PROSPECT CAPITAL CORP
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PROSPECTUS SUPPLEMENT
(To Prospectus dated October 15, 2013)

Prospect Capital Corporation

5.000% Senior Notes due 2019

This is an offering by Prospect Capital Corporation of $255,000,000 in aggregate principal amount of its 5.000% Senior Notes due 2019, which we refer to in this prospectus supplement as the Notes. The Notes will mature on July 15, 2019. We will pay interest on the Notes on January 15 and July 15 of each year, beginning July 15, 2014. The Notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. We may offer other debt securities from time to time other than the Notes under our Registration Statement or in private placements.

The Notes will be our direct senior unsecured obligations and rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by Prospect Capital Corporation.

Prospect Capital Corporation is a financial services company that lends to and invests in middle market, privately-held companies. We are organized as an externally-managed, non-diversified closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. Prospect Capital Management LLC manages our investments and Prospect Administration LLC provides the administrative services necessary for us to operate.

We previously issued $50,000,000 in aggregate principal amount of 4.75% Senior Notes due 2019 (the "Exchange Notes") pursuant to our Prospect Capital InterNotes® program that provided original holders of such Exchange Notes with the option of exchanging such Exchange Notes for any issue of additional notes by us of at least $250,000,000 in aggregate principal amount that are pari passu with such Exchange Notes. Holders of $45,000,000 aggregate principal amount of Exchange Notes exercised their option to exchange such notes for the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page S-11 of this prospectus supplement and page 12 of the accompanying prospectus.

	Per Note	Total
Public offering price(1)	100.00%	$255,000,000
Underwriting discounts and commissions (sales loads)	1.50%	$3,825,000
Proceeds to Prospect Capital Corporation (before expenses)(2)	98.50%	$251,175,000

(1)

The public offering price set forth above does not include accrued interest, if any.

(2) Expenses payable by us related to this offering are estimated to be $400,000.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about April 7, 2014.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read this prospectus supplement and the accompanying prospectus before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the "SEC". This information is available free of charge by contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Barclays **Goldman, Sachs & Co.** **RBC Capital Markets** **UBS Investment Bank**

BNP PARIBAS

BMO Capital Markets

BB&T Capital Markets **Fifth Third Securities** **KeyBanc Capital Markets** **Mitsubishi UFJ Securities**

Prospectus Supplement dated April 2, 2014

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," which involve substantial risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs, and our assumptions. Words such as "intends," "intend," "intended," "goal," "estimate," "estimates," "expects," "expect," "expected," "project," "projected," "projections," "plans," "seeks," "anticipates," "anticipated," "should," "could," "may," "will," "designed to," "foreseeable future," "believe," "believes" and "scheduled" and variations of these words and similar expressions are intended to identify forward-looking statements. Our actual results or outcomes may differ materially from those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was 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. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- 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 ability of our portfolio companies to achieve their objectives,
- difficulty in obtaining financing or raising capital, especially in the current credit and equity environment,
- the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets,
- 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 our investment adviser to locate suitable investments for us and to monitor and administer our investments,

authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the SEC, 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, and

- the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, ability to obtain certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement and the accompanying prospectus, respectively, should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus, respectively. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement or the accompanying prospectus, as applicable. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933, as amended, or the "Securities Act."

You should rely only on the information contained in this prospectus supplement, including any pricing supplement included hereto, and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained in this prospectus supplement, including any pricing supplement included hereto, or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information appearing in this prospectus supplement, including any pricing supplement included hereto, and the accompanying prospectus is accurate only as of their respective dates and we assume no obligation to update any such information. Our business, financial condition and results of operations may have changed since those dates. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

This prospectus supplement, including any pricing supplement included hereto, supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in that prospectus.

TABLE OF CONTENTS
PROSPECTUS SUPPLEMENT

PROSPECTUS

PROSPECTUS SUMMARY

This summary highlights some of the information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" in this prospectus supplement and in the accompanying prospectus and the other information included in this prospectus supplement and the accompanying prospectus.

The terms "we," "us," "our" and "Company" refer to Prospect Capital Corporation; "Prospect Capital Management," "Investment Adviser" and "PCM" refer to Prospect Capital Management LLC; and "Prospect Administration" and the "Administrator" refer to Prospect Administration LLC.

The Company

We are a financial services company that primarily lends to and invests in middle market privately-held companies. In this prospectus supplement and the accompanying prospectus, we use the term "middle-market" to refer to companies with annual revenues of less than $750 million and enterprise values of less than $1 billion. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the "1940 Act." We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. 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 seven origination strategies in which we make investments: (1) lending in private equity sponsored transactions, (2) lending directly to companies not owned by private equity firms, (3) control investments in corporate operating companies, (4) control investments in financial companies, (5) investments in structured credit, (6) real estate investments, and (7) investments in syndicated debt. We continue to evaluate other origination strategies in the ordinary course of business with no specific tops-down allocation to any single origination strategy.

Lending in Private Equity Sponsored Transactions We make loans to companies which are controlled by leading private equity firms. This debt can take the form of first lien, second lien, unitranche or mezzanine loans. In making these investments, we look for a diversified customer base, recurring demand for the product or service, barriers to entry, strong historical cash flow and experienced management teams. These loans typically have significant equity subordinate to our loan position. Historically, this strategy has comprised approximately 50%-60% of our business, but more recently it is less than 50% of our business.

Lending Directly to Companies We provide debt financing to companies owned by non-private equity firms, the company founder, a management team or a family. Here, in addition to the strengths we look for in a sponsored transaction, we also look for the alignment with the management team with significant invested capital. This strategy often has less competition than the private equity sponsor strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. Direct lending can result in higher returns and lower leverage than sponsor transactions and may include warrants or equity to us. This strategy generally has comprised approximately 10%-15% of our business.

