

PROSPECT CAPITAL CORP
Form 10-Q
November 08, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 2012

**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

(State or other jurisdiction of incorporation or organization)

43-2048643

(I.R.S. Employer Identification No.)

**10 East 40th Street
44th Floor
New York, New York**
(Address of principal executive offices)

10016
(Zip Code)

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

(212) 448-0702

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of November 7, 2012 was 209,480,573.

PROSPECT CAPITAL CORPORATION
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2012
TABLE OF CONTENTS

		Page
<u>PART I.</u>	<u>FINANCIAL INFORMATION</u>	3
<u>Item 1.</u>	<u>FINANCIAL STATEMENTS</u>	3
	<u>Consolidated Statements of Assets and Liabilities – September 30, 2012 (Unaudited) and June 30, 2012 (Audited)</u>	3
	<u>Consolidated Statements of Operations (Unaudited) - For the Three Months Ended September 30, 2012 and 2011</u>	4
	<u>Consolidated Statements of Changes in Net Assets (Unaudited) - For the Three Months Ended September 30, 2012 and 2011</u>	5
	<u>Consolidated Statements of Cash Flows (Unaudited) - For the Three Months Ended September 30, 2012 and 2011</u>	6
	<u>Consolidated Schedule of Investments – September 30, 2012 (Unaudited) and June 30, 2012 (Audited)</u>	7
	<u>Notes to Consolidated Financial Statements (Unaudited)</u>	32
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	54
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	81
<u>Item 4.</u>	<u>Controls and Procedures</u>	81
<u>PART II.</u>	<u>OTHER INFORMATION</u>	83
<u>Item 1.</u>	<u>Legal Proceedings</u>	83
<u>Item 1A.</u>	<u>Risk Factors</u>	83
<u>Item 2.</u>	<u>Unregistered Sales in Equity Securities and Use of Proceeds</u>	84
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	84
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	84
<u>Item 5.</u>	<u>Other Information</u>	85
<u>Item 6.</u>	<u>Exhibits</u>	85
	<u>Signatures</u>	88

PART I: FINANCIAL INFORMATION**Item 1. Financial Statements**

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
September 30, 2012 and June 30, 2012

(in thousands, except share and per share data)

	September 30, 2012 (Unaudited)	June 30, 2012 (Audited)
Assets (Note 4)		
Investments at fair value:		
Control investments (amortized cost of \$515,055 and \$518,015, respectively)	\$ 529,785	\$ 564,489
Affiliate investments (amortized cost of \$44,589 and \$44,229, respectively)	45,255	46,116
Non-control/Non-affiliate investments (amortized cost of \$2,137,966 and \$1,537,069, respectively)	2,088,925	1,483,616
Total investments at fair value (amortized cost of \$2,697,610 and \$2,099,313, respectively, Note 3)	2,663,965	2,094,221
Investments in money market funds	182,158	118,369
Total investments	2,846,123	2,212,590
Cash	2,387	2,825
Receivables for:		
Interest, net	31,369	14,219
Dividends	1	1
Other	773	783
Prepaid expenses	879	421
Deferred financing costs	31,065	24,415
Total Assets	2,912,597	2,255,254
Liabilities		
Credit facility payable (Note 4)		96,000
Senior convertible notes (Note 5)	647,500	447,500
Senior unsecured notes (Note 6)	100,000	100,000
Prospect Capital InterNotes® (Note 7)	88,517	20,638
Due to broker	145,746	44,533
Dividends payable	17,597	14,180
Due to Prospect Administration (Note 11)	310	658
Due to Prospect Capital Management (Note 11)	11,735	7,913
Accrued expenses	14,263	9,648
Other liabilities	3,603	2,210
Total Liabilities	1,029,271	743,280
Net Assets	\$ 1,883,326	\$ 1,511,974
Components of Net Assets		
Common stock, par value \$0.001 per share (500,000,000 common shares authorized; 173,151,718 and 139,633,870 issued and outstanding, respectively) (Note 8)	\$ 173	\$ 140
Paid-in capital in excess of par (Note 8)	1,920,251	1,544,801
Undistributed net investment income	46,314	23,667
Accumulated realized losses on investments	(49,767)	(51,542)
Unrealized depreciation on investments	(33,645)	(5,092)
Net Assets	\$ 1,883,326	\$ 1,511,974
Net Asset Value Per Share	\$ 10.88	\$ 10.83

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For The Three Months Ended September 30, 2012 and 2011
(in thousands, except share and per share data)
(Unaudited)

