitted assets | 1,600 | (69,025) |
| Accumulated depreciation | - | (19,143) |
| Investment securities and related unrealized gains | 795,250 | 103,703 |
| Deferred acquisition costs | (2,298,195) | (25,686,345) |
| Goodwill and intangible assets | - | (41,975,470) |
| Policy claim reserves and unearned premiums | 1,828,446 | 5,801,093 |
| Deferred income taxes and income taxes payable | 480,432 | (6,071,605) |
| Asset valuation and interest maintenance reserves | 17,787 | (80,502) |
| Statutory Basis | $ 2,809,299 | $ 20,525,373 |

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 13. Statutory Financial Information of Insurance Subsidiaries (Continued)**

| *December 31, 2017* | | Net Income (Loss) | | Stockholder's Equity |
|---|---|---|---|---|
| GAAP basis, including effects of purchase accounting | $ | 6,393,419 | $ | 90,148,542 |
| Adjustments to: | | | | |
| Non-admitted assets | | 1,600 | | (69,025) |
| Accumulated depreciation | | - | | (20,743) |
| Investment securities and related unrealized gains | | 94,441 | | (463,583) |
| Deferred acquisition costs | | (805,349) | | (23,347,454) |
| Goodwill and intangible assets | | - | | (41,975,470) |
| Policy claim reserves and unearned premiums | | 2,813,978 | | 1,212,018 |
| Deferred income taxes and income taxes payable | | (3,107,304) | | (425,212) |
| Asset valuation and interest maintenance reserves | | 41,073 | | (141,963) |
| Statutory Basis | $ | 5,631,858 | $ | 24,917,110 |

Under state statutes, each of the insurance subsidiaries is required to maintain minimum capital and surplus of $1,500,000. The Company's insurance subsidiaries paid extraordinary dividends, which were approved by the Mississippi Insurance Department, of $5,000,000 in 2018 in addition to regular dividends. No extraordinary dividends were paid in 2019 and in 2017.

Insurance regulations limit the amount of dividends that may be paid without approval of the insurance subsidiaries' regulatory agency. At December 31, 2019 and 2018, there were no undistributed earnings and surplus available for future distributions as dividends are not permitted, without the prior approval of the State of Mississippi Insurance Department.

The National Association of Insurance Commissioners (NAIC) measures the adequacy of an insurance company's capital by its risk-based capital ratio (the ratio of its total capital, as defined, to its risk-based capital). The requirements provide a measurement of minimum capital appropriate for an insurance company to support its overall business operations based upon its size and risk profile which considers (i) asset risk, (ii) insurance risk, (iii) interest rate risk, and (iv) business risk. An insurance company's risk-based capital is calculated by applying a defined factor to various statutory-based assets, premiums, and reserve items, wherein the factor is higher for items with greater underlying risk.

The State of Mississippi statutes have provided levels of progressively increasing regulatory action for remedies when an insurance company's risk-based capital ratio falls below a ratio of 2:1. As of December 31, 2019 and 2018 (latest information available), the Company's insurance subsidiaries were in compliance with these minimum capital requirements as follows:

| *December 31, 2019* | | AFLIC | | AFIC |
|---|---|---|---|---|
| Total adjusted capital | $ | 10,975,271 | $ | 16,592,599 |
| Authorized control level risk-based capital | | 948,075 | | 4,286,578 |
| Ratio of adjusted capital to risk based capital | | 11.6:1 | | 3.9:1 |

**Note 13. Statutory Financial Information of Insurance Subsidiaries (Continued)**

| *December 31, 2018* | AFLIC | AFIC |
|---|---|---|
| Total adjusted capital | $ 10,082,993 | $ 14,383,684 |
| Authorized control level risk-based capital | 516,792 | 3,374,874 |
| Ratio of adjusted capital to risk based capital | 19.5:1 | 4.3:1 |

**Note 14. Leases**

The Company leases office facilities under non-cancellable operating leases. Rental expense, included in other operating expenses on the consolidated statements of operations and comprehensive income (loss), approximated $3,369,000, $3,382,000 and $2,780,000 for the years ended December 31, 2019, 2018 and 2017, respectively. Future minimum lease payments at December 31, 2019 are as follows:

| | |
|---|---|
| Fiscal Year 2020 | $ 2,833,083 |
| Fiscal Year 2021 | 2,136,740 |
| Fiscal Year 2022 | 1,666,018 |
| Fiscal Year 2023 | 1,188,882 |
| Fiscal Year 2024 | 448,827 |
| Thereafter | 16,163 |
| | $ 8,289,713 |

**Note 15. Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of finance receivables. Concentrations of credit risk with respect to finance receivables are limited due to the large number of customers comprising the Company's customer base. These finance receivables are mainly from customers located in Mississippi, Louisiana, Alabama, Illinois and Missouri.

