

PROSPECT CAPITAL CORP

Form 497

August 29, 2014

Filed under Rule 497(e), Registration Statement No. 333-190850

PROSPECTUS SUPPLEMENT

(To Prospectus dated October 15, 2013)

Up to 50,000,000 Shares

Common Stock

Prospect Capital Corporation is a financial services company that primarily 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 have entered into equity distribution agreements, dated August 29, 2014, with KeyBanc Capital Markets Inc., or "KeyBanc," BB&T Capital Markets, a division of BB&T Securities, LLC or "BB&T Capital Markets," Goldman, Sachs & Co., and RBC Capital Markets, LLC, or "RBC Capital Markets," relating to shares of common stock offered by this prospectus supplement and the accompanying prospectus. We sometimes refer to KeyBanc, BB&T Capital Markets, Goldman, Sachs & Co., and RBC Capital Markets individually as a "Sales Manager" and together as the "Sales Managers."

The equity distribution agreements provide that we may offer and sell up to 50,000,000 shares of our common stock from time to time through the Sales Managers, as our agents for the offer and sale of such common stock. Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by means of ordinary brokers' transactions on the NASDAQ Global Select Market or that otherwise qualify for delivery of a prospectus to the NASDAQ Global Select Market in accordance with Rule 153 under the Securities Act of 1933, as amended, or the "1933 Act," at market prices prevailing at the time of sale, at prices related to prevailing market prices or negotiated transactions or as otherwise agreed with the applicable Sales Manager.

The Sales Managers will receive from us a commission to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of all shares of common stock sold through them as Sales Managers under the equity distribution agreements. The Sales Managers are not required to sell any specific number or dollar amount of common stock, but each will use its commercially reasonable efforts to sell the common stock offered by this prospectus supplement and the accompanying prospectus. See "Plan of Distribution" on page S-66 of this prospectus supplement. These shares of common stock may be offered at a discount from our most recently determined net asset value, or "NAV," per share pursuant to authority granted by our stockholders at the 2013 annual meeting of stockholders held on December 6, 2013. Sales of common stock at prices below NAV per share dilute the interests of existing stockholders, have the effect of reducing our NAV per share and may reduce our market price per share. See "Risk Factors" beginning on page S-8 and "Recent Sales of Common Stock Below Net Asset Value" beginning on page S-56 of this prospectus supplement and "Sales of Common Stock Below Net Asset Value" beginning on page 116 of the accompanying prospectus.

Our common stock is listed on The Nasdaq Global Select Market under the symbol "PSEC." The last reported sale price of our common stock on August 28, 2014 was \$10.26 per share. Our most recently estimated NAV per share is \$10.56 on an as adjusted basis solely to give effect to our issuance of common stock since June 30, 2014 in connection with our dividend reinvestment plan, the same as the \$10.56 determined by us as of June 30, 2014.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read it 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, 42nd 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.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-8 of this prospectus supplement and on page 10 of the accompanying prospectus.

The SEC has not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

| | | | |
|-----------------|-----------------|----------------------|-----------------|
| KeyBanc | BB&T | Goldman, Sachs & Co. | RBC |
| Capital Markets | Capital Markets | | Capital Markets |

Prospectus Supplement dated August 29, 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

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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 and the accompanying prospectus. We have not, and the Sales Managers have not, authorized any other person to provide you with information that is different from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Sales Managers 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 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 supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in that prospectus.

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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. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, we have elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986 (the "Internal Revenue Code" or the "Code"). We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have nine 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, (7) investments in syndicated debt, (8) aircraft leasing and (9) online lending. 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 unsecured 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. Historically, this strategy has comprised approximately 5%-15% of our business, but more recently it is less than 5% 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, sub-prime 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 5%-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 REIT Corp., National Property REIT Corp. and United Property REIT Corp. (collectively, "our REITs"). Our real estate investments are in various classes of fully developed and occupied real estate

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properties that generate current yields. We seek to identify properties that have historically high occupancy and steady cash flow generation. Our REITs 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.

Aircraft Leasing – We invest debt as well as equity in aircraft assets subject to commercial leases to credit-worthy airlines across the globe. These investments present attractive return opportunities due to cash flow consistency from long-lived assets coupled with hard asset collateral. We seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across the spectrum of aircraft types of all vintages. Our target portfolio includes both in-production and out-of-production jet and turboprop aircraft and engines, operated by airlines across the globe. This strategy comprised approximately 1.5% of our business in the fiscal year ended June 30, 2014.

Online Lending – We make investments in loans originated by certain consumer loan and small and medium sized business (“SME”) originators. We purchase each loan in its entirety (i.e., a “whole loan”). The borrowers are consumers and SMEs. The loans are typically serviced by the originators of the loans. This strategy comprised approximately 1% of our business in the fiscal year ended June 30, 2014.

Typically, we concentrate on making investments in companies with annual revenues of less than \$750 million and enterprise values of less than \$1 billion. Our typical investment involves a secured loan of less than \$250 million. We also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. In most cases, companies in which we invest are privately held at the time we invest in them. We refer to these companies as “target” or “middle market” companies and these investments as “middle market investments.” We seek to maximize total returns to our investors, including both current yield and equity upside, by applying rigorous credit analysis and asset-based and cash-flow based lending techniques to make and monitor our investments. We are constantly pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. We also regularly evaluate control investment opportunities in a range of industries, and some of these investments could be material to us. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. If any of these opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

As of June 30, 2014, we held investments in 143 portfolio companies. The aggregate fair value as of June 30, 2014 of investments in these portfolio companies held on that date is approximately \$6.2 billion. Our portfolio across all our performing interest-bearing investments had an annualized current yield of 12.1% as of June 30, 2014.

Recent Developments

Recent Investment Activity

On July 22, 2014, Injured Workers Pharmacy, LLC repaid the \$22.7 million loan receivable to us.

On July 23, 2014, Correctional Healthcare Holding Company, Inc. repaid the \$27.1 million loan receivable to us.

On July 28, 2014, Tectum Holdings, Inc. repaid the \$10.0 million loan receivable to us.

On August 1, 2014, we sold our investments in AMU Holdings, Inc. and Airmall, Inc. for net proceeds of \$51.4 million. In addition, there is \$6.0 million being held in escrow, of which 98% is due to Prospect, which will be recognized if and when received.

On August 5, 2014, we made an investment of \$39.1 million to purchase 70.94% of the subordinated notes in CIFIC Funding 2014-IV, Ltd.

On August 13, 2014, we provided \$210.0 million of senior secured financing, of which \$200.0 million was funded at closing, to support the recapitalization of Trinity Services Group, Inc., a leading food services company in the H.I.G. Capital portfolio.

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On August 21, 2014, we issued 129,435 shares of our common stock in connection with the dividend reinvestment plan.

On August 22, 2014, Byrider Systems Acquisition Corp. repaid the \$11.2 million loan receivable to us.

On August 22, 2014, Capstone Logistics, LLC repaid the \$189.9 million loan receivable to us.

On August 22, 2014, TriMark USA, LLC repaid the \$10.0 million loan receivable to us.

On August 29, 2014, we made a follow-on secured debt investment of \$15.0 million to support the recapitalization of BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork), a provider of intra-operative neurophysiological monitoring services.

Credit Facility

On July 11, 2014, we increased total commitments to our Revolving Credit Facility by \$10.0 million to \$867.5 million in the aggregate.

On July 23, 2014, we increased total commitments to our Revolving Credit Facility by \$10.0 million to \$877.5 million in the aggregate.

On August 29, 2014, we completed a first closing on an expanded five-and-one-half year \$1.5 billion revolving credit facility (the "Facility") for Prospect Capital Funding LLC with reduced pricing. The new Facility, for which twenty lenders have closed on \$800 million to date, includes an accordion feature that allows the Facility, at our discretion, to accept up to a total of \$1.5 billion of commitments, an objective we target reaching with additional lenders. The Facility matures in March 2020 and is substantially similar to the terms of the prior revolving credit facility. It includes a revolving period that extends through March 2019, followed by an additional one-year amortization period, with distributions allowed to us after the completion of the revolving period. Pricing for the Facility is one-month Libor plus 2.25%, achieving 50 basis point reduction in pricing from the previous five-year facility pricing of Libor plus 2.75%. The new Facility has an investment grade Moody's rating of Aa3.