Control Investments in Corporate Operating Companies This strategy involves acquiring controlling stakes in non-financial operating companies. Our investments in these companies are generally structured as a combination of yield-producing debt and equity. We provide certainty of closure to our counterparties, give the seller personal liquidity and generally look for management to continue on in their current roles. This strategy has comprised approximately 10%-15% of our business.

Control Investments in Financial Companies This strategy involves acquiring controlling stakes in financial companies, including consumer direct lending, subprime auto lending and other strategies.

Our investments in these companies are generally structured as a combination of yield-producing debt and equity. These investments are often structured in a tax-efficient RIC (as defined below) -compliant partnership, enhancing returns. This strategy has comprised approximately 10%-15% of our business.

Investments in Structured Credit We make investments in collateralized loan obligations ("CLOs"), generally taking a significant position in the subordinated interests (equity) of the CLOs. The CLOs include a diversified portfolio of broadly syndicated loans and do not have direct exposure to real estate, mortgages, sub-prime debt, or consumer based debt. The CLOs in which we invest are managed by top-tier collateral managers that have been thoroughly diligenced prior to investment. This strategy has comprised approximately 10%-20% of our business.

Real Estate Investments We make investments in real estate through our three wholly-owned tax-efficient real estate investment trusts ("REITs"), American Property Holdings Corp., National Property Holdings Corp. and United Property Holdings Corp. Our real estate investments are in various classes of fully developed and occupied real estate properties that generate current yields. We seek to identify properties that have historically high occupancy and steady cash flow generation. We partner with established property managers with experience in managing the property type to manage such properties after acquisition. This is a more recent investment strategy that has comprised approximately 5%-10% of our business.

Investments in Syndicated Debt On an opportunistic basis, we make investments in loans and high yield bonds that have been sold to a syndicate of buyers. Here we look for investments with attractive risk-adjusted returns after we have completed a fundamental credit analysis. These investments are purchased with a long term, buy-and-hold outlook and we look to provide significant structuring input by providing anchoring orders. This strategy has comprised approximately 5%-10% of our business.

We invest primarily in first and second lien senior loans and mezzanine debt which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated 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. Mezzanine debt and 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 depending on the tranche.

We 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, real estate and financial businesses. In most cases, companies in which we invest are privately held at the time we invest in them.

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 currently 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.

As of December 31, 2013, we held investments in 130 portfolio companies. The aggregate fair value as of December 31, 2013 of investments in these portfolio companies held on that date is approximately $4.9 billion. Our portfolio across all our performing interest-bearing investments had an annualized current yield of 12.9% as of December 31, 2013.

Recent Developments

Recent Investment Activity

On January 7, 2014, we made a $2.0 million investment in NPH Property Holdings, LLC ("NPH"), to support the peer-to-peer lending initiative. We invested $0.3 million of equity and $1.7 million of debt in NPH.

On January 8, 2014, we made a $161.5 million follow-on investment in Broder Bros., Co., a distributor of imprintable sportswear and accessories in the United States.

On January 13, 2014, we made a $2.0 million follow-on investment in NPH. We invested $0.3 million of equity and $1.7 million of debt in NPH.

On January 14, 2014, we made a $2.0 million follow-on investment in NPH. We invested $0.3 million of equity and $1.7 million of debt in NPH.

On January 17, 2014, we made a $2.0 million follow-on investment in NPH. We invested $0.3 million of equity and $1.7 million of debt in NPH.

On January 17, 2014, we made a $6.6 million follow-on investment in APH Property Holdings, LLC ("APH") to acquire the Gulf Coast II Portfolio, a portfolio of two multi-family residential properties located in Alabama and Florida. We invested $1.1 million of equity and $5.5 million of debt in APH.

On January 31, 2014, we made a $4.8 million follow-on investment in NPH to acquire Island Club, a multi-family residential property located in Jacksonville, Florida. We invested $0.8 million of equity and $4.0 million of debt in NPH.

On February 4, 2014, we made a secured debt investment of $25.0 million in Ikaria, Inc., a biotherapeutics company focused on developing and commercializing innovative therapies designed to meet the unique and complex medical needs of critically ill patients.

On February 5, 2014, we sold $8.0 million of our investment in a consumer products company.

On February 5, 2014, we made an investment of $32.4 million to purchase 94.27% of the subordinated notes in ING IM CLO 2014-I, Ltd.

On February 7, 2014, we made an investment of $23.1 million to purchase 63.64% of the subordinated notes in Halcyon Loan Advisors Funding 2014-I, Ltd.

On February 10, 2014, the SEC granted our exemptive application to permit us to participate in negotiated co-investments with our funds managed by Prospect Capital Management LLC, Priority Senior Secured Income Management, LLC or Pathway Energy Infrastructure Management, LLC or affiliated advisers in a manner consistent with our investment objective, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to the conditions therein.

On February 11, 2014, we made a $7.0 million follow-on investment in Interdent, Inc. to fund an acquisition.

On February 11, 2014, we made a secured debt investment of $10.0 million in TriMark USA LLC, a foodservice equipment and supplies distributor and provider of custom kitchen design services.

On February 12, 2014, we made a $2.0 million follow-on investment in NPH to support the peer-to-peer lending initiative. We invested $0.3 million of equity and $1.7 million of debt in NPH.

On February 19, 2014, we provided $17.0 million of secured floating rate financing to support the acquisition of Keane by Lovell Minnick Partners. Keane provides unclaimed property services to many

of the nation's largest financial institutions including transfer agents, mutual funds, banks, brokerages and insurance companies.

On February 21, 2014, we sold $6.5 million of our investment in a consumer products company.

On March 7, 2014, we provided $78.0 million of senior secured floating rate debt to support the continued growth of Tolt Solutions, Inc., a retail-focused information technology services company, providing customized network architecture solutions, installation, deployment, maintenance, and customer support to retailers nationwide.

On March 12, 2014, we made a secured debt investment of $10.0 million in Tectum Holdings, Inc., a manufacturer of aftermarket accessories for the lite-truck market.

On March 18, 2014, we made a $28.3 million follow-on investment in LaserShip, Inc., of which $22.3 million was funded at closing, to finance an acquisition.