	For Three Months Ended September 30,	
	2012	2011
Investment Income		
Interest income: (Note 3)		
Control investments	\$ 17,919	\$ 6,165
Affiliate investments	1,651	2,402
Non-control/Non-affiliate investments	45,027	33,320
CLO fund securities	13,713	500
Total interest income	78,310	42,387
Dividend income:		
Control investments	33,250	6,700
Non-control/Non-affiliate investments	2,955	349
Money market funds	3	1
Total dividend income	36,208	7,050
Other income: (Note 9)		
Control investments	2	6
Affiliate investments	8	61
Non-control/Non-affiliate investments	9,108	5,838
Total other income	9,118	5,905
Total Investment Income	123,636	55,342
Operating Expenses		
Investment advisory fees:		
Base management fee (Note 11)	13,228	8,211
Income incentive fee (Note 11)	18,507	6,969
Total investment advisory fees	31,735	15,180
Interest and credit facility expenses	13,511	8,960
Legal fees	622	432
Valuation services	376	302
Audit, compliance and tax related fees	432	340
Allocation of overhead from Prospect Administration (Note 11)	2,184	1,116
Insurance expense	93	79
Directors fees	75	64
Other general and administrative expenses	581	992
Total Operating Expenses	49,609	27,465
Net Investment Income	74,027	27,877
Net realized gain (loss) on investments (Note 3)	1,775	(14,607)
Net change in unrealized (depreciation) appreciation on investments (Note 3)	(28,553)	26,630
Net Increase in Net Assets Resulting from Operations	\$ 47,249	\$ 39,900
Net increase in net assets resulting from operations per share (Note 10 and Note 14)	\$ 0.29	\$ 0.37
Dividends declared per share	\$ 0.30	\$ 0.30

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For The Three Months Ended September 30, 2012 and 2011
(in thousands, except share data)
(Unaudited)

For The Three Months Ended September 30,

	2012	2011
Increase in Net Assets from Operations:		
Net investment income	\$ 74,027	\$ 27,877
Net realized gain (loss) on investments	1,775	(14,607)
Net change in unrealized (depreciation) appreciation on investments	(28,553)	26,630
Net Increase in Net Assets Resulting from Operations	47,249	39,900
Dividends to Shareholders	(51,380)	(33,221)
Capital Share Transactions:		
Proceeds from capital shares sold, net of underwriting costs	372,083	15,060
Less: Offering costs of public share offerings	(631)	(137)
Reinvestment of dividends	4,031	2,817
Net Increase in Net Assets Resulting from Capital Share Transactions	375,483	17,740
Total Increase in Net Assets	371,352	24,419
Net assets at beginning of period	1,511,974	1,114,357
Net Assets at End of Period	\$ 1,883,326	\$ 1,138,776
Capital Share Activity:		
Shares sold	33,161,977	1,500,000
Shares issued through reinvestment of dividends	355,871	310,393
Net increase in capital share activity	33,517,848	1,810,393
Shares outstanding at beginning of period	139,633,870	107,606,690
Shares Outstanding at End of Period	173,151,718	109,417,083

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Three Months Ended September 30, 2012 and 2011
(in thousands, except share data)
(Unaudited)

For The Three Months Ended September 30,

	2012	2011
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	\$ 47,249	\$ 39,900
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operations:		
Net realized (gain) loss on investments	(1,775)	14,607
Net change in unrealized appreciation (depreciation) on investments	28,553	(26,630)
Amortization of discounts and premiums	(6,708)	(928)
Amortization of deferred financing costs	1,774	2,088
Payment-in-kind interest	(1,873)	(1,573)
Structuring fees	(8,959)	(4,299)
Change in operating assets and liabilities		
Payments for purchases of investments	(737,105)	(216,703)
Proceeds from sale of investments and collection of investment principal	158,123	46,055
Net investments in money market funds	(63,789)	11,685
Increase in interest receivable	(17,150)	(830)
Decrease in other receivables	10	229
Increase in prepaid expenses	(458)	(17)
(Decrease) increase in due to Prospect Administration	(348)	16
Increase in due to Prospect Capital Management	3,822	4,403
Increase in due to broker	101,213	
Increase in accrued expenses	4,615	977
Increase (decrease) in other liabilities	1,393	(1,077)
Net Cash Used In Operating Activities	(491,413)	(132,097)
Cash Flows from Financing Activities:		
Borrowings under credit facility (Note 4)	58,000	284,300
Principal payments under credit facility (Note 4)	(154,000)	(135,000)
Issuance of Senior Convertible Notes (Note 5)	200,000	
Issuance of Prospect Capital InterNotes® (Note 7)	67,879	
Financing costs paid and deferred	(8,424)	(1,431)
Proceeds from issuance of common stock, net of underwriting costs	372,083	15,060
Offering costs from issuance of common stock	(631)	(137)
Dividends paid	(43,932)	(30,212)
Net Cash Provided By Financing Activities	490,975	132,580
Total (Decrease) Increase in Cash	(438)	483
Cash balance at beginning of period	2,825	1,492
Cash Balance at End of Period	\$ 2,387	\$ 1,975

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

Cash Paid For Interest	\$	6,983	\$	5,659
Non-Cash Financing Activity:				
Amount of shares issued in connection with dividend reinvestment plan	\$	4,031	\$	2,817