Debt

On August 14, 2014, we announced the then current conversion rate our \$200.0 million of 5.75% Convertible Senior Notes due 2018, or the "2018 Notes", as 83.6661 shares of common stock per \$1 principal amount of the 2018 Notes converted, which is equivalent to a conversion price of approximately \$11.95.

Common Stock Issuance

On July 24, 2014, we issued 98,503 shares of our common stock in connection with the dividend reinvestment plan.

On August 21, 2014, we issued 129,435 shares of our common stock in connection with the dividend reinvestment plan.

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|--|---|
| The Offering Common stock offered by us | Up to 50,000,000 shares. |
| Common stock outstanding as of the date of this prospectus supplement | 342,854,575 shares. |
| Use of proceeds | We expect to use the net proceeds from this offering initially to maintain balance sheet liquidity, involving repayment of debt under our credit facility, if any, investments in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. See "Use of Proceeds" in this prospectus supplement. |
| The NASDAQ Global Select Market symbol | PSEC |
| Risk factors | See "Risk Factors" in this prospectus supplement and the accompanying prospectus and other information in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before you decide whether to make an investment in shares of our common stock. |
| Current Distribution Rate | <p>On February 3, 2014, we announced the declaration of monthly dividends in the following amounts and with the following dates:</p> <ul style="list-style-type: none">• \$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. <p>On May 6, 2014, we announced the declaration of monthly dividends in the following amounts and with the following dates:</p> <ul style="list-style-type: none">• \$0.110550 per share for October 2014 to holders of record on October 31, 2014 with a payment date of November 20, 2014;• \$0.110575 per share for November 2014 to holders of record on November 28, 2014 with a payment date of December 18, 2014; and• \$0.110600 per share for December 2014 to holders of record on December 31, 2014 with a payment date of January 22, 2015. <p>Based on the August 2014 distribution of \$0.110500, this represents an annualized yield of approximately 12.9% based on our August 28, 2014 closing stock price of \$10.26 per share. Such distributions are expected to be payable out of earnings. Our</p> |

distribution levels are subject to change or discontinuance at any time in the discretion of our Board of Directors. Our future earnings and operating cash flow may not be sufficient to support a dividend.

Fees and Expenses

The following tables are intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. In these tables, we assume that we have borrowed \$800.0 million under our credit facility, which is the maximum amount available under the credit facility, in addition to our other indebtedness of \$2.7 billion and a maximum sales load pursuant to the equity distribution agreements. We do not intend to issue preferred stock during the year. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses as an investor in the Company. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

Stockholder transaction expenses:

| | | |
|--|-------|---|
| Sales load (as a percentage of offering price)(1) | 2.00 | % |
| Offering expenses borne by the Company (as a percentage of offering price)(2) | 0.07 | % |
| Dividend reinvestment plan expenses(3) | None | |
| Total stockholder transaction expenses (as a percentage of offering price) | 2.07 | % |
| Annual expenses (as a percentage of net assets attributable to common stock)(4): | | |
| Management fees(5) | 4.02 | % |
| Incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6) | 2.47 | % |
| Total advisory fees | 6.49 | % |
| Total interest expense(7) | 4.59 | % |
| Acquired Fund Fees and Expenses(8) | 0.01 | % |
| Other expenses(9) | 1.05 | % |
| Total annual expenses(6)(9) | 12.14 | % |

Example

The following table demonstrates the projected dollar amount of cumulative expenses we would pay out of net assets and that you would indirectly bear over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we have borrowed all \$800.0 million available under our line of credit, in addition to our other indebtedness of \$2.7 billion and that our annual operating expenses would remain at the levels set forth in the table above and that we would pay the costs shown in the table above.

| | 1 Year | 3 Years | 5 Years | 10 Years | |
|---|-----------|-----------|-----------|-----------|-----------|
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return* | \$ 115.42 | \$ 291.81 | 488.84 | \$ 452.10 | \$ 791.70 |
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return** | \$ 125.21 | 386.12 | \$ 319.54 | \$ 495.72 | \$ 867.03 |

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

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

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The income incentive fee under our Investment Advisory Agreement with Prospect Capital Management is unlikely to be material assuming a 5% annual return and is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our distributions to our common stockholders and our expenses would likely be higher. In addition, while the example assumes reinvestment of all dividends and other distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total

dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

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

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- Represents the estimated commission with respect to the shares of common stock being sold in this offering. The Sales Managers will be entitled to compensation up to 2.00% of the gross proceeds of the sale of any shares of our
- (1) common stock under the equity distribution agreements, with the exact amount of such compensation to be mutually agreed upon by the Company and the Sales Managers from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.
 - (2) The offering expenses of this offering are estimated to be approximately \$350,000.
 - (3) The expenses of the dividend reinvestment plan are included in "other expenses." See "Capitalization" in this prospectus supplement.
 - (4) Net assets attributable to our common stock equal net assets (i.e., total assets less liabilities other than liabilities for money borrowed for investment purposes) at June 30, 2014.
Our base management fee is 2% of our gross assets (which include any amount borrowed, i.e., total assets without deduction for any liabilities, including any borrowed amounts for non-investment purposes, for which purpose we have not and have no intention of borrowing). Although we have no intent to borrow the entire amount available under our line of credit, assuming that we had total borrowings of \$3.5 billion, the 2% management fee of gross assets would equal approximately 4.02% of net assets. Based on our borrowings as of August 28, 2014 of \$2.7 billion, the 2% management fee of gross assets would equal approximately 3.59% of net assets. See "Business—Management Services—Investment Advisory Agreement" and footnote 5 below.
Based on the incentive fee paid during our most recently completed quarter ended June 30, 2014, all of which consisted of an income incentive fee. The capital gain incentive fee is paid without regard to pre-incentive fee income. For a more detailed discussion of the calculation of the two-part incentive fee, see "Management Services—Investment Advisory Agreement" in the accompanying prospectus.
 - (5) As of August 28, 2014, Prospect has \$2.7 billion outstanding of its Senior Notes (as defined below) in various maturities, ranging from December 15, 2015 to October 15, 2043, and interest rates, ranging from 3.23% to 7.0%, some of which are convertible into shares of Prospect common stock at various conversion rates. Please see "Business of Prospect—General" and "Risks Related to Prospect—Risks Relating to Prospect's Business" below for more detail on the Senior Notes.
 - (6) The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies in which the Company is invested in as of June 30, 2014. When applicable, fees and expenses are based on historic fees and expenses for the investment companies, and for those investment companies with little or no operating history fees and expenses are based on expected fees and expenses stated in the investment companies' prospectus or other similar communication without giving effect to any performance. Future fees and expenses for certain investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on net assets of approximately \$3.6 billion as of June 30, 2014.
 - (7) "Other expenses" are based on estimated amounts for the current fiscal year. The amount shown above represents the expenses during the year ended June 30, 2014 representing all of our recurring operating expenses (except fees and expenses reported in other items of this table) that are deducted from our operating income and reflected as expenses in our Statement of Operations. The estimate of our overhead expenses, including payments under an administration agreement with Prospect Administration, or the Administration Agreement is based on our projected allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations under the Administration Agreement. "Other expenses" does not include non-recurring expenses. See "Business—Management Services—Administration Agreement" in the accompanying prospectus.
 - (8) (9)

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, 2014, 2013, 2012, 2011 and 2010 has been derived from the financial statements that were audited by our independent registered public accounting firm. 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-13 for more information.