On March 20, 2014, New Star Metals, Inc. repaid the $50.5 million loan receivable to us.

On March 25, 2014, we made a secured debt investment of $28.5 million in a provider of contract and permanent placement staffing services, with a strategic focus on the information technology segment.

On March 26, 2014, Material Handling Services, LLC repaid the $64.5 million loan receivable to us.

On March 28, 2014, we provided $277.5 million of secured floating rate debt to support the refinancing of Instant Web, LLC, a provider of direct marketing solutions to direct marketers for acquisition and loyalty programs in the United States.

On March 31, 2014, we made a secured debt investment of $60.0 million in United States Environmental Services, LLC, a provider of industrial, environmental, and maritime services in the Gulf States region.

On March 31, 2014, we provided $153.5 million follow-on investment in Progrexion Holdings, Inc. to fund a dividend recapitalization.

On March 31, 2014, we invested $246.3 million in cash and 2,306,294 unregistered shares of our common stock to support the recapitalization of Harbortouch Payments, LLC (f/k/a United Bank Card, Inc. (d/b/a Harbortouch)), a provider of transaction processing services and point-of-sale equipment used by merchants across the United States. We invested $24.9 million of equity and $123.0 million of debt in Harbortouch Holdings of Delaware Inc., the newly-formed holding company, and $130.8 million of debt in Harbortouch Payments, LLC, the operating company. Through the recapitalization, we acquired a controlling interest in Harbortouch Holdings of Delaware Inc. After the recapitalization, we received repayment of the $23.9 million loan previously outstanding.

On March 31, 2014, we provided $78.5 million of debt and $14.1 million of equity financing to Echelon Aviation LLC ("Echelon"), a newly established portfolio company which provides liquidity alternatives on aviation assets. We are the controlling equity owner of Echelon.

On March 31, 2014, we sold $10.0 million of our $277.5 million investment in Instant Web, LLC. There was no gain or loss realized on the sale.

Credit Facility

On January 15, 2014, we expanded the accordion feature of our credit facility from $650.0 million to $1.0 billion. On January 15, 2014, February 28, 2014 and March 28, 2014, we increased the commitments to the credit facility by $62.5 million, $45.0 million and $35.0 million, respectively. The commitments to the credit facility now stand at $792.5 million. As of April 2, 2014, we had $729.0 million outstanding under the credit facility.

Debt Issuance

During the period from January 1, 2014 to April 2, 2014 (net of redemptions and with settlement through April 3, 2014), we issued $172.3 million in aggregate principal amount of our Prospect Capital InterNotes for net proceeds of $169.6 million.

Common Stock Issuance

During the period from January 1, 2014 to April 2, 2014 (with settlement through April 7, 2014), we sold 31,073,766 shares of our common stock at an average price of $11.12 per share, and raised $345.5 million gross proceeds, under our at-the-market offering program, or the "ATM Program." Net proceeds were $342.2 million after commissions to the broker-dealer on shares sold and offering costs.

On January 23, 2014, February 20, 2014 and March 20, 2014, we issued 109,087, 88,112 and 93,735 shares of our common stock in connection with the dividend reinvestment plan, respectively.

Dividends

On February 3, 2014, we announced the declaration of monthly dividends in the following amounts and with the following dates:

$0.110475 per share for July 2014 to holders of record on July 31, 2014 with a payment date of August 21, 2014;

$0.110500 per share for August 2014 to holders of record on August 29, 2014 with a payment date of September 18, 2014; and

$0.110525 per share for September 2014 to holders of record on September 30, 2014 with a payment date of October 22, 2014.

SPECIFIC TERMS OF THE NOTES AND THE OFFERING

This prospectus supplement sets forth certain terms of the Notes that Prospect Capital Corporation is offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes under the heading "Description of the Notes" in this prospectus supplement and in the accompanying prospectus under the heading "Description of Our Debt Securities" before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing, or the supplemental indenture establishing, the terms of the Notes (collectively, the indenture and the supplemental indenture is referred to as the "Indenture").

Issuer	Prospect Capital Corporation
Title of securities	5.000% Senior Notes due 2019
Initial aggregate principal amount being offered	$255,000,000
Initial public offering price	100.00% of the aggregate principal amount of Notes.
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in The City of New York as we may designate.
Type of Note	Fixed rate note
Interest rate	5.000% per year
Original issue date	April 7, 2014
Stated maturity date	July 15, 2019
Date interest starts accruing	April 7, 2014
Interest payment dates	Every January 15 and July 15, commencing July 15, 2014. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Interest periods	The initial interest period will be the period from and including April 7, 2014, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.
Specified currency	U.S. Dollars
Place of payment	New York City

Ranking of Notes	The Notes will be our general, unsecured obligations and will rank equal in right of payment with all of our existing and future senior, unsecured indebtedness (including, but not limited to, our $150 million in aggregate principal amount of 6.25% Convertible Senior Notes due 2015 (the "2015 Notes"), our $167.5 million in aggregate principal amount of 5.5% Convertible Senior Notes due 2016 (the "2016 Notes"), our $130 million in aggregate principal amount of 5.375% Senior Convertible Notes due 2017 (the "2017 Notes"), our $200 million aggregate principal amount of 5.75% Convertible Senior Notes due 2018 (the "2018 Notes"), our $200 million aggregate principal amount of 5.875% Convertible Senior Notes due 2019 (the "2019 Notes"), our $100 million aggregate principal amount of 6.95% Senior Notes due 2022 (the "2022 Notes"), our $250 million aggregate principal amount of 5.875% Senior Notes due 2023 (the "2023 Notes") and the Prospect Capital InterNotes®) 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 subsidiary. As of April 2, 2014 (with settlement of Prospect Capital InterNotes through April 3, 2014), we and our subsidiary had approximately $2,698 million of senior indebtedness outstanding, $1,969 million of which was unsecured indebtedness.
Denominations	We will issue the Notes in denominations of $1,000 and integral multiples of $1,000 in excess thereof.
Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are authorized or required by law or executive order to close.
Sinking fund	The Notes will not be subject to any sinking fund.
Repayment at option of Holders	Holders will not have the option to have the Notes repaid prior to the stated maturity date unless we undergo a fundamental change (as defined in this prospectus supplement) or we decide at our option to redeem the Notes. See " Fundamental Change Repurchase Right of Holders" and " Optional Redemption."
Defeasance	The Notes are subject to defeasance by us.
Covenant defeasance	The Notes are subject to covenant defeasance by us.

Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company ("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.
Trustee, Paying Agent, Registrar and Transfer Agent	U.S. Bank National Association
Fundamental Change Repurchase Right of Holders	If we undergo a fundamental change (as defined in this prospectus supplement) prior to maturity, you will have the right, at your option, to require us to repurchase for cash some or all of your Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. See "Description of the Notes Purchase of Notes by Us for Cash at the Option of Holders upon a Fundamental Change."
Optional Redemption	The Notes will be redeemable, in whole or in part, at any time, or from time to time, at the option of the Company at the redemption price (as defined in this prospectus supplement). See "Description of the Notes Optional Redemption."
Events of Default	If an event of default on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the Indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving the Company as defined in the Indenture.
Other covenants	In addition to the covenants described in the prospectus attached to this prospectus supplement, the following covenants shall apply to the Notes:
	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)(1) of the 1940 Act or any successor provisions.

	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.
No Established Trading Market	The Notes are a new issue of securities with no established trading market. The Notes will not be listed on any securities exchange or on any automated dealer quotation system. Although the underwriters have informed us that they intend to make a market in the Notes, they are not obligated to do so, and may discontinue any such market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Global Clearance and Settlement Procedures	Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the Trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.
Governing Law	The Notes and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
Exchange Notes	We previously issued $50,000,000 in aggregate principal amount of Exchange Notes pursuant to our Prospect Capital InterNotes® program that provided original holders of such Exchange Notes with the option of exchanging such Exchange Notes for any issue of additional notes by us of at least $250,000,000 in aggregate principal amount that are pari passu with such Exchange Notes. Holders of $45,000,000 aggregate principal amount of Exchange Notes exercised their option to exchange such notes for the Notes.

SELECTED CONDENSED FINANCIAL DATA

You should read the condensed consolidated financial information below with the Consolidated Financial Statements and notes thereto included in this prospectus supplement and the accompanying prospectus. Financial information below for the years ended June 30, 2013, 2012, 2011, 2010 and 2009 has been derived from the financial statements that were audited by our independent registered public accounting firm. The selected consolidated financial data at and for the three and six months ended December 31, 2013 and 2012 has been derived from unaudited financial data. Interim results for the three and six months ended December 31, 2013 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014. Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" starting on page S-16 for more information.

	For the Three Months Ended December 31,		For the Six Months Ended December 31,		For the Year Ended June 30,				
	2013	2012	2013	2012	2013	2012	2011	2010	2009
	(in thousands except data relating to shares, per share and number of portfolio companies)								
Performance Data:									
Interest income	$ 147,103	$ 116,866	$ 285,524	$ 195,176	$ 435,455	$ 219,536	$ 134,454	$ 86,518	$ 62,926
Dividend income	8,892	31,955	15,981	68,163	82,705	64,881	15,092	15,366	22,793
Other income	22,095	17,214	37,619	26,332	58,176	36,493	19,930	12,675	14,762
Total investment income	178,090	166,035	339,124	289,671	576,336	320,910	169,476	114,559	100,481
Interest and credit facility expenses	(29,256)	(16,414)	(56,663)	(29,925)	(76,341)	(38,534)	(17,598)	(8,382)	(6,161)
Investment advisory expense	(48,129)	(41,110)	(91,758)	(72,845)	(151,031)	(82,507)	(46,051)	(30,727)	(26,705)
Other expenses	(8,490)	(9,295)	(16,151)	(13,658)	(24,040)	(13,185)	(11,606)	(8,260)	(8,452)
Total expenses	(85,875)	(66,819)	(164,572)	(116,428)	(251,412)	(134,226)	(75,255)	(47,369)	(41,318)
Net investment income	92,215	99,216	174,552	173,243	324,924	186,684	94,221	67,190	59,163
Realized and unrealized (losses) gains	(6,853)	(52,727)	(9,290)	(79,505)	(104,068)	4,220	24,017	(47,565)	(24,059)
Net increase in net assets from operations	$ 85,362	$ 46,489	$ 165,262	$ 93,738	$ 220,856	$ 190,904	$ 118,238	$ 19,625	$ 35,104

Per Share Data:									
Net increase in net assets from operations(1)	$ 0.30	$ 0.24	$ 0.61	$ 0.52	$ 1.07	$ 1.67	$ 1.38	$ 0.33	$ 1.11
Distributions declared per share	$ (0.33)	$ (0.31)	$ (0.66)	$ (0.62)	$ (1.28)	$ (1.22)	$ (1.21)	$ (1.33)	$ (1.62)
Average weighted shares outstanding for the period	287,016,433	195,585,502	272,550,293	179,039,198	207,069,971	114,394,554	85,978,757	59,429,222	31,559,905
Assets and Liabilities Data:									
Investments	$ 4,886,020	$ 3,038,808	$ 4,886,020	$ 3,038,808	$ 4,172,852	$ 2,094,221	$ 1,463,010	$ 748,483	$ 547,168
Other assets	308,002	490,913	308,002	490,913	275,365	161,033	86,307	84,212	119,857
Total assets	5,194,022	3,529,721	5,194,022	3,529,721	4,448,217	2,255,254	1,549,317	832,695	667,025
Amount drawn on credit facility					124,000	96,000	84,200	100,300	124,800
Senior convertible notes	847,500	847,500	847,500	847,500	847,500	447,500	322,500		
Senior unsecured notes	347,814	100,000	347,814	100,000	347,725	100,000			
Prospect Capital InterNotes®	600,907	164,993	600,907	164,993	363,777	20,638			
Amount owed to related parties	49,849	2,392	49,849	2,392	6,690	8,571	7,918	9,300	6,713
Other liabilities	116,853	88,201	116,853	88,201	102,031	70,571	20,342	11,671	2,916
Total liabilities	1,962,923	1,203,086	1,962,923	1,203,086	1,791,723	743,280	434,960	121,271	134,429
Net assets	$ 3,231,099	$ 2,326,635	$ 3,231,099	$ 2,326,635	$ 2,656,494	$ 1,511,974	$ 1,114,357	$ 711,424	$ 532,596
Investment Activity Data:									
No. of portfolio companies at period end	130	106	130	106	124	85	72	58	30
Acquisitions	$ 607,657	$ 772,125	$ 1,164,500	$ 1,520,062	$ 3,103,217	$ 1,120,659	$ 953,337	$ 364,788(2)	$ 98,305
Sales, repayments, and other	$ 255,238	$ 349,269	$ 419,405	$ 507,392	$ 931,534	$ 500,952	$ 285,562	$ 136,221	$ 27,007