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			
			Principal Value	Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
AIRMALL USA, Inc (27)	Pennsylvania / Property Management	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3), (4)	\$ 29,200	\$ 29,200	\$ 29,200	1.6%
		Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015)	12,500	12,500	12,500	0.7%
		Convertible Preferred Stock (9,919.684 shares)		9,920	8,827	0.4%
		Common Stock (100 shares)				0.0%
			51,620	50,527	2.7%	
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 4/01/2013)(3), (4)	20,057	20,057	20,057	1.1%
		Subordinated Secured Note Tranche B (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 6.00% PIK, due 4/01/2013)(3), (4)	15,035	15,035	15,035	0.8%
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057	10,485	0.6%
		Unrestricted Common Stock (6 shares)			10	0.0%
			41,149	45,587	2.5%	
AWCNC, LLC(19)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%
		Members Units Class B-1 (1 unit)				0.0%
		Members Units Class B-2 (7,999,999 units)				0.0%
						0.0%
Borga, Inc.	California / Manufacturing	Revolving Line of Credit \$1,000 Commitment (5.00% (PRIME + 1.75%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4), (25)	1,000	945	621	0.0%
		Senior Secured Term Loan B (8.50% (PRIME + 5.25%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)	1,612	1,500		0.0%
		Senior Secured Term Loan C (12.00% plus 4.00% PIK plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)	9,449	707		0.0%
		Common Stock (100 shares)(21)				0.0%
		Warrants (33,750 warrants)(21)				0.0%
			3,152	621	0.0%	

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			
			Principal Value	Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
Energy Solutions Holdings, Inc.(8)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016)	\$ 25,000	\$ 25,000	\$ 25,000	1.3%
		Junior Secured Note (18.00%, due 12/12/2016)	12,000	12,000	12,000	0.6%
		Senior Secured Note to Vessel Holdings LLC (18.00%, due 12/12/2016)	3,500	3,500	3,500	0.2%
		Subordinated Secured Note to Freedom Marine Holdings, LLC (12.00% (LIBOR + 6.11% with 5.89% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011) (4)	13,492	12,504	5,720	0.3%
		Senior Secured Debt to Yatesville Coal Holdings, Inc. (Non-accrual status effective 1/1/2009, past due)	1,449	1,449		0.0%
		Escrow Receivable			4,918	0.3%
		Common Stock (100 shares)			8,792	2.3%
			63,245		95,195	5.0%
First Tower Holdings of Delaware, LLC.(22), (29)	Mississippi / Consumer Finance	Senior Secured Revolving Credit Facility \$400,000 Commitment (20.00% (LIBOR + 18.50% with 1.50% LIBOR floor), due 6/30/2022) (25), (4)	244,760	244,760	244,760	13.0%
		Common Stock (83,729,323 shares)		43,193	43,193	2.3%
		Net Revenue Interest (5% of Net Revenue & Distributions)				0.0%
				287,953		287,953
Integrated Contract Services, Inc.(9)	North Carolina / Contracting	Secured Promissory Notes (15.00%, in non-accrual status effective 12/22/2010, due 3/21/2012 12/18/2013) (10)	2,581	2,580		0.0%
		Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due)(10)	1,170	1,170		0.0%
		Senior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/9/2007, past due)	300			0.0%
		Junior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/9/2007, past due)	11,520	11,520		0.0%
						0.0%

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

		Preferred Stock Series A (10 shares)				
		Common Stock (49 shares)		679		0.0%
				15,949		0.0%
Manx Energy, Inc. (Manx)(12)	Kansas / Oil & Gas Production	Manx Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 6/21/2013)	3,550	3,550		0.0%
		Manx Preferred Stock (6,635 shares)		6,307		0.0%
		Manx Common Stock (17,082 shares)		1,170		0.0%
				11,027		0.0%
NMMB Holdings, Inc. (24)	New York / Media	Senior Term Loan (14.00%, due 5/6/2016)	19,000	19,000	19,000	1.0%
		Senior Subordinated Term Loan (15.00%, due 5/6/2016)	2,800	2,800	1,872	0.1%
		Series A Preferred Stock (4,400 shares)		4,400		0.0%
				26,200	20,872	1.1%

See notes to consolidated financial statements.