| | For the Year Ended June 30, | | | | | |
|--|-----------------------------|-------------|-------------|-------------|--------------|----|
| | 2014 | 2013 | 2012 | 2011 | 2010 | |
| Performance Data: | | | | | | |
| Interest income | \$613,741 | \$435,455 | \$219,536 | \$134,454 | \$86,518 | |
| Dividend income | 26,837 | 82,705 | 64,881 | 15,092 | 15,366 | |
| Other income | 71,713 | 58,176 | 36,493 | 19,930 | 12,675 | |
| Total investment income | 712,291 | 576,336 | 320,910 | 169,476 | 114,559 | |
| Interest and credit facility expenses | (130,103) | (76,341) | (38,534) | (17,598) | (8,382) | |
| Investment advisory expense | (198,296) | (151,031) | (82,507) | (46,051) | (30,727) | |
| Other expenses | (26,669) | (24,040) | (13,185) | (11,606) | (8,260) | |
| Total expenses | (355,068) | (251,412) | (134,226) | (75,255) | (47,369) | |
| Net investment income | 357,223 | 324,924 | 186,684 | 94,221 | 67,190 | |
| Realized and unrealized (losses) gains | (38,203) | (104,068) | 4,220 | 24,017 | (47,565) | |
| Net increase in net assets from operations | \$319,020 | \$220,856 | \$190,904 | \$118,238 | \$19,625 | |
| Per Share Data: | | | | | | |
| Net increase in net assets from operations(1) | \$1.06 | \$1.07 | \$1.67 | \$1.38 | \$0.33 | |
| Distributions declared per share | \$(1.32) | \$(1.28) | \$(1.22) | \$(1.21) | \$(1.33) | |
| Average weighted shares outstanding for the year | 300,283,941 | 207,069,971 | 114,394,554 | 85,978,757 | 59,429,222 | |
| Assets and Liabilities Data: | | | | | | |
| Investments | \$6,253,739 | \$4,172,852 | \$2,094,221 | \$1,463,010 | \$748,483 | |
| Other assets | 223,530 | 275,365 | 161,033 | 86,307 | 84,212 | |
| Total assets | 6,477,269 | 4,448,217 | 2,255,254 | 1,549,317 | 832,695 | |
| Amount drawn on credit facility | 92,000 | 124,000 | 96,000 | 84,200 | 100,300 | |
| Senior convertible notes | 1,247,500 | 847,500 | 447,500 | 322,500 | — | |
| Senior unsecured notes | 647,881 | 347,725 | 100,000 | — | — | |
| InterNotes® | 785,670 | 363,777 | 20,638 | — | — | |
| Amount owed to related parties | 2,211 | 6,690 | 8,571 | 7,918 | 9,300 | |
| Other liabilities | 83,825 | 102,031 | 70,571 | 20,342 | 11,671 | |
| Total liabilities | 2,859,087 | 1,791,723 | 743,280 | 434,960 | 121,271 | |
| Net assets | \$3,618,182 | \$2,656,494 | \$1,511,974 | \$1,114,357 | \$711,424 | |
| Investment Activity Data: | | | | | | |
| No. of portfolio companies at year end | 143 | 124 | 85 | 72 | 58 | |
| Acquisitions | \$2,952,456 | \$3,103,217 | \$1,120,659 | \$953,337 | \$364,788(2) | |
| Sales, repayments, and other disposals | \$787,069 | \$931,534 | \$500,952 | \$285,562 | \$136,221 | |
| Total return based on market value(3) | 10.9 | % 6.2 | % 27.2 | % 17.2 | % 17.7 | % |
| Total return based on net asset value(3) | 11.0 | % 10.9 | % 18.0 | % 12.5 | % (6.8) |)% |
| Weighted average yield at end of year(4) | 12.1 | % 13.6 | % 13.9 | % 12.8 | % 16.2 | % |

(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.

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

(3) 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.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and in the accompanying prospectus on page 10, together with all of the other information included in this prospectus supplement and in the accompanying prospectus, before you decide whether to make an investment in our common stock. The risks set forth below and in the accompanying prospectus are not the only risks we face. If any of the adverse events or conditions described below or in the accompanying prospectus occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV and the trading price of our common stock could decline, we could reduce or eliminate our dividend and you could lose all or part of your investment.

Our most recent NAV was calculated on June 30, 2014 and our NAV when calculated effective September 30, 2014 may be higher or lower.

Our most recently estimated NAV per share is \$10.56 on an as adjusted basis solely to give effect to our issuance of common stock since June 30, 2014 in connection with our dividend reinvestment plan, the same as the \$10.56 determined by us as of June 30, 2014. NAV per share as of September 30, 2014, may be higher or lower than \$10.56 based on potential changes in valuations, issuances of securities, dividends paid and earnings for the quarter then ended. Our Board of Directors has not yet determined the fair value of portfolio investments at any date subsequent to June 30, 2014. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis in connection with the preparation of quarterly financial statements and based on input from independent valuation firms, our Investment Adviser, our Administrator and the Audit Committee of our Board of Directors.

If we sell shares of our common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

At our 2013 annual meeting of stockholders held on December 6, 2013, our stockholders approved our ability, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, to sell shares of our common stock at any level of discount from net asset value per share during the 12 month period following December 6, 2013. It should be noted that, theoretically, we may offer up to 25% of our then outstanding common stock each day. The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares of common stock at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares of common stock if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. We have sold shares of our common stock at prices below net asset value per share in the past and may do so to the future. We have not sold any shares of our common stock at prices below net asset value per share since July 18, 2011. For additional information about recent sales below NAV per share, see "Recent Sales of Common Stock Below Net Asset Value" in this prospectus supplement and for additional information and hypothetical examples of these risks, see "Sales of Common Stock Below Net Asset Value" in this prospectus supplement and in the accompanying prospectus.

Capital markets could experience a period of disruption and instability. Such market conditions have historically and could again have a material and adverse effect on debt and equity capital markets in the United States and abroad, which could have a materially negative impact on our business and operations.

Global capital markets have periodically experienced periods of instability as evidenced by the extended disruptions from 2007 to 2010 in liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the markets and the failure of certain major financial institutions. Such conditions may occur for a prolonged period of time. These market conditions have historically and could again have a material adverse effect on debt and equity capital markets in the United States and Europe, which could have a materially negative impact on our business, financial condition and results of operations. We and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. In such

circumstances, equity capital may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have, and approval of the specific issuance by our Board of Directors. In addition, our ability to incur indebtedness or issue preferred stock is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness or issue preferred stock. The debt capital that may be available, if at all, may be at a higher cost and on less

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favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness, including the final maturity of our credit facility in March 2015, and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Given the extreme volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, significant changes in the capital markets, including the extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations. The Investment Adviser does not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. The Investment Adviser monitors developments and seeks to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that it will be successful in doing so; and the Investment Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

We are required to record certain of our assets at fair value, as determined in good faith by our Board of Directors in accordance with our valuation policy. As a result, volatility in the capital markets may have a material adverse effect on our investment valuations and our net asset value, even if we plan to hold investments to maturity.

Uncertainty about the financial stability of the United States and of several countries in the European Union (EU) could have a significant adverse effect on our business, financial condition and results of operations.

Due to federal budget deficit concerns, S&P downgraded the federal government's credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody's and Fitch have warned that they may downgrade the federal government's credit rating. Further downgrades or warnings by S&P or other rating agencies, and the United States government's credit and deficit concerns in general, including issues around the federal debt ceiling, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

On December 18, 2013, the Federal Reserve announced that it would scale back its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve's holdings of long-term securities until key economic indicators, such as the unemployment rate, show signs of improvement. The Federal Reserve signaled it would reduce its purchases of long-term Treasury bonds and would scale back on its

purchases of mortgage-backed securities. It is unclear what effect, if any, the incremental reduction in the rate of the Federal Reserve's monthly purchases will have on the value of our investments. However, it is possible that absent continued quantitative easing by the Federal Reserve, these developments, along with the United States government's federal debt ceiling issues and the European sovereign debt crisis, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

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Our investments in prospective portfolio companies may be risky and we could lose all or part of our investment. Some of our portfolio companies have relatively short or no operating histories. These companies are and will be subject to all of the business risk and uncertainties associated with any new business enterprise, including the risk that these companies may not reach their investment objective and the value of our investment in them may decline substantially or fall to zero. In addition, investment in the middle market companies that we are targeting involves a number of other significant risks, including:

These companies may have limited financial resources and may be unable to meet their obligations under their securities that we hold, which may be accompanied by a deterioration in the value of their securities or of any collateral with respect to any securities and a reduction in the likelihood of our realizing on any guarantees we may have obtained in connection with our investment.