At December 31, 2019 and 2018, the Company had funds on deposit with depository and investment institutions in excess of insured limits of approximately $8,036,000 and $7,136,000, respectively. The Company periodically assesses the financial condition of the financial institutions in which it conducts transactions and believes the risk of any loss is minimal

First Tower Finance Company LLC and Subsidiaries

Notes to Consolidated Financial Statements

## Note 16. Fair Value Measurements

The fair value measurements by input level at December 31, 2019 and 2018 for assets and liabilities measured at fair value on a recurring basis follow:

| *December 31, 2019* | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity securities | $ 2,078,184 | $ 2,078,184 | $ - | $ - |
| Available-for-sale debt securities: | | | | |
| U.S. Government agencies and corporations | 7,865,645 | 7,865,645 | - | - |
| Obligations of states and political subdivisions | 35,836,515 | - | 35,836,515 | - |
| Corporate securities | 16,670,474 | - | 16,670,474 | - |
| Commercial mortgage-backed securities | 695,049 | - | 695,049 | - |
| | $ 63,145,867 | $ 9,943,829 | $ 53,202,038 | $ - |

| *December 31, 2018* | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity securities | $ 1,709,318 | $ 1,709,318 | $ - | $ - |
| Available-for-sale debt securities: | | | | |
| U.S. Government agencies and corporations | 8,993,441 | 8,993,441 | - | - |
| Obligations of states and political subdivisions | 31,292,387 | - | 31,292,387 | - |
| Corporate securities | 16,174,747 | - | 16,174,747 | - |
| Commercial mortgage-backed securities | 703,608 | - | 703,608 | - |
| | $ 58,873,501 | $ 10,702,759 | $ 48,170,742 | $ - |

Certain assets and liabilities are potentially measured at fair value on a nonrecurring basis (for example, when there is evidence of impairment). In addition to the assets and liabilities measured at fair value at date of acquisition (see Note 2), assets measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), and intangible assets and other non-financial long-lived assets subject to measurement at fair value for impairment assessment. During the years ended December 31, 2019, 2018 and 2017, certain foreclosed real estate assets, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for credit losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset, upon initial recognition, is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. Foreclosed assets measured at fair value upon initial recognition during the years ended December 31, 2019, 2018 and 2017 were not material.

**First Tower Finance Company LLC and Subsidiaries**

**Notes to Consolidated Financial Statements**

## Note 17. Disclosures About Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial assets and liabilities and their level within the fair value hierarchy are summarized below:

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| *December 31,* | Input Level | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets: | | | | | |
| Cash and cash equivalents | 1 | $ 9,038,000 | $ 9,038,000 | $ 9,093,211 | $ 9,093,211 |
| Equity securities | 1 | 2,078,184 | 2,078,184 | 1,709,318 | 1,709,318 |
| Investment securities available for sale | 2 | 61,067,683 | 61,067,683 | 57,164,183 | 57,164,183 |
| Finance receivables - net | 3 | 596,519,761 | 548,514,330 | 570,931,026 | 528,715,298 |
| Financial Liabilities: | | | | | |
| Notes payable | 3 | 424,066,378 | 406,518,764 | 406,518,764 | 406,518,764 |
| Subordinated notes payable to members | 3 | 347,246,929 | 339,981,294 | 339,981,294 | 339,981,294 |

Certain financial instruments are not carried at fair value in the accompanying consolidated balance sheets, including receivables, payables and accrued liabilities. The carrying amount of financial instruments not carried at fair value is a reasonable estimate of their fair value because of the generally short periods of time in which these related assets or liabilities are expected to be realized or liquidated, and because they do not present unanticipated credit concerns.

The estimated fair values are significantly affected by assumptions used, principally the timing of future cash flows, the discount rate, judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Because assumptions are inherently subjective in natures, the estimated fair values cannot be substantiated by comparison to independent quotes and, in many cases, the estimated fair values could not necessarily be realized in an immediate sale or settlement of the instrument. Potential tax ramifications related to the realization of unrealized gains and losses that would be incurred in an actual sale and/or settlement have not been taken into consideration.

## Note 18. Contingencies

As of December 31, 2019, the Company is involved in various legal actions resulting from normal business activities. Many of these actions do not specify an amount of damages. Also, many of these actions are in very early stages of discovery or discovery has not begun. As a result, legal counsel is unable to provide an estimate of the probability or range of potential exposure. However, and based on its experience with lawsuits alleging similar claims management is of the opinion that the resolution of such actions will not result in a material adverse effect on the consolidated financial statements.

## Note 19. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and

First Tower Finance Company LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 19. Subsequent Events (Continued)**

quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Company. From March through May 2020, the Company experienced declines in loan originations. Since May 2020, loan originations have returned to normal levels. To date, loan collections, delinquency and credit loans have not been adversely affected.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including the allowances for credit losses and the values of investments in debt and equity securities.