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

Service

Total Affiliate Investments	44,589	45,255	0.0%
			2.4%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			
			Principal Value	Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
ADAPCO, Inc.	Florida / Ecological	Common Stock (5,000 shares)		\$ 141	\$ 269	0.0%
				141	269	0.0%
Aircraft Fasteners International, LLC	California / Machinery	Convertible Preferred Stock (32,500 units)		396	495	0.0%
				396	495	0.0%
American Gilsonite Company	Utah / Specialty Minerals	Second Lien Term Note (11.50%, due 9/1/2017)	\$ 38,500	38,500	38,500	2.0%
		Membership Interest in AGC/PEP, LLC (99.9999%)(15)			3,886	0.2%
				38,500	42,386	2.2%
Apidos CLO VIII, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		18,592	20,393	1.1%
				18,592	20,393	1.1%
Apidos CLO IX, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		19,206	19,291	1.0%
				19,206	19,291	1.0%
Archipelago Learning, Inc.	Minnesota / Consumer Services	Second Lien Debt (11.25% (LIBOR + 9.75% with 1.50% LIBOR floor), due 5/17/2019) (4), (16)	50,000	48,069	50,000	2.7%
				48,069	50,000	2.7%
Arctic Glacier U.S.A, Inc.	Canada / Food Products	Subordinated Unsecured (12.00% plus 3.00% PIK , due 7/27/2019)	85,447	85,447	85,447	4.5%
				85,447	85,447	4.5%
Babson CLO Ltd 2011-I. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		34,979	35,798	1.9%
				34,979	35,798	1.9%
Babson CLO Ltd 2012-IA. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		27,752	28,267	1.5%
				27,752	28,267	1.5%
Babson CLO Ltd 2012-IIA. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		28,652	28,276	1.5%
				28,652	28,276	1.5%
Blue Coat Systems, Inc. (3), (4)	Massachusetts / Software & Computer Services	Second Lien Term Loan (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 8/15/2018)	25,000	24,299	25,000	1.3%
				24,299	25,000	1.3%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	Principal Value	September 30, 2012 (Unaudited)		% of Net Assets
				Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Byrider Systems Acquisition Corp(22)	Indiana / Auto Finance	Senior Subordinated Notes (12.00% plus 2.00% PIK, due 11/3/2016) (3)	\$ 20,651	\$ 20,651	\$ 20,651	1.1%
				20,651	20,651	1.1%
Caleel + Hayden, LLC (14), (31)	Colorado / Personal & Nondurable Consumer Products	Membership Units (7,500 shares)		351	1,149	0.1%
				351	1,149	0.1%
Capstone Logistics, LLC (4)	Georgia / Commercial Services	Senior Secured Term Loan A (7.50% (LIBOR + 5.50% with 2.00% LIBOR floor), due 9/16/2016)	33,793	33,793	33,793	1.8%
		Senior Secured Term Loan B (13.50% (LIBOR + 11.50% with 2.00% LIBOR floor), due 9/16/2016)(3)	41,625	41,625	41,625	2.2%
				75,418	75,418	4.0%
Cargo Airport Services USA, LLC	New York / Transportation	Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 3/31/2016) (3), (4)	47,891	47,892	47,891	2.5%
		Common Equity (1.6 units)		1,639	2,007	0.1%
				49,531	49,898	2.6%
CIFC Funding 2011-I, Ltd. (4), (22)	Cayman Islands / Diversified Financial Services	Secured Class D Notes (5.45% (LIBOR + 5.00%), due 1/19/2023)	19,000	14,840	15,793	0.8%
		Unsecured Class E Notes (7.45% (LIBOR + 7.00%), due 1/19/2023)	15,400	12,518	13,038	0.7%
				27,358	28,831	1.5%
The Copernicus Group, Inc.	North Carolina / Healthcare	Escrow Receivable			315	0.0%
					315	0.0%
CRT MIDCO, LLC	Wisconsin / Media	Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 6/30/2017)(3), (4)	73,125	73,125	73,125	3.9%
				73,125	73,125	3.9%
Diamondback Operating, LP	Oklahoma / Oil & Gas Production	Net Profits Interest (15.00% payable on Equity distributions)(7)				0.0%
						0.0%
Empire Today, LLC	Illinois / Durable Consumer Products	Senior Secured Note (11.375%, due 2/1/2017)	15,700	15,274	15,700	0.8%
				15,274	15,700	0.8%
EIG Investors Corp	Massachusetts / Software & Computer Services	Second Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% floor), due 10/22/2018) (4), (16)	12,000	11,765	12,000	0.6%
				11,765	12,000	0.6%
Evanta Ventures, Inc.(11)	Oregon / Commercial Services	Subordinated Unsecured (12.00% plus 1.00% PIK, due 9/28/2018)	10,400	10,400	10,400	0.6%
				10,400	10,400	0.6%
Fairchild Industrial Products, Co.	North Carolina / Electronics	Escrow Receivable			148	0.0%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Fischbein, LLC	North Carolina / Machinery	Escrow Receivable Membership Class A (875,000 units)		\$ 875	\$ 508 2,123	0.0% 0.1%
				875	2,631	0.1%
Focus Brands, Inc(4)	Georgia / Consumer Services	Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 8/21/2018)	\$ 15,000	14,720	14,720	0.8%
				14,720	14,720	0.8%
FPG, LLC (4)	Illinois / Durable Consumer Products	Senior Secured Term Loan (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 1/20/2017) Common Stock (4,552 shares)	10,000	10,000	10,000	0.5%
				10,000	10,000	0.5%
Galaxy XII CLO, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		21,666	22,891	1.2%
				21,666	22,891	1.2%
H&M Oil & Gas, LLC	Texas / Oil & Gas Production	Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% PIK, plus 2.00% default interest, in non-accrual status effective 1/1/2011, past due)(4) Senior Secured Note (18.00% PIK, in non-accrual status effective 4/27/2012, past due) Net Profits Interest (8.00% payable on Equity distributions)(7)	63,297 4,532	60,019 4,250	30,780 4,532	1.6% 0.2%
				64,269	35,312	1.8%
Halcyon Loan Advisors Funding 2012-I, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		22,391	22,183	1.2%
				22,391	22,183	1.2%
Hi-Tech Testing Service, Inc. and Wilson Inspection X-Ray Services, Inc.	Texas / Oil & Gas Equipment & Services	Senior Secured Term Loan (11.00%, due 9/26/2016)	7,400	7,202	7,400	0.4%
				7,202	7,400	0.4%
Hoffmaster Group, Inc. (4)	Wisconsin / Durable Consumer Products	Second Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 1/3/2019) Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 1/3/2019)	20,000 1,000	19,815 990	20,000 1,000	1.1% 0.1%
				20,805	21,000	1.2%
Hudson Products Holdings, Inc.(16)	Texas / Manufacturing	Senior Secured Term Loan (9.00% (PRIME + 5.00% with 4.00% PRIME floor), due 8/24/2015)(3), (4)	6,283	5,893	6,047	0.3%
				5,893	6,047	0.3%