They may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns.

Because many of these companies are privately held companies, public information is generally not available about these companies. As a result, we will depend on the ability of the Investment Adviser to obtain adequate information to evaluate these companies in making investment decisions. If the Investment Adviser is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and we may lose money on our investments.

They are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a materially adverse impact on our portfolio company and, in turn, on us.

They may have less predictable operating results, may from time to time be parties to litigation, may be engaged in changing businesses with products subject to a risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

They may have difficulty accessing the capital markets to meet future capital needs.

Changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects.

Increased taxes, regulatory expense or the costs of changes to the way they conduct business due to the effects of climate change may adversely affect their business, financial structure or prospects.

We acquire majority interests in operating companies engaged in a variety of industries. When we acquire these companies we generally seek to apply financial leverage to them in the form of debt. In most cases all or a portion of this debt is held by us, with the obligor being either the operating company itself, a holding company through which we own our majority interest or both. The level of debt leverage utilized by these companies makes them susceptible to the risks identified above.

In addition, our executive officers, directors and the Investment Adviser could, in the ordinary course of business, be named as defendants in litigation arising from proposed investments or from our investments in the portfolio companies.

The Volcker Rule may impact how we operate our business.

Section 13 of the Bank Holding Company Act of 1956, as amended, often referred to as the "Volcker Rule," is expected to impose significant restrictions on banking entities' ability to sponsor or invest in hedge funds, private equity funds or commodity pools, collectively referred to as covered funds. Certain CLOs will be considered covered funds under the Volcker Rule and banking entities' investments in such CLOs may be considered ownership interests that are prohibited. The rules are highly complex, and many aspects of the implementation of the Volcker Rule remain unclear. We are in the process of assessing the impact of the Volcker Rule on our investments, CLOs and on our industry. The Volcker Rule may have a material adverse effect on our ability to invest in bank-sponsored CLOs in the future and therefore may adversely affect our share price.

Risks affecting investments in real estate.

We make investments in commercial and multi-family residential real estate through our three wholly-owned real estate investment trusts ("REITs"), American Property REIT Corp., National Property REIT Corp. and United Property REIT Corp. (collectively, "our REITs"). A number of factors may prevent each of our REIT's properties and assets from generating sufficient net cash flow or may adversely affect their value, or both, resulting in less cash available for distribution, or a loss, to us. These factors include:

national economic conditions;

- regional and local economic conditions (which may be adversely impacted by plant closings, business layoffs, industry slow-downs, weather conditions, natural disasters, and other factors);

local real estate conditions (such as over-supply of or insufficient demand for office space);

changing demographics;

perceptions by prospective tenants of the convenience, services, safety, and attractiveness of a property;

the ability of property managers to provide capable management and adequate maintenance;

the quality of a property's construction and design;

increases in costs of maintenance, insurance, and operations (including energy costs and real estate taxes);

changes in applicable laws or regulations (including tax laws, zoning laws, or building codes);

potential environmental and other legal liabilities;

the level of financing used by our REITs in respect of their properties, increases in interest rate levels on such

financings and the risk that one of our REITs will default on such financings, each of which increases the risk of loss to us;

the availability and cost of refinancing;

the ability to find suitable tenants for a property and to replace any departing tenants with new tenants;

potential instability, default or bankruptcy of tenants in the properties owned by our REITs;

potential limited number of prospective buyers interested in purchasing a property that one of our REITs wishes to sell; and

the relative illiquidity of real estate investments in general, which may make it difficult to sell a property at an attractive price or within a reasonable time frame.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security or other property from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. Subject to certain limited exceptions, we are prohibited from buying or selling any security or other property from or to the Investment Adviser and its affiliates and persons with whom we are in a control relationship, or entering into joint transactions with any such person, absent the prior approval of the SEC.

On February 10, 2014, we received an exemptive order from the SEC (the "Order") that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Senior Secured Income Fund, Inc. and Pathway Energy Infrastructure Fund, Inc., subject to the conditions included therein. In certain situations where co-investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the

investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested.

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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 incorporated in Maryland. We have elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, we have elected to be treated as a regulated investment company ("RIC"), under Subchapter M of the Internal Revenue Code of 1986 (the "Internal Revenue Code" or the "Code"). We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have nine 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, (7) investments in syndicated debt, (8) aircraft leasing and (9) online lending. 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 unsecured 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. Historically, this strategy has comprised approximately 5%-15% of our business, but more recently it is less than 5% 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, sub-prime 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 5%-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.

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Real Estate Investments – We make investments in real estate through our three wholly-owned tax-efficient real estate investment trusts ("REITs"), American Property REIT Corp., National Property REIT Corp. and United Property REIT Corp. (collectively, "our REITs"). 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. Our REITs 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.

Aircraft Leasing – We invest debt as well as equity in aircraft assets subject to commercial leases to credit-worthy airlines across the globe. These investments present attractive return opportunities due to cash flow consistency from long-lived assets coupled with hard asset collateral. We seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across the spectrum of aircraft types of all vintages. Our target portfolio includes both in-production and out-of-production jet and turboprop aircraft and engines, operated by airlines across the globe. This strategy comprised approximately 1.5% of our business in the fiscal year ended June 30, 2014.

Online Lending – We make investments in loans originated by certain consumer loan and small and medium sized business ("SME") originators. We purchase each loan in its entirety (i.e., a "whole loan"). The borrowers are consumers and SMEs. The loans are typically serviced by the originators of the loans. This strategy comprised approximately 1% of our business in the fiscal year ended June 30, 2014.

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

We hold many of our control investments in a two-tier structure consisting of a holding company and one or more related operating companies. These holding companies serve various business purposes including concentration of management teams, optimization of third party borrowing costs, improvement of supplier, customer, and insurance terms, and enhancement of co-investments by the management teams. In these cases, our investment in the holding company, generally as equity, its equity investment in the operating company and along with any debt from us directly to the operating company structure represents our total exposure for the investment. As of June 30, 2014, as shown in our Consolidated Schedule of Investments, the cost basis and fair value of our investment in controlled companies is \$1,719,242 and \$1,640,454, respectively. This structure gives rise to several of the risks described in our public documents and highlighted above in Part I, Item 1A of this report. Effective for periods commencing on and after July 1, 2014, we will consolidate all wholly-owned and substantially wholly-owned holding companies formed by us for the purpose of holding our controlled investments in operating companies. We do not anticipate any significant effects of consolidating these holding companies as they hold minimal assets other than their investments in the controlled operating companies. Investment company accounting prohibits the consolidation of any operating companies.

We seek to be a long-term investor with our portfolio companies. The aggregate fair value of our portfolio investments was \$6,253,739 and \$4,172,852 as of June 30, 2014 and 2013, respectively. During the year ended June 30, 2014, our net cost of investments increased by \$2,115,744, or 49.7%, as a result of forty-seven new investments, four revolver advances and several follow-on investments of \$2,937,311, payment-in-kind interest of \$15,145, structuring fees of \$45,087 and net amortization of discounts and premiums of \$46,297, while we received full repayments on twenty-one investments, sold eight investments, and received several partial prepayments and

amortization payments totaling \$787,069.

Compared to the end of last fiscal year (ended June 30, 2013), net assets increased by \$961,688, or 36.2%, during the year ended June 30, 2014, from \$2,656,494 to \$3,618,182. This increase resulted from the issuance of new shares of our common stock (less offering costs) in the amount of \$1,030,282, dividend reinvestments of \$15,574, and \$319,020 from operations. These increases, in turn, were offset by \$403,188 in dividend distributions to our stockholders. The \$319,020 from operations is net of the following: net investment income of \$357,223, net realized loss on investments of \$3,346, and net change in unrealized depreciation on investments of \$34,857.

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Fourth Quarter Highlights

Investment Transactions

During the three months ended June 30, 2014, we acquired \$386,642 of new investments, completed follow-on investments in existing portfolio companies totaling approximately \$55,360, and recorded PIK interest of \$2,102, resulting in gross investment originations of \$444,104. During the three months ended June 30, 2014, we received full repayments on five investments, and received several partial prepayments and amortization payments totaling \$169,617. The more significant of these transactions are discussed in "Portfolio Investment Activity."