disposals									
Total return based on market value(3)	3.41%	(2.99)%	10.12%	0.71%	6.2%	27.2%	17.2%	17.7%	(18.6)%
Total return based on net asset value(3)	3.04%	2.14%	6.09%	5.33%	10.9%	18.0%	12.5%	(6.8)%	(0.6)%
Weighted average yield at end of period(4)	12.9%	14.7%	12.9%	14.7%	13.6%	13.9%	12.8%	16.2%	14.6%

(1) Per share data is based on average weighted shares for the period.

(2) Includes $207,126 of acquired portfolio investments from Patriot Capital Funding, Inc.

(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.

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

RISK FACTORS

Your investment in the Notes will involve certain risks. This prospectus supplement and the accompanying prospectus do not describe all of those risks.

You should, in consultation with your own financial and legal advisors, carefully consider the following discussion of risks before deciding whether an investment in the Notes is suitable for you. The Notes will not be an appropriate investment for you if you are not knowledgeable about significant features of the Notes or financial matters in general. You should not purchase the Notes unless you understand, and know that you can bear, these investment risks.

Our amount of debt outstanding will increase as a result of this offering. Our current indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

As of April 2, 2014 (with settlement of Prospect Capital InterNotes through April 3, 2014), we and our subsidiary had $729 million of secured indebtedness outstanding and approximately $2,698 million of senior indebtedness outstanding.

The use of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the Notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in substantially all of our debt becoming immediately due and payable;
- reducing the 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;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our credit facility; and
- limiting our 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.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

Our ability to meet our payment and other obligations under our debt instruments 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 assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the 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 obligations, we may need to refinance or restructure our debt, including the 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 Notes and our other debt.

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to us or the Notes, if any, could cause the liquidity or market value of the Notes to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor the underwriters undertake any obligation to maintain the ratings or to advise holders of Notes of any changes in ratings.

The Notes will be rated by Standard & Poor's Ratings Services, or "S&P", and Kroll Bond Rating Agency, Inc., or "Kroll." There can be no assurance that their rating will remain for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P or Kroll if in their respective judgment future circumstances relating to the basis of the rating, such as adverse changes in our company, so warrant.

The Notes will be effectively subordinated to any existing and future secured indebtedness and structurally subordinated to existing and future liabilities and other indebtedness of our subsidiary, and are due after our other outstanding notes.

The Notes will be our general, unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated, unsecured senior indebtedness, including without limitation, the 2015 Notes, the 2016 Notes, the 2017 Notes, the 2018 Notes, the 2019 Notes, the 2022 Notes, the 2023 Notes and any Prospect Capital InterNotes®. 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 subsidiary. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. The Notes do not restrict us or our subsidiary from incurring indebtedness, including senior secured indebtedness in the future, nor do they limit the amount of indebtedness we can issue that is equal in right of payment to the Notes. As of April 2, 2014, we had $729.0 million of borrowings under our credit facility. Our credit facility is secured by certain of our assets and the indebtedness thereunder is therefore effectively senior to the Notes to the extent of the value of such assets.

Each of the 2015 Notes, the 2016 Notes, the 2017 Notes, the 2018 Notes, the 2019 Notes and $260.5 million aggregate principal amount of Prospect Capital InterNotes® are due prior to the Notes. We do not currently know whether we will be able to replace any such notes upon their respective maturities, or if we do, whether we will be able to do so on terms that are as favorable as such notes. In the event that we are not able to replace the 2015 Notes, the 2016 Notes, the 2017 Notes, the 2018 Notes, the 2019 Notes or any of $260.5 million aggregate principal amount of Prospect Capital InterNotes® at the time of their respective maturities, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders, our ability to repay the Notes and our ability to qualify as a regulated investment company, or "RIC."

The Indenture under which the Notes will be issued will contain limited protection for holders of the Notes.

The Indenture under which the Notes will be issued will offer limited protection to holders of the Notes. The terms of the Indenture and the Notes do not restrict our or any of our subsidiary's ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the Indenture and the Notes will not place any restrictions on our or our subsidiary's ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiary and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiary that would be senior to our equity interests in our subsidiary and therefore rank structurally senior to the Notes with respect to the assets of our subsidiary, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

- enter into transactions with affiliates;

- create liens (including liens on the shares of our subsidiary) or enter into sale and leaseback transactions;

- make investments; or

- create restrictions on the payment of dividends or other amounts to us from our subsidiary.

Furthermore, the terms of the Indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiary adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity other than certain limited restrictions on dividends and certain board structures or default provisions mandated by the 1940 Act.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Certain of our current debt instruments include more protections for their holders than the Indenture and the Notes. See in the accompanying prospectus "Risk Factors 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." In addition, other debt we issue or incur in the future could contain more protections for its holders than the Indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

We may be subject to certain corporate-level taxes which could adversely affect our cash flow and consequently adversely affect our ability to make payments on the Notes.