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

ICON Health & Fitness, Inc.	Utah / Durable Consumer Products	Senior Secured Note (11.875% , due 10/15/2016) (3)	43,100	43,348	43,100	2.3%
				43,348	43,100	2.3%
IDQ Holdings, Inc.	Texas / Automobile	Senior Secured Note (11.50%, due 4/1/2017)	12,500	12,269	12,500	0.7%
				12,269	12,500	0.7%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
ING IM CLO 2012-II, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		\$ 37,013	\$ 36,856	2.0%
				37,013	36,856	2.0%
ING IM CLO 2012- III, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		45,746	45,746	2.4%
				45,746	45,746	2.4%
Injured Workers Pharmacy LLC	Massachusetts / Healthcare	Second Lien Debt (12.00% (LIBOR + 7.50% with 4.50% LIBOR floor) plus 1.00% PIK, due 11/4/2017) (3), (4)	\$ 15,138	15,138	15,138	0.8%
				15,138	15,138	0.8%
Interdent, Inc.	California / Healthcare	Revolving Line of Credit \$10,000 Commitment (10.50% (LIBOR + 8.25% with 2.25% PRIME floor), due 2/3/2013)(4), (25)	6,250	6,250	6,250	0.4%
		Senior Secured Term Loan A (8.00% (LIBOR + 6.50% with 1.50% LIBOR floor), due 8/3/2017) (4)	54,656	54,656	54,656	2.9%
		Senior Secured Term Loan B (13.00% (LIBOR + 10.00% with 3.00% LIBOR floor), due 8/3/2017)(3), (4)	55,000	55,000	55,000	2.9%
				115,906	115,906	6.2%
JHH Holdings, Inc.	Texas / Healthcare	Second Lien Debt (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 6/23/2016) (3), (4)	15,837	15,837	15,837	0.8%
				15,837	15,837	0.8%
LHC Holdings Corp.	Florida / Healthcare	Revolving Line of Credit \$750 Commitment (8.50% (LIBOR + 6.00% with 2.50% LIBOR floor), due 5/31/2015) (4), (25), (26)				0.0%
		Senior Subordinated Debt (10.50%, due 5/31/2015)(3)	3,865	3,761	3,761	0.2%
		Membership Interest (125 units)		216	231	0.0%
				3,977	3,992	0.2%
Madison Park Funding IX, Ltd.(22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		26,421	26,979	1.4%
				26,421	26,979	1.4%
Material Handling Services, LLC	Ohio / Business Services	Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% floor), due 7/5/2017) (3), (4)	27,860	27,860	27,860	1.5%
				27,860	27,860	1.5%
Maverick Healthcare, LLC	Arizona / Healthcare	Preferred Units (1,250,000 units)		1,252	1,831	0.1%
		Common Units (1,250,000 units)			124	0.0%
				1,252	1,955	0.1%

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

Medical Security Card Company, LLC(4)	Arizona / Healthcare	Revolving Line of Credit - \$1,500 Commitment (9.50% (LIBOR + 7.00% with 2.50% LIBOR floor), due 2/1/2016) (25)				0.0%
		First Lien Term Loan (11.25% (LIBOR + 8.75% with 2.50% LIBOR floor), due 2/1/2016)(3)	16,804	16,804	16,804	0.9%
				16,804	16,804	0.9%
Mood Media Corporation(3), (16), (22)	Canada / Media	Senior Subordinated Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 11/6/2018)(4)	15,000	14,869	15,000	0.8%
				14,869	15,000	0.8%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
National Bankruptcy Services, LLC (3),(4)	Texas / Diversified Financial Services	Senior Subordinated Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 1.50% PIK, due 7/17/2017)	\$ 18,472	\$ 18,472	\$ 18,472	1.0%
				18,472	18,472	1.0%
Naylor, LLC (4)	Florida / Media	Revolving Line of Credit - \$2,500 Commitment (11.00% (LIBOR + 8.00% with 3.00% LIBOR floor), due 6/7/2017) (25) Senior Secured Term Loan (11.00% (LIBOR + 8.00% with 3.00% LIBOR floor), due 6/7/2017) (3)	47,993	47,993	47,993	0.0%
				47,993	47,993	2.5%
New Century Transportation, Inc.	New Jersey / Transportation	Senior Subordinated Term Loan (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 3.00%, PIK due 2/3/2018) (3), (4)	44,106	44,106	44,106	2.3%
				44,106	44,106	2.3%
New Meatco Provisions, LLC	California / Food Products	Senior Subordinated Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 4.00%, PIK due 4/18/2016) (4)	12,564	12,564	4,712	0.3%
				12,564	4,712	0.3%
New Star Metals, Inc.	Indiana / Metal Services & Minerals	Senior Subordinated Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 1.00%, PIK due 2/2/2018) (4)	27,043	27,043	27,043	1.4%
				27,043	27,043	1.4%
Nixon, Inc.	California / Durable Consumer Products	Senior Secured Term Loan (8.75% plus 2.75% PIK, due 4/16/2018)(16)	15,189	14,905	15,190	0.8%
				14,905	15,190	0.8%
Nobel Learning Communities, Inc.	Pennsylvania / Consumer Services	Subordinated Unsecured (11.50% plus 1.50% PIK, due 8/9/2017)	15,185	15,185	15,185	0.8%
				15,185	15,185	0.8%
Northwestern Management Services, LLC	Florida / Healthcare	Revolving Line of Credit \$1,500 Commitment (10.50% (PRIME + 6.75% with 3.75% PRIME floor), due 7/30/2015)(4), (25) Senior Secured Term Loan A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 7/30/2015)(3), (4)	15,092	15,092	15,092	0.0%
						0.8%