SEC Matter

On May 6, 2014, we announced in our filing on Form 10-Q for the quarter ended March 31, 2014 that the SEC Staff had asserted certain of our wholly-owned holding companies were investment companies, such companies were required to be consolidated in our historical financial results and financial position, and restatement of such financial statements was needed. At that time, we disclosed that we disagreed with the views of the SEC Staff and wished to appeal the conclusion through the Office of the Chief Accountant. On June 10, 2014, based on those discussions with the Office of the Chief Accountant, we concluded the following:

- Our historical non-consolidation of wholly-owned and substantially wholly-owned holding companies did not require restatement of our prior period financial statements.

Upon our adoption of ASU 2013-08 for the fiscal year ended June 30, 2015, we will begin consolidating on a prospective basis certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy.

While we were in discussions with the SEC, we elected to suspend our debt and equity raising activities for the remainder of the quarter and continuing through the filing of this Form 10-K. This curtailment of capital raising activities suppressed our levels of origination and growth in the fourth quarter of the fiscal year ended June 30, 2014. This reduction in originations suppressed our level of structuring fees recognized and reduced our earnings for the quarter. Originations were \$1,343,356 in the quarter ended March 31, 2014 versus \$444,104 in the quarter ended June 30, 2014. As a result, structuring fees fell from \$24,659 in the quarter ended March 31, 2014 to \$5,026 in the quarter ended June 30, 2014.

Equity Issuance

During the three months ended June 30, 2014, we sold 7,711,389 shares of our common stock at an average price of \$10.91 per share, and raised \$84,145 of gross proceeds, under our at-the-market offering program (the "ATM Program"). Net proceeds were \$83,308 after commissions to the broker-dealer on shares sold and offering costs.

On April 17, 2014, May 22, 2014 and June 19, 2014, we issued 86,333, 114,111 and 112,630 shares of our common stock in connection with the dividend reinvestment plan, respectively.

Dividend

On May 6, 2014, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- \$0.110550 per share for October 2014 to holders of record on October 31, 2014 with a payment date of November 20, 2014;

- \$0.110575 per share for November 2014 to holders of record on November 28, 2014 with a payment date of December 18, 2014; and

- \$0.110600 per share for December 2014 to holders of record on December 31, 2014 with a payment date of January 22, 2015.

Revolving Credit Facility

On May 9, 2014 and May 29, 2014, we increased total commitments to our Revolving Credit Facility by \$45,000 and \$20,000, respectively. The lenders have extended total commitments of \$857,500 as of June 30, 2014, which was increased to \$877,500 in July 2014 (see "Recent Developments").

Debt Issuance

On April 7, 2014, we issued \$300,000 aggregate principal amount of senior unsecured notes that mature on July 15, 2019 (the "5.00% 2019 Notes"). Included in the issuance is \$45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were \$250,775.

On April 11, 2014, we issued \$400,000 aggregate principal amount of senior convertible notes that mature on April 15, 2020 (the "2020 Notes"), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were \$387,500.

During the three months ended June 30, 2014, we issued \$66,554 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$65,251. These notes were issued with stated interest rates ranging from 3.75% to 6.25% with a weighted average interest rate of 5.03%. These notes mature between April 15, 2018 and May 15, 2039.

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---------------------------------|------------------|---------------------|--------------------------------|---------------------------------|
| 4 | \$8,759 | 3.75% | 3.75 | % April 15, 2018 – May 15, 2018 |
| 5 | 21,950 | 4.25%–4.75% | 4.48 | % April 15, 2019 – May 15, 2019 |
| 7 | 15,182 | 5.25% | 5.25 | % April 15, 2021 – May 15, 2021 |
| 10 | 10,159 | 5.75% | 5.75 | % April 15, 2024 – May 15, 2024 |
| 25 | 10,504 | 6.25% | 6.25 | % April 15, 2039 – May 15, 2039 |
| | \$66,554 | | | |

Investment Holdings

As of June 30, 2014, we continue to pursue our investment strategy. At June 30, 2014, approximately \$6,253,739, or 172.8%, of our net assets are invested in 143 long-term portfolio investments and CLOs.

During the year ended June 30, 2014, we originated \$2,952,456 of new investments, primarily composed of \$1,585,869 of debt and equity financing to non-controlled investments, \$913,094 of debt and equity financing to controlled investments, and \$453,493 of subordinated notes in CLOs. Our origination efforts are focused primarily on debt and equity financing to controlled investments and secured lending to non-control investments, 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 12.1% as of June 30, 2013 and June 30, 2014, respectively, across all performing interest bearing investments. The decrease in our current yield is primarily the result of originations at lower rates than our average existing portfolio yield. Monetization of equity positions that we hold and loans on non-accrual status are not included in this yield calculation. In many of our portfolio companies we hold equity positions, ranging from minority interests to majority stakes, which we expect over time to contribute to our investment returns. Some of these equity positions include features such as contractual minimum internal rates of returns, preferred distributions, flip structures and other features expected to generate additional investment returns, as well as contractual protections and preferences over junior equity, in addition to the yield and security offered by our cash flow and collateral debt protections.

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

Investments.

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As of June 30, 2014, we own controlling interests in AMU Holdings Inc.; APH Property Holdings, LLC; Arctic Oilfield Equipment USA, Inc.; ARRM Services, Inc. (f/k/a ARRM Holdings Inc.); AWC, LLC; BXC Company, Inc. (f/k/a BXC Holding Company); CCPI Holdings Inc.; CP Holdings of Delaware LLC; Credit Central Holdings of Delaware, LLC; Echelon Aviation LLC; Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings, Inc.); First Tower Holdings of Delaware LLC; Gulf Coast Machine & Supply Company; Harbortouch Holdings of Delaware Inc.; The Healing Staff, Inc.; Manx Energy, Inc.; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc.; NPH Property Holdings, LLC; R-V Industries, Inc.; STI Holding, Inc.; UPH Property Holdings, LLC; Valley Electric Holdings I, Inc.; and Wolf Energy Holdings Inc. We also own an affiliated interest in BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork).

The following shows the composition of our investment portfolio by level of control as of June 30, 2014 and June 30, 2013:

| Level of Control | June 30, 2014 | | | | June 30, 2013 | | | | |
|---------------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---|
| | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio | |
| Control Investments | \$1,719,242 | 27.0 | % \$1,640,454 | 26.2 | % \$830,151 | 19.5 | % \$811,634 | 19.5 | % |
| Affiliate Investments | 31,829 | 0.5 | % 32,121 | 0.5 | % 49,189 | 1.2 | % 42,443 | 1.0 | % |
| Non-Control/Non-Affiliate Investments | 4,620,451 | 72.5 | % 4,581,164 | 73.3 | % 3,376,438 | 79.3 | % 3,318,775 | 79.5 | % |
| Total Investments | \$6,371,522 | 100.0 | % \$6,253,739 | 100.0 | % \$4,255,778 | 100.0 | % \$4,172,852 | 100.0 | % |