We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC. Additionally, should we fail to qualify as a RIC, we would be subject to corporate-level taxes on all of our taxable income. The imposition of corporate-level taxes could adversely affect our cash flow and consequently adversely affect our ability to make payments on the Notes.

There is currently no public market for the Notes, and an active trading market may not develop for the Notes. The failure of a market to develop for the Notes could adversely affect the liquidity and value of your Notes.

The Notes are a new issue of securities, and there is no existing market for the Notes. We do not intend to apply for listing of the Notes on any securities exchange or for quotation of the Notes on any automated dealer quotation system. We have been advised by the underwriters that following the completion of the offering, the underwriters currently intend to make a market in the Notes. However, the underwriters are not obligated to do so and any market-making activities with respect to the Notes may be discontinued by them at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. A market may not develop for the Notes, and there can be no assurance as to the liquidity of any market that may develop for the Notes. If an active, liquid market does not develop for the Notes, the market price and liquidity of the Notes may be adversely affected. If any of the Notes are traded after their initial issuance, they may trade at a discount from their initial discounted offering price. The liquidity of the trading market, if any, and future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors.

The Indenture governing the Notes will not contain restrictive covenants and will provide only limited protection in the event of a change of control.

The Indenture under which the Notes will be issued will not contain any financial or operating covenants or any other restrictive covenants that would limit our ability to engage in certain transactions that may adversely affect you. In particular, the Indenture will not contain covenants that limit our ability to pay dividends or make distributions on or redeem our capital stock or that limit our ability to incur additional indebtedness, including in a highly leveraged transaction or other similar transaction. We will only be required to offer to repurchase the Notes upon a change of control in the case of the transactions specified in the definition of a "fundamental change" under "Description of the Notes Purchase of Notes by Us for Cash at the Option of Holders upon a Fundamental Change."

Accordingly, subject to restrictions contained in our other debt agreements, we will be permitted to engage in certain transactions, such as acquisitions, refinancings or recapitalizations, that could affect our capital structure and the value of the Notes but would not constitute a fundamental change under the Notes.

We may be unable to repurchase the Notes following a fundamental change.

Holders of the Notes have the right to require us to repurchase the Notes prior to their maturity upon the occurrence of a fundamental change as described under "Description of the Notes Purchase of Notes by Us for Cash at the Option of Holders upon a Fundamental Change." Any of our future debt agreements may contain similar provisions. We may not have sufficient funds or the ability to arrange necessary financing on acceptable terms at the time we are required to make repurchases of tendered Notes. In addition, our ability to repurchase the Notes may be limited by law or the terms of other agreements relating to our debt outstanding at the time, including our credit facility. If we fail to repurchase the Notes as required by the Indenture, it would constitute an event of default under the Indenture governing the Notes, which, in turn, would constitute an event of default under our credit facility.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Notes.

Upon the occurrence of a fundamental change, you have the right to require us to offer to repurchase the Notes. However, the fundamental change provisions will not afford protection to holders of the Notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a fundamental change event which may require us to repurchase the Notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of the Notes.

Provisions of the Notes could discourage an acquisition of us by a third party.

Certain provisions of the 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 event, holders of the 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.

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)

References herein to "we," "us" or "our" refer to Prospect Capital Corporation and its subsidiary unless the context specifically requires otherwise.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this prospectus supplement and accompanying prospectus. Historical results set forth are not necessarily indicative of our future financial position and results of operations.

Overview

We are a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. 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 seven origination strategies in which we make investments: (1) lending in private equity sponsored transactions, (2) lending directly to companies not owned by private equity firms, (3) control investments in corporate operating companies, (4) control investments in financial companies, (5) investments in structured credit, (6) real estate investments, and (7) investments in syndicated debt. We continue to evaluate other origination strategies in the ordinary course of business with no specific tops-down allocation to any single origination strategy.

Lending in Private Equity Sponsored Transactions We make loans to companies which are controlled by leading private equity firms. This debt can take the form of first lien, second lien, unitranche or mezzanine loans. In making these investments, we look for a diversified customer base, recurring demand for the product or service, barriers to entry, strong historical cash flow and experienced management teams. These loans typically have significant equity subordinate to our loan position. Historically, this strategy has comprised approximately 50%-60% of our business, but more recently it is less than 50% of our business.

Lending Directly to Companies We provide debt financing to companies owned by non-private equity firms, the company founder, a management team or a family. Here, in addition to the strengths we look for in a sponsored transaction, we also look for the alignment with the management team with significant invested capital. This strategy often has less competition than the private equity sponsor strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. Direct lending can result in higher returns and lower leverage than sponsor transactions and may include warrants or equity to us. This strategy has comprised approximately 5%-15% of our business.

Control Investments in Corporate Operating Companies This strategy involves acquiring controlling stakes in non-financial operating companies. Our investments in these companies are generally structured as a combination of yield-producing debt and equity. We provide certainty of closure to our counterparties, give the seller personal liquidity and generally look for management to continue on in their current roles. This strategy has comprised approximately 10%-15% of our business.

Control Investments in Financial Companies This strategy involves acquiring controlling stakes in financial companies, including consumer direct lending, subprime auto lending and other strategies.

Our investments in these companies are generally structured as a combination of yield-producing debt and equity. These investments are often structured in a tax-efficient RIC-compliant partnership, enhancing returns. This strategy has comprised approximately 10%-15% of our business.

Investments in Structured Credit We make investments in collateralized loan obligations ("CLOs"), generally taking a significant position in the subordinated interests (equity) of the CLOs. The CLOs include a diversified portfolio of broadly syndicated loans and do not have direct exposure to real estate, mortgages, sub-prime debt, or consumer based debt. The CLOs in which we invest are managed by top-tier collateral managers that have been thoroughly diligenced prior to investment. This strategy has comprised approximately 10%-20% of our business.