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

		Common Stock (50 shares)	371	2,209	0.1%
			15,463	17,301	0.9%
NRG Manufacturing, Inc.	Texas / Manufacturing	Escrow Receivable		7,877	0.4%
				7,877	0.4%
Out Rage, LLC (4)	Wisconsin / Durable Consumer Products	Revolving Line of Credit - \$1,500 Commitment (11.0% (LIBOR + 8.00% with 3.00% LIBOR floor), due 3/02/2013)(25)			0.0%
		Senior Secured Term Loan (11.00% (LIBOR + 8.00% with 3.00% LIBOR floor), due 3/2/2015)	10,616	10,616	0.6%
			10,616	10,460	0.6%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Pelican Products, Inc. (16)	California / Durable Consumer Products	Subordinated Secured (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 6/14/2019) (4)	\$ 15,000	\$ 14,707	\$ 15,000	0.8%
				14,707	15,000	0.8%
Pinnacle (US) Acquisition Co Limited (16)	Texas / Software & Computer Services	Second Lien Term Loan (10.50% (LIBOR + 8.25% with 2.25% LIBOR floor), due 8/3/2020) (4)	10,000	9,803	10,000	0.5%
				9,803	10,000	0.5%
Potters Holdings II, L.P.(16)	Pennsylvania / Manufacturing	Senior Subordinated Term Loan (10.25% (LIBOR + 8.50% with 1.75% LIBOR floor), due 11/6/2017)(3), (4)	15,000	14,811	14,780	0.8%
				14,811	14,780	0.8%
Pre-Paid Legal Services, Inc(16)	Oklahoma / Consumer Services	Senior Subordinated Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 12/31/2016)(3), (4)	5,000	5,000	5,000	0.3%
				5,000	5,000	0.3%
Progrexion Holdings, Inc(4),(28)	Utah / Consumer Services	Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 9/14/2017)	135,000	135,000	135,000	7.2%
				135,000	135,000	7.2%
Renaissance Learning, Inc.(16)	Wisconsin / Consumer Services	Second Lien Term Loan (12.00% (LIBOR + 10.50% with 1.50% LIBOR floor), due 10/19/2018)(4)	6,000	5,781	6,000	0.3%
				5,781	6,000	0.3%
Rocket Software, Inc. (3), (4)	Massachusetts / Software & Computer Services	Second Lien Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 2/8/2019)	15,000	14,719	14,719	0.8%
				14,719	14,719	0.8%
Royal Adhesives & Sealants, LLC	Indiana / Chemicals	Senior Subordinated Unsecured Term Loan (12.00% plus 2.00% PIK due 11/29/2016)	27,938	27,938	27,938	1.5%
				27,938	27,938	1.5%
Seaton Corp.	Illinois / Business Services	Subordinated Secured (12.50% (LIBOR + 9.00% with 3.50% LIBOR floor) plus 2.00% PIK, due 3/14/2014) (3), (4)	3,288	3,180	3,288	0.2%
				3,180	3,288	0.2%
SG Acquisition, Inc (4)	Georgia / Insurance	Senior Secured Term Loan A (8.50% (LIBOR + 6.50% with 2.00% LIBOR floor), due 3/18/2016)	27,394	27,394	27,394	1.5%
		Senior Secured Term Loan B (14.50% (LIBOR + 12.50% with 2.00% LIBOR floor), due 3/18/2016)(3)	29,550	29,550	29,550	1.6%
		Senior Secured Term Loan C (8.50% (LIBOR + 6.50% with 2.00% LIBOR floor), due 3/18/2016)	12,651	12,651	12,651	0.7%