The following shows the composition of our investment portfolio by type of investment as of June 30, 2014 and June 30, 2013:

| Type of Investment | June 30, 2014 | | | | June 30, 2013 | | | | |
|-----------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---|
| | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio | |
| Revolving Line of Credit | \$3,445 | 0.1 | % \$2,786 | — | % \$9,238 | 0.2 | % \$8,729 | 0.2 | % |
| Senior Secured Debt | 3,578,339 | 56.2 | % 3,514,198 | 56.2 | % 2,262,327 | 53.1 | % 2,207,091 | 52.8 | % |
| Subordinated Secured Debt | 1,272,275 | 20.0 | % 1,200,221 | 19.2 | % 1,062,386 | 25.0 | % 1,024,901 | 24.6 | % |
| Subordinated Unsecured Debt | 85,531 | 1.3 | % 85,531 | 1.4 | % 88,470 | 2.1 | % 88,827 | 2.1 | % |
| Small Business Whole Loans | 4,637 | 0.1 | % 4,252 | 0.1 | % — | — | % — | — | % |
| CLO Debt | 28,118 | 0.4 | % 33,199 | 0.5 | % 27,667 | 0.7 | % 28,589 | 0.7 | % |
| CLO Residual Interest | 1,044,656 | 16.4 | % 1,093,985 | 17.5 | % 660,619 | 15.5 | % 658,086 | 15.8 | % |
| Preferred Stock | 80,096 | 1.3 | % 10,696 | 0.2 | % 25,016 | 0.6 | % 14,742 | 0.4 | % |
| Common Stock | 84,768 | 1.3 | % 80,153 | 1.3 | % 34,629 | 0.8 | % 47,083 | 1.1 | % |
| Membership Interest | 187,384 | 2.9 | % 217,763 | 3.5 | % 83,265 | 1.9 | % 61,903 | 1.5 | % |
| Net Profits Interest | — | — | % 213 | — | % — | — | % 520 | — | % |
| Net Revenue Interest | — | — | % — | — | % — | — | % 20,439 | 0.5 | % |
| Escrow Receivable | — | — | % 1,589 | — | % — | — | % 4,662 | 0.1 | % |
| Warrants | 2,273 | — | % 9,153 | 0.1 | % 2,161 | 0.1 | % 7,280 | 0.2 | % |
| Total Investments | \$6,371,522 | 100.0 | % \$6,253,739 | 100.0 | % \$4,255,778 | 100.0 | % \$4,172,852 | 100.0 | % |

The following shows our investments in interest bearing securities by type of investment as of June 30, 2014 and June 30, 2013:

| Type of Investment | June 30, 2014 | | | | June 30, 2013 | | | | |
|----------------------------|---------------|----------------|--------------|----------------|---------------|----------------|--------------|----------------|---|
| | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio | |
| First Lien | \$3,581,784 | 59.5 | %\$3,516,984 | 59.3 | % \$2,271,565 | 55.3 | %\$2,215,820 | 55.2 | % |
| Second Lien | 1,272,275 | 21.1 | %1,200,221 | 20.2 | % 1,062,386 | 25.8 | %1,024,901 | 25.5 | % |
| Unsecured | 85,531 | 1.4 | %85,531 | 1.4 | % 88,470 | 2.2 | %88,827 | 2.2 | % |
| Small Business Whole Loans | 4,637 | 0.1 | %4,252 | 0.1 | % — | — | %— | — | % |
| CLO Debt | 28,118 | 0.5 | %33,199 | 0.6 | % 27,667 | 0.7 | %28,589 | 0.7 | % |
| CLO Residual Interest | 1,044,656 | 17.4 | %1,093,985 | 18.4 | % 660,619 | 16.0 | %658,086 | 16.4 | % |
| Total Debt Investments | \$6,017,001 | 100.0 | %\$5,934,172 | 100.0 | % \$4,110,707 | 100.0 | %\$4,016,223 | 100.0 | % |

The following shows the composition of our investment portfolio by geographic location as of June 30, 2014 and June 30, 2013:

| Geographic Location | June 30, 2014 | | | | June 30, 2013 | | | | |
|---------------------|---------------|----------------|--------------|----------------|---------------|----------------|--------------|----------------|---|
| | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio | |
| Canada | \$15,000 | 0.2 | %\$15,000 | 0.2 | % \$165,000 | 3.9 | %\$165,000 | 4.0 | % |
| Cayman Islands | 1,072,774 | 16.8 | %1,127,184 | 18.0 | % 688,286 | 16.2 | %686,675 | 16.5 | % |
| France | 10,170 | 0.2 | %10,339 | 0.2 | % — | — | %— | — | % |
| Ireland | — | — | %— | — | % 14,927 | 0.4 | %15,000 | 0.4 | % |
| Midwest US | 787,482 | 12.4 | %753,543 | 12.0 | % 565,239 | 13.3 | %531,934 | 12.7 | % |
| Northeast US | 1,224,403 | 19.2 | %1,181,533 | 18.9 | % 522,759 | 12.2 | %536,300 | 12.8 | % |
| Puerto Rico | 41,307 | 0.7 | %36,452 | 0.6 | % 41,352 | 1.0 | %41,352 | 1.0 | % |
| Southeast US | 1,491,554 | 23.4 | %1,461,516 | 23.4 | % 1,124,119 | 26.4 | %1,098,996 | 26.3 | % |
| Southwest US | 759,630 | 11.9 | %737,271 | 11.8 | % 459,944 | 10.8 | %445,411 | 10.7 | % |
| Western US | 969,202 | 15.2 | %930,901 | 14.9 | % 674,152 | 15.8 | %652,184 | 15.6 | % |
| Total Investments | \$6,371,522 | 100.0 | %\$6,253,739 | 100.0 | % \$4,255,778 | 100.0 | %\$4,172,852 | 100.0 | % |

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The following shows the composition of our investment portfolio by industry as of June 30, 2014 and June 30, 2013:

| Industry | June 30, 2014 | | | | June 30, 2013 | | | | |
|---|---------------|----------------|--------------|----------------|---------------|----------------|--------------|----------------|---|
| | Cost | % of Portfolio | Fair Value | % of Portfolio | Cost | % of Portfolio | Fair Value | % of Portfolio | |
| Aerospace & Defense | \$102,803 | 1.6 | %\$102,967 | 1.6 | % \$56 | — | %\$— | — | % |
| Auto Finance | 11,139 | 0.2 | %11,139 | 0.2 | % 10,914 | 0.3 | %10,417 | 0.2 | % |
| Automobile | 22,296 | 0.4 | %22,452 | 0.4 | % 12,300 | 0.3 | %12,500 | 0.3 | % |
| Biotechnology | — | — | %— | — | % — | — | %14 | — | % |
| Business Services | 598,940 | 9.4 | %611,286 | 9.8 | % 180,793 | 4.2 | %179,544 | 4.3 | % |
| Chemicals | 19,648 | 0.3 | %19,713 | 0.3 | % 28,364 | 0.7 | %28,648 | 0.7 | % |
| Commercial Services | 301,610 | 4.7 | %301,610 | 4.8 | % 247,073 | 5.8 | %247,073 | 5.9 | % |
| Construction & Engineering | 56,860 | 0.9 | %33,556 | 0.5 | % 53,615 | 1.3 | %53,615 | 1.3 | % |
| Consumer Finance | 425,497 | 6.7 | %434,348 | 6.9 | % 413,332 | 9.7 | %406,964 | 9.8 | % |
| Consumer Services | 502,862 | 7.9 | %504,647 | 8.1 | % 311,982 | 7.3 | %314,033 | 7.5 | % |
| Contracting | 3,831 | 0.1 | %— | — | % 3,831 | 0.1 | %— | — | % |
| Diversified / Conglomerate Service | — | — | %— | — | % — | — | %143 | — | % |
| Diversified Financial Services(1) | 42,574 | 0.7 | %42,189 | 0.7 | % 57,419 | 1.3 | %55,759 | 1.3 | % |
| Durable Consumer Products | 377,205 | 5.9 | %375,329 | 6.0 | % 359,403 | 8.5 | %349,654 | 8.4 | % |
| Ecological | — | — | %— | — | % 141 | — | %335 | — | % |
| Electronics | — | — | %— | — | % — | — | %149 | — | % |
| Energy | 77,379 | 1.2 | %67,637 | 1.1 | % 63,895 | 1.5 | %56,321 | 1.3 | % |
| Food Products | 173,375 | 2.7 | %174,603 | 2.8 | % 177,423 | 4.2 | %177,428 | 4.3 | % |
| Healthcare | 329,408 | 5.2 | %326,142 | 5.2 | % 273,438 | 6.4 | %273,838 | 6.6 | % |
| Hotels, Restaurants & Leisure | 132,193 | 2.1 | %132,401 | 2.1 | % 35,125 | 0.8 | %35,361 | 0.8 | % |
| Machinery | 396 | — | %621 | — | % 396 | — | %790 | — | % |
| Manufacturing | 204,394 | 3.2 | %171,577 | 2.7 | % 163,431 | 3.8 | %167,584 | 4.0 | % |
| Media | 362,738 | 5.7 | %344,278 | 5.5 | % 171,290 | 4.0 | %161,325 | 3.9 | % |
| Metal Services & Minerals | 48,402 | 0.8 | %51,977 | 0.8 | % 98,662 | 2.3 | %102,832 | 2.5 | % |
| Oil & Gas Production | 283,490 | 4.4 | %248,494 | 4.0 | % 75,126 | 1.8 | %24,420 | 0.6 | % |
| Personal & Nondurable Consumer Products | 10,604 | 0.2 | %11,034 | 0.2 | % 59,822 | 1.4 | %60,183 | 1.4 | % |
| Pharmaceuticals | 78,069 | 1.2 | %73,690 | 1.2 | % — | — | %— | — | % |
| Property Management | 57,500 | 0.9 | %45,284 | 0.7 | % 51,170 | 1.2 | %54,648 | 1.3 | % |
| Real Estate | 353,506 | 5.5 | %355,236 | 5.7 | % 152,540 | 3.6 | %152,540 | 3.7 | % |
| Retail | 14,231 | 0.2 | %14,625 | 0.2 | % 14,190 | 0.3 | %14,569 | 0.3 | % |
| Software & Computer Services | 240,469 | 3.8 | %241,260 | 3.9 | % 307,734 | 7.2 | %309,308 | 7.4 | % |
| Telecommunication Services | 79,630 | 1.2 | %79,654 | 1.3 | % — | — | %— | — | % |
| Textiles, Apparel & Luxury Goods | 275,023 | 4.3 | %259,690 | 4.2 | % 116,260 | 2.8 | %108,708 | 2.6 | % |
| Transportation | 112,676 | 1.8 | %69,116 | 1.1 | % 127,767 | 3.0 | %127,474 | 3.1 | % |
| Subtotal | \$5,298,748 | 83.2 | %\$5,126,555 | 82.0 | % \$3,567,492 | 83.8 | %\$3,486,177 | 83.5 | % |
| CLO Investments(1) | 1,072,774 | 16.8 | %1,127,184 | 18.0 | % 688,286 | 16.2 | %686,675 | 16.5 | % |
| Total Investments | \$6,371,522 | 100.0 | %\$6,253,739 | 100.0 | % \$4,255,778 | 100.0 | %\$4,172,852 | 100.0 | % |