Real Estate Investments We make investments in real estate through our three wholly-owned tax-efficient real estate investment trusts (REITs), American Property Holdings Corp., National Property Holdings Corp., and United Property Holdings Corp. Our real estate investments are in various classes of fully developed and occupied real estate properties that generate current yields. We seek to identify properties that have historically high occupancy and steady cash flow generation. We partner with established property managers with experience in managing the property type to manage such properties after acquisition. This is a more recent investment strategy that has comprised approximately 5%-10% of our business.

Investments in Syndicated Debt On an opportunistic basis, we make investments in loans and high yield bonds that have been sold to a syndicate of buyers. Here we look for investments with attractive risk-adjusted returns after we have completed a fundamental credit analysis. These investments are purchased with a long term, buy-and-hold outlook and we look to provide significant structuring input by providing anchoring orders. This strategy has comprised approximately 5%-10% of our business.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated 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. Mezzanine debt and 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 seek to be a long-term investor with our portfolio companies. The aggregate value of our portfolio investments was $4,886,020 and $4,172,852 as of December 31, 2013 and June 30, 2013, respectively. During the six months ended December 31, 2013, our net cost of investments increased by $720,576, or 16.9%, as a result of twenty-three new investments, two revolver advances and several follow-on investments of $1,154,655, accrued of payment-in-kind interest of $9,845, structuring fees of $15,533 and net amortization of discounts and premiums of $23,133, while we received full repayments on twelve investments, sold eight investments and restructured one investment, for which we realized a net loss of $5,373, received $3,466 from the release of escrow amounts which was recognized as a capital gain, and received several partial prepayments, amortization payments and a revolver repayment totaling $419,405.

Compared to the end of last fiscal year (ended June 30, 2013), net assets increased by $574,605 or 21.6% during the six months ended December 31, 2013, from $2,656,494 to $3,231,099. This increase resulted from the issuance of new shares of our common stock (less offering costs) in the amount of $583,565, dividend reinvestments of $9,093, and another $165,262 from operations. These increases, in turn, were offset by $183,315 in dividend distributions to our stockholders. The $165,262 increase in net assets resulting from operations is net of the following: net investment income of $174,552, net realized loss on investments of $1,882, and a decrease in net assets due to changes in net unrealized depreciation on investments of $7,408.

The preparation of consolidated financial statements in conformity with GAAP requires management 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 and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

Second Quarter Highlights

Investment Transactions

During the three months ended December 31, 2013, we acquired $265,916 of new investments, completed follow-on investments in existing portfolio companies, totaling approximately $330,977, funded $5,500 of revolver advances, and recorded PIK interest of $5,264, resulting in gross investment originations of $607,657. The more significant of these investments are discussed in *Portfolio Investment Activity*.

Proposed Investment Transactions

On December 17, 2013, we entered into a definitive agreement to acquire 100% of the common stock of Nicholas Financial, Inc. ("Nicholas") for $16.00 per share. Nicholas is a specialty finance company headquartered in Clearwater, Florida. Nicholas is engaged primarily as an indirect lender in the consumer automobile lending business, where Nicholas purchases loans originated by more than 1,600 car dealerships. Subject to certain conditions, the transaction is currently contemplated to close in April 2014, although this timing could be earlier or later depending on the time required to obtain the requisite approvals.

If the arrangement is completed, each outstanding share of common stock of Nicholas Financial-Canada will be converted into the right to receive the number of shares of common stock of Prospect determined by dividing $16.00 by the volume-weighted average price of Prospect common stock for the 20 trading days prior to and ending on the trading day immediately preceding the effective time of the arrangement. Each option to acquire shares of Nicholas Financial-Canada common stock outstanding immediately prior to the effective time of the arrangement will be cancelled or transferred by the holder thereof in exchange for a cash amount equal to the amount by which (i) the product obtained by multiplying (x) the number of Common Shares of Nicholas Financial-Canada underlying such option by (y) $16.00 exceeds (ii) the aggregate exercise price payable under such option. As of January 31, 2014, the last reported sales price for Prospect common stock was $10.87.

Including the $199,466 equity valuation for Nicholas and after taking into consideration its outstanding net debt, which is currently $126,526, the overall value placed on Nicholas in the transaction is approximately $325,992 before estimated transaction fees and expenses. Upon closing the transaction, Prospect intends to refinance the business using proceeds from a newly committed $250,000 revolving credit facility from bank lenders and an operating company term loan that Prospect will provide. The aggregate net proceeds from this recapitalization will be used to repay the existing debt of Nicholas and return a portion of capital issued by Prospect to complete the transaction on the closing date. After receipt of the recapitalization cash distribution, Prospect will have a net investment in the transaction of approximately $139,521.

Prospect's post-recapitalization $139,521 investment in Nicholas is expected to consist of $124,593 of operating and holding company term loans and $14,928 of a holding company equity investment.

Equity Issuance

During the period from October 1, 2013 to December 31, 2013, we sold 29,406,729 shares of our common stock at an average price of $11.26 per share, and raised $331,040 of gross proceeds, under the ATM Program. Net proceeds were $327,522 after commissions to the broker-dealer on shares sold and offering costs.

On October 15, 2013, our Registration Statement on Form N-2 was declared effective by the SEC. Under this Shelf Registration Statement, we can issue up to $4,595,882 of additional debt and equity securities in the public market as of December 31, 2013.

On October 24, 2013, November 21, 2013 and December 19, 2013, we issued 135,212, 206,586 and 106,620 shares of our common stock in connection with the dividend reinvestment plan, respectively.

Dividend

On November 4, 2013, we announced the declaration of monthly dividends in the following amounts and with the following dates:

$0.110400 per share for April 2014 to holders of record on April 30, 2014 with a payment date of May 22, 2014;

$0.110425 per share for May 2014 to holders of record on May 30, 2014 with a payment date of June 19, 2014; and

$0.110450 per share for June 2014 to holders of record on June 30, 2014 with a payment date of July 24, 2014.