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

		Senior Secured Term Loan D (14.50% (LIBOR + 12.50% with 2.00% LIBOR floor), due 3/18/2016)	13,647	13,647	13,647	0.7%
				83,242	83,242	4.5%
Shearers Foods, Inc.	Ohio / Food Products	Junior Secured Debt (12.00% plus 3.75% PIK (3.75% LIBOR floor), due 3/31/2016)(3), (4)	38,000	38,000	38,000	2.0%
		Membership Interest in Mistral Chip Holdings, LLC - Common (2,000 units)(17)		2,000	3,016	0.2%
		Membership Interest in Mistral Chip Holdings, LLC 2 - Common (595 units)(17)		1,322	897	0.0%
		Membership Interest in Mistral Chip Holdings, LLC 3 - Preferred (67 units)(17)		673	945	0.1%
				41,995	42,858	2.3%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Skillsoft Public Limited Company (22)	Ireland / Software & Computer Services	Subordinated Unsecured (11.125%, due 6/1/2018)	\$ 15,000	\$ 14,920	\$ 15,000	0.8%
				14,920	15,000	0.8%
Snacks Holding Corporation	Minnesota / Food Products	Senior Subordinated Unsecured Term Loan (12.00% plus 1.00% PIK, due 11/12/2017)	15,288	14,809	15,288	0.8%
		Series A Preferred Stock (4,021.45 shares)		56	64	0.0%
		Series B Preferred Stock (1,866.10 shares)		56	64	0.0%
		Warrant (to purchase 31,196.52 voting common shares, expires 11/12/2020)		479	547	0.0%
				15,400	15,963	0.8%
Southern Management Corporation(22), (30)	South Carolina / Consumer Finance	Second Lien Term Loan (12.00% plus 5.00% PIK due 5/31/2017)	17,568	17,568	17,568	0.9%
				17,568	17,568	0.9%
Sport Helmets Holdings, LLC(14)	New York / Personal & Nondurable Consumer Products	Escrow Receivable			417	0.0%
					417	0.0%
Springs Window Fashions, LLC	Wisconsin / Durable Consumer Products	Second Lien Term Loan (11.25% (LIBOR + 9.25% with 2.00% LIBOR floor), due 11/30/2017)(3), (4)	35,000	35,000	34,388	1.8%
				35,000	34,388	1.8%
ST Products, LLC	Pennsylvania/ Manufacturing	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/16/2016)(3), (4)	23,162	23,162	23,162	1.2%
				23,162	23,162	1.2%
Stauber Performance Ingredients, Inc. (3), (4)	California / Food Products	Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 1/21/2016)	21,897	21,897	21,897	1.2%
		Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 5/21/2017)	10,500	10,500	10,500	0.6%
				32,397	32,397	1.8%
Stryker Energy, LLC	Ohio / Oil & Gas Production	Subordinated Secured Revolving Credit Facility \$50,300 Commitment (8.50% (LIBOR + 7.00% with 1.50% LIBOR floor) plus 3.75% PIK, in non-accrual status effective	33,767	32,712		0.0%

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

		12/1/2011, due 12/1/2015) (4), (25) Overriding Royalty Interests(18)		1,562	0.1%
			32,712	1,562	0.1%
Symphony CLO, IX Ltd. (22)	Cayman Islands / Diversified Financial Services	LP Certificates (Residual Interest)	43,006	45,100	2.4%
			43,006	45,100	2.4%
Targus Group International, Inc(16)	California / Durable Consumer Products	First Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 5/25/2016) (3), (4)	23,700	23,700	1.3%
			23,325	23,700	1.3%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Totes Isotoner Corporation	Ohio / Nondurable Consumer Products	Second Lien Term Loan (10.75%, (LIBOR + 9.25% with 1.50% LIBOR floor) due 1/8/2018) (3), (4)	\$ 39,000	\$ 39,000	\$ 38,818	2.1%
United Sporting Companies, Inc.(5)	South Carolina / Durable Consumer Products	Second Lien Term Loan (12.75% (LIBOR + 11.00% with 1.75% LIBOR floor), due 5/16/2018)(4)	100,000	100,000	100,000	5.3%
VanDeMark Chemicals, Inc.(3)	New York / Chemicals	Senior Secured Term Loan (12.20% (LIBOR + 10.20% with 2.0% LIBOR floor), due 12/31/2014)(4)	29,917	29,917	29,917	1.6%
Wind River Resources Corp. and Wind River II Corp.	Utah / Oil & Gas Production	Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% default interest on principal, 16.00% default interest on past due interest, in non-accrual status effective 12/1/2008, past due)(4) Net Profits Interest (5.00% payable on Equity distributions)(7)	14,750	14,750	1,539	0.1%
						0.0%
Total Non-control/Non-affiliate Investments (Level 3 Investments)				2,137,847	2,088,809	110.9%
Total Level 3 Portfolio Investments				2,697,491	2,663,849	141.4%
LEVEL 1 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Allied Defense Group, Inc.	Virginia / Aerospace & Defense	Common Stock (10,000 shares)		56		0.0%
				56		0.0%
Dover Saddlery, Inc.	Massachusetts / Retail	Common Stock (30,974 shares)		63	116	0.0%
				63	116	0.0%
Total Non-control/Non-affiliate Investments (Level 1 Investments)				119	116	0.0%
Total Portfolio Investments				2,697,610	2,663,965	141.4%

SHORT TERM INVESTMENTS: Money Market Funds (Level 2 Investments)

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

Fidelity Institutional Money Market Funds	Government Portfolio (Class I)	175,557	175,557	9.3%
Fidelity Institutional Money Market Funds	Government Portfolio (Class I) (3)	6,600	6,600	0.4%
Victory Government Money Market Funds		1	1	0.0%
Total Money Market Funds		182,158	182,158	9.7%
Total Investments		2,879,768	2,846,123	151.1%