(1) Although designated as Diversified Financial Services within our Schedules of Investments in Item 8 of this report, our CLO investments do not have industry concentrations and as such have been separated in the table above.

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Portfolio Investment Activity

During the year ended June 30, 2014, we acquired \$2,082,327 of new investments, completed follow-on investments in existing portfolio companies totaling approximately \$840,134, funded \$14,850 of revolver advances, and recorded PIK interest of \$15,145, resulting in gross investment originations of \$2,952,456. The more significant of these transactions are briefly described below.

On July 12, 2013, we provided \$11,000 of secured second lien financing to Water PIK, Inc., a leader in developing innovative personal and oral healthcare products. The second lien term loan bears interest in cash at the greater of 9.75% or Libor plus 8.75% and has a final maturity of January 8, 2021.

On July 23, 2013, we made a \$2,000 investment in Carolina Beverage Group, LLC ("Carolina Beverage"), a contract beverage manufacturer. The senior secured note bears interest in cash at 10.5% and has a final maturity of July 23, 2018.

On July 26, 2013, we made a \$2,000 follow-on senior secured debt investment in Spartan Energy Services, Inc. ("Spartan") to finance the formation of the Well Testing division. The first lien note bears interest in cash at the greater of 10.5% or Libor plus 9.0% and has a final maturity of December 28, 2017.

On July 26, 2013, we made a \$20,000 follow-on secured second lien investment in Royal Adhesives & Sealants, LLC ("Royal") to facilitate an acquisition. The second lien term loan bears interest in cash at the greater of 9.75% or Libor plus 8.5% and has a final maturity of January 31, 2019.

On July 31, 2013, we made a \$5,100 follow-on investment in Coverall North America, Inc. to fund a dividend recapitalization. The first lien note bears interest in cash at the greater of 11.5% or Libor plus 8.5% and has a final maturity of December 17, 2017.

On August 2, 2013, we made an investment of \$44,100 to purchase 90% of the subordinated notes in CIFC Funding 2013-III, Ltd.

On August 2, 2013, we provided \$81,273 of debt and \$12,741 of equity financing to support the recapitalization of CP Holdings, an energy services company based in western Oklahoma. Through the recapitalization, we acquired a controlling interest in CP Holdings for \$73,009 in cash and 1,918,342 unregistered shares of our common stock. After the financing, we received repayment of the \$18,991 loan previously outstanding. The \$58,773 first lien note issued to CP Energy Services Inc. bears interest in cash at the greater of 9.0% or Libor plus 7.0% and interest payment in kind of 9.0% and has a final maturity of August 2, 2018. The \$22,500 first lien note issued to CP Well Testing Holding Company LLC bears interest in cash at the greater of 11.0% or Libor plus 9.0% and has a final maturity of August 2, 2018.

On August 9, 2013, we provided \$80,000 in senior secured loans and a senior secured revolving loan facility, of which \$70,000 was funded at closing, for the recapitalization of Matrixx Initiatives, Inc., owner of Zicam, a developer and marketer of OTC cold remedy products under the Zicam brand. The \$35,000 Term Loan A note bears interest in cash at the greater of 7.5% or Libor plus 6.0% and has a final maturity of August 9, 2018. The \$35,000 Term Loan B note bears interest in cash at the greater of 12.5% or Libor plus 11.0% and has a final maturity of August 9, 2018. The \$10,000 senior secured revolver, which was unfunded at closing, bears interest in cash at the greater of 10.0% or Libor plus 8.5% and has a final maturity of February 9, 2014.

On August 15, 2013, we made a \$14,000 follow-on investment in Totes Isotoner Corporation ("Totes") to fund a dividend to shareholders. The second lien term loan bears interest in cash at the greater of 10.75% or Libor plus 9.25% and has a final maturity of January 8, 2018.

On August 30, 2013, we made a \$16,000 follow-on investment in System One Holdings, LLC to support an acquisition. The first lien note bears interest in cash at the greater of 11.0% or Libor plus 9.5% and has a final maturity of December 31, 2018.

On September 5, 2013, we provided a \$50,382 senior secured term loan to United Bank Card, Inc. (d/b/a Harbortouch), a payments processor. The first lien term loan bears interest in cash at the greater of 11.5% or Libor plus 9.5% and has a final maturity of September 5, 2018.

On September 10, 2013, we made a \$12,500 first lien secured investment in Photonis Technologies SAS ("Photonis"), a world leader in the development, manufacture and sale of electro-optic components for the detection and intensification of

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very faint light sources. The first lien term loan bears interest in cash at the greater of 8.5% or Libor plus 7.5% and has a final maturity of September 18, 2019.

On September 11, 2013, we provided a \$75,000 senior secured term loan to support the recapitalization of American Broadband Holding Company and Cameron Holdings of NC, Inc., a provider of voice, video, and high-speed internet services. The first lien Term Loan B bears interest in cash at the greater of 11.0% or Libor plus 9.75% and has a final maturity of September 30, 2018.

On September 13, 2013, we made an investment of \$36,515 to purchase 83.56% of the subordinated notes in Apidos CLO XV.

On September 19, 2013, we provided \$41,042 of debt and \$6,943 of equity financing to support the recapitalization of Mity, a designer, manufacturer and seller of multipurpose room furniture and specialty healthcare seating products. The \$22,792 first lien note issued to Mity bears interest in cash at the greater of 9.0% or Libor plus 7.0% and interest payment in kind of 9.0% and has a final maturity of September 19, 2019. The \$18,250 first lien note issued to MITY Enterprises, Inc. bears interest in cash at the greater of 10.0% or Libor plus 7.0% and has a final maturity of March 19, 2019.

On September 25, 2013, we made a \$12,000 subordinated secured second lien investment in NCP Finance Limited Partnership, a lender to short term loan providers in the alternative financial services industry. The subordinated secured term loan bears interest in cash at the greater of 11.0% or Libor plus 9.75% and has a final maturity of September 30, 2018.