Credit Facility

On October 2, 2013 and December 6, 2013, we announced an increase of $20,000 and $62,500 to our commitments to our credit facility, respectively. The lenders have extended commitments of $650,000 as of December 31, 2013; which was increased to $712,500 in January 2014 (see *Recent Developments*).

Debt Issuance

During the quarter ended December 31, 2013, we issued $140,525 in aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $138,050, as follows:

Tenor at Origination (in years)	**Principal Amount**	**Interest Rate Range**	**Weighted Average Interest Rate**	**Maturity Date Range**
3	$ 5,710	4.00%	4.00%	October 15, 2016
3.5	3,149	4.00%	4.00%	April 15, 2017
4	16,545	4.00%	4.00%	November 15, 2017 - December 15, 2017
5	74,043	5.00%	5.00%	October 15, 2018 - December 15, 2018
7	20,039	5.50%	5.50%	October 15, 2020 - December 15, 2020
12	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	1,555	6.00%	6.00%	October 15, 2028 - November 15, 2028
20	1,664	6.00%	6.00%	October 15, 2033
25	9,894	6.50%	6.50%	October 15, 2038 - December 15, 2038
30	4,948	6.50%	6.50%	October 15, 2043
	$ 140,525			

Investment Holdings

As of December 31, 2013, we continue to pursue our diversified investment strategy. At December 31, 2013, approximately $4,886,020 or 151.2% of our net assets are invested in 130 long-term portfolio investments and CLOs and 6.9% of our net assets are invested in money market funds.

During the six months ended December 31, 2013, we originated $1,164,500 of new investments, primarily composed of $529,376 of debt and equity financing to non-control investments, $429,405 of debt and equity financing to controlled investments, and $205,719 of subordinated notes in CLOs. Our origination efforts are focused primarily on secured lending, to reduce the risk in the portfolio, investing primarily in first lien loans, and subordinated notes in CLOs, though we also continue to close select junior debt and equity investments. Our annualized current yield was 13.6% and 12.9% as of June 30, 2013 and December 31, 2013, respectively, across all performing interest bearing investments. The decrease in our current yield is primarily the result of senior secured loan refinancing activity that took place in the leveraged loan market and within our CLO portfolios during the first half of calendar year 2013. 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 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. Affiliated investments and affiliated companies 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 the investee company.

As of December 31, 2013, we own controlling interests in AIRMALL USA, Inc. ("AIRMALL"), Ajax Rolled Ring & Machine, Inc. ("Ajax"), APH Property Holdings, LLC ("APH"), AWCNC, LLC, Borga, Inc., CCPI Holdings, Inc., CP Holdings of Delaware LLC ("CP Holdings"), Credit Central Holdings of Delaware, LLC ("Credit Central"), Energy Solutions Holdings, Inc. (f/k/a Gas Solutions Holdings, Inc.) ("Energy Solutions"), First Tower Holdings of Delaware, LLC ("First Tower"), Gulf Coast Machine & Supply Company ("Gulf Coast"), The Healing Staff, Inc. ("THS"), Manx Energy, Inc. ("Manx"), MITY Holdings of Delaware Inc. ("Mity"), Nationwide Acceptance Holdings, LLC ("Nationwide"), NMMB Holdings, Inc. ("NMMB"), NPH Property Holdings, LLC ("NPH"), R-V Industries, Inc. ("R-V"), UPH Property Holdings, LLC ("UPH"), Valley Electric Holdings I, Inc. ("Valley Electric") and Wolf Energy Holdings, Inc. ("Wolf"). We also own an affiliated interest in BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork), Boxercraft Incorporated and Smart, LLC.

The following is a summary of our investment portfolio by level of control at December 31, 2013 and June 30, 2013, respectively:

	December 31, 2013				June 30, 2013			
Level of Control	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio
Control	$ 1,236,286	24.8%	$ 1,163,300	23.8%	$ 830,151	19.5%	$ 811,634	19.5%
Affiliate	49,278	1.0%	38,880	0.8%	49,189	1.2%	42,443	1.0%
Non-control/Non-affiliate	3,690,790	74.2%	3,683,840	75.4%	3,376,438	79.3%	3,318,775	79.5%
Total Portfolio	$ 4,976,354	100.0%	$ 4,886,020	100.0%	$ 4,255,778	100.0%	$ 4,172,852	100.0%

The following is our investment portfolio presented by type of investment at December 31, 2013 and June 30, 2013, respectively:

	December 31, 2013				June 30, 2013			
Type of Investment	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio
Revolving Line of Credit	$ 12,595	0.3%	$ 11,974	0.2%	$ 9,238	0.2%	$ 8,729	0.2%
Senior Secured Debt	2,746,971	55.2%	2,682,361	54.9%	2,262,327	53.1%	2,207,091	52.8%
Subordinated Secured Debt	1,012,293	20.3%	980,206	20.1%	1,062,386	25.0%	1,024,901	24.6%
Subordinated Unsecured Debt	99,933	2.0%	100,000	2.0%	88,470	2.1%	88,827	2.1%
CLO Debt	27,889	0.6%	33,466	0.7%	27,667	0.7%	28,589	0.7%
CLO Residual Interest	821,653	16.5%	864,618	17.7%	660,619	15.5%	658,086	15.8%
Preferred Stock	84,052	1.7%	10,709	0.2%	25,016	0.6%	14,742	0.4%
Common Stock	168,591	3.4%	169,148	3.5%	117,678	2.7%	108,494	2.6%
Membership Interests	216	0.0%	4,111	0.1%	216	0.0%	492	0.0%
Net Profits Interests		%	20,309	0.4%		%	20,959	0.5%
Escrows Receivable		%	1,942	0.0%		%	4,662	0.1%
Warrants	2,161	0.0%	7,176	0.2%	2,161	0.1%	7,280	0.2%
Total Portfolio	$ 4,976,354	100.0%	$ 4,886,020	100.0%	$ 4,255,778	100.0%	$ 4,172,852	100.0%