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	June 30, 2012 (Audited)			% of Net Assets	
			Principal Value	Cost	Fair Value(2)		
LEVEL 3 PORTFOLIO INVESTMENTS:							
Control Investments (25.00% or greater of voting control)							
AIRMALL USA, Inc (27)	Pennsylvania / Property Management	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3), (4)	\$ 29,350	\$ 29,350	\$ 29,350	2.0%	
		Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015)	12,500	12,500	12,500	0.8%	
		Convertible Preferred Stock (9,919.684 shares)		9,920	6,132	0.4%	
		Common Stock (100 shares)				0.0%	
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 4/01/2013)(3), (4)	20,167	20,167	20,167	1.3%	
		Subordinated Secured Note Tranche B (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 6.00% PIK, due 4/01/2013)(3), (4)	15,035	15,035	15,035	1.0%	
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057	17,191	1.1%	
		Unrestricted Common Stock (6 shares)			17	0.0%	
AWCNC, LLC(19)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%	
		Members Units Class B-1 (1 unit)				0.0%	
		Members Units Class B-2 (7,999,999 units)				0.0%	
Borga, Inc.	California / Manufacturing	Revolving Line of Credit Commitment (5.00% (PRIME + 1.75%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4), (25)	\$1,000	1,000	945	668	0.0%
		Senior Secured Term Loan B (8.50% (PRIME + 5.25%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)		1,612	1,500		0.0%
		Senior Secured Term Loan C (12.00% plus 4.00% PIK plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)		9,352	707		0.0%
		Common Stock (100 shares)(21)					0.0%
		Warrants (33,750 warrants)(21)					0.0%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	June 30, 2012 (Audited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
Energy Solutions Holdings, Inc.(8)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016) (3)	\$ 25,000	\$ 25,000	\$ 25,000	1.7%
		Junior Secured Note (18.00%, due 12/12/2016) (3)	12,000	12,000	12,000	0.8%
		Senior Secured Note to Vessel Holdings LLC (18.00%, due 12/12/2016)	3,500	3,500	3,500	0.2%
		Subordinated Secured Note to Freedom Marine Holdings, LLC (12.00% (LIBOR + 6.11% with 5.89% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011) (4)	13,352	12,504	5,603	0.4%
		Senior Secured Debt to Yatesville Coal Holdings, Inc. (Non-accrual status effective 1/1/2009, past due)	1,449	1,449		0.0%
		Escrow Receivable			9,825	0.6%
		Common Stock (100 shares)			8,792	70,940
			63,245	126,868	8.4%	
First Tower Holdings of Delaware, LLC. (22), (29)	Mississippi / Consumer Finance	Senior Secured Revolving Credit Facility \$400,000 Commitment (20.00% (LIBOR + 18.50% with 1.50% LIBOR floor), due 6/30/2022) (25)	244,760	244,760	244,760	16.2%
		Common Stock (83,729,323 shares)		43,193	43,193	2.9%
		Net Revenue Interest (5% of Net Revenue & Distributions)				0.0%
				287,953	287,953	19.1%
Integrated Contract Services, Inc.(9)	North Carolina / Contracting	Secured Promissory Notes (15.00%, in non-accrual status effective 12/22/2010, due 3/21/2012 12/18/2013) (10)	2,581	2,580		0.0%
		Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due)(10)	1,170	1,170		0.0%
		Senior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/9/2007, past due)	300			0.0%
		Junior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/9/2007, past due)	11,520	11,520		0.0%
		Preferred Stock Series A (10 shares)				0.0%
		Common Stock (49 shares)		679		0.0%
			3,550	3,550	0.0%	

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

Manx Energy, Inc. (Manx)(12)	Kansas / Oil & Gas Production	Manx Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 6/21/2013)				
		Manx Preferred Stock (6,635 shares)		6,307		0.0%
		Manx Common Stock (17,082 shares)		1,170		0.0%
				11,027		0.0%
NMMB Holdings, Inc. (24)	New York / Media	Senior Term Loan (14.00%, due 5/6/2016)	21,700	21,700	21,700	1.4%
		Senior Subordinated Term Loan (15.00%, due 5/6/2016)	2,800	2,800	2,800	0.2%
		Series A Preferred Stock (4,400 shares)		4,400	252	0.0%
				28,900	24,752	1.6%

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2012 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	June 30, 2012 (Audited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
R-V Industries, Inc.	Pennsylvania / Manufacturing	Warrants (200,000 warrants, expiring 6/30/2017) Common Stock (545,107 shares)		\$ 1,682 5,087 6,769	\$ 6,403 17,453 23,856	0.4% 1.2% 1.6%
Wolf Energy Holdings, Inc (12)	Kansas / Oil & Gas Production	Appalachian Energy Holdings, LLC (AEH) Senior Secured First Lien Note (8.00%, in non-accrual status effective 1/19/2010, due 6/21/2013) Coalbed, LLC Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 6/21/2013) (6) Common Stock (100 Shares)	\$ 2,437 7,311	2,000 5,991		0.0% 0.0% 0.0%
				7,991	564,489	37.3%
Total Control Investments				518,015	564,489	37.3%