On September 30, 2013, we made an investment of \$20,945 to purchase 51.02% of the subordinated notes in Galaxy XVI CLO, Ltd.

On September 30, 2013, we made an \$18,818 follow-on investment in JHH Holdings, Inc. to finance an acquisition. The second lien term loan bears interest in cash at the greater of 11.25% or Libor plus 10.0% and interest payment in kind of 0.5% and has a final maturity of March 30, 2019.

On October 1, 2013, we made a \$2,600 follow-on investment in AIRMALL to support liquidity needs. The subordinated secured note bears interest in cash at 12.0% and interest payment in kind of 6.0% and has a final maturity of December 31, 2015.

On October 11, 2013, we made a \$5,846 follow-on investment in CP Holdings to fund flowback equipment purchases. We invested \$746 of equity and \$5,100 of debt in CP Holdings. The first lien note issued to CP Energy Services Inc. bears interest in cash at the greater of 9.0% or Libor plus 7.0% and interest payment in kind of 9.0% and has a final maturity of August 2, 2018.

On October 11, 2013, we provided \$25,000 in preferred equity for the recapitalization of Ajax. After the financing, we received repayment of the \$20,008 loan previously outstanding.

On October 11, 2013, we made a secured debt investment of \$2,000 in Digital Insight, a provider of digital banking software to financial institutions in the U.S. which allows financial institutions to offer a comprehensive, user friendly platform of products and services through the online and mobile channels.

On October 16, 2013, we made a secured debt investment of \$7,000 in Renaissance Learning, Inc. ("Renaissance"), a provider of technology based school improvement and student assessment programs.

On October 22, 2013, we made an investment of \$40,791 to purchase 85.05% of the subordinated notes in CIFIC Funding 2013-IV, Ltd.

On October 29, 2013, we made a \$2,000 follow-on investment in APH to support the peer-to-peer lending initiative. We invested \$300 of equity and \$1,700 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to NPH.

On October 29, 2013, we made a secured debt investment of \$2,500 in Omnitrac, Inc. ("Omnitrac"), one of the world's largest providers of satellite and terrestrial-based connectivity and position location solutions to transportation and logistics companies.

On October 30, 2013, we made a secured debt investment of \$6,000 in The Petroleum Place, Inc. ("P2"), a provider of enterprise resource planning software focused on the oil & gas industry.

On November 1, 2013, we made a \$9,869 follow-on investment in APH to acquire Bexley Apartment Houses, a multi-family residential property located in Marietta, Georgia. We invested \$1,669 of equity and \$8,200 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to NPH.

On November 5, 2013, we made a \$2,000 follow-on investment in APH to support the peer-to-peer lending initiative. We invested \$300 of equity and \$1,700 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to NPH.

On November 8, 2013, we provided \$25,950 in preferred equity for the recapitalization of Gulf Coast, a provider of value-added forging solutions to energy and industrial end markets. Through the recapitalization, we acquired a controlling interest in Gulf Coast. After the financing, we received partial repayment of the loan previously outstanding, leaving a balance of \$15,000. The senior secured term loan bears interest in cash at the greater of 10.5% or Libor plus 8.5% and has a final maturity of October 12, 2017.

On November 14, 2013, we made an investment of \$26,064 to purchase 61.30% of the subordinated notes in Sudbury Mill CLO Ltd.

On November 15, 2013, we made a \$45,900 follow-on investment in APH to acquire the Gulf Coast Portfolio, a portfolio of six multi-family residential properties located in Alabama and Florida. We invested \$7,400 of equity and \$38,500 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On November 19, 2013, we made a \$66,188 follow-on investment in APH to acquire the Oxford Portfolio, a portfolio of six multi-family residential properties located in Georgia, Florida, North Carolina and Texas. We invested \$11,188 of equity and \$55,000 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to NPH.

On November 20, 2013, we made a secured debt investment of \$1,000 in Chromaflo Technologies (“Chromaflo”), a producer of colorants and related specialty chemical products based in Ohio.

On November 25, 2013, we restructured our investment in Freedom Marine Holdings, LLC (“Freedom Marine”), a subsidiary of Energy Solutions. The subordinated secured loan to Jettco Marine Services, LLC (“Jettco”), a subsidiary of Freedom Marine, was replaced with a senior secured note to Vessel Holdings II, LLC, a new subsidiary of Freedom Marine. The \$13,000 first lien note issued to Vessel Holdings II, LLC bears interest in cash at 13.0% and has a final maturity of November 25, 2018.

On November 25, 2013, we made a \$2,000 follow-on investment in APH to support the peer-to-peer lending initiative. We invested \$300 of equity and \$1,700 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to NPH.

On November 25, 2013, we made a \$5,000 follow-on investment in AIRMALL to support liquidity needs. The subordinated secured note bears interest in cash at 12.0% and interest payment in kind of 6.0% and has a final maturity of December 31, 2015.

On November 29, 2013, we made a \$1,000 follow-on senior secured debt investment in Gulf Coast to fund working capital needs. The senior secured term loan bears interest in cash at the greater of 10.5% or Libor plus 8.5% and has a final maturity of October 12, 2017.

On December 3, 2013, we made a \$16,000 senior secured investment in Vessel Holdings III, LLC, a new subsidiary of Freedom Marine, a subsidiary of Energy Solutions. The first lien note bears interest in cash at 13.0% and has a final maturity of December 3, 2018.

On December 4, 2013, we made a \$5,000 follow-on investment in APH to support the peer-to-peer lending initiative. We invested \$750 of equity and \$4,250 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to NPH.

On December 12, 2013, we made a \$22,507 follow-on investment in APH to acquire the Stonemark Portfolio, a portfolio of six multi-family residential properties located in Atlanta, Georgia. We invested \$3,707 of equity and \$18,800 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. This investment was subsequently contributed to UPH.

On December 13, 2013, we provided \$8,086 in preferred equity for the recapitalization of NMMB. After the restructuring, we received full repayment of \$2,800 of the subordinated term loan and partial repayment of \$5,286 of the senior term loan previously outstanding.

On December 13, 2013, we purchased an additional \$5,000 investment in Therakos, Inc., a developer of technologies for extracorporeal photopheresis treatments. The second lien term loan bears interest in cash at the greater of 11.25% or Libor plus 10.0% and has a final maturity of June 27, 2018.

On December 16, 2013, we made a \$1,500 follow-on senior secured debt investment in Gulf Coast to fund working capital needs. The senior secured term loan bears interest in cash at the greater of 10.5% or Libor plus 8.5% and has a final maturity of October 12, 2017.

On December 18, 2013, we made a \$5,000 follow-on investment in Spartan to fund capital expenditures across all divisions. The first lien note bears interest in cash at the greater of 10.5% or Libor plus 9.0% and has a final maturity of December 28, 2017.

On December 18, 2013, we made an investment of \$39,876 to purchase 90% of the subordinated notes in Cent CLO 20 Limited.

On December 20, 2013, we made a secured debt investment of \$9,000 in Harley Marine Services, Inc., a provider of marine transportation services. The second lien term loan bears interest in cash at the greater of 10.5% or Libor plus 9.25% and has a final maturity of December 20, 2019.

On December 23, 2013, we provided \$102,400 of senior secured financing, of which \$87,400 was funded at closing, for the recapitalization of PrimeSport, Inc., a global live entertainment and event management company. The \$43,700 Term Loan A note bears interest in cash at the greater of 7.5% or Libor plus 6.5% and has a final maturity of December 23, 2019. The \$43,700 Term Loan B note bears interest in cash at the greater of 11.5% or Libor plus 10.5% and interest payment in kind of 1.0% and has a final maturity of December 23, 2019. The \$15,000 senior secured revolver, which was unfunded at closing, bears interest in cash at the greater of 10.0% or Libor plus 9.5% and has a final maturity of June 23, 2014.

On December 26, 2013, we made a \$13,641 follow-on investment in CP Holdings to fund the acquisition of additional equipment. We invested \$1,741 of equity and \$11,900 of debt in CP Holdings. The first lien note issued to CP Energy Services Inc. bears interest in cash at the greater of 9.0% or Libor plus 7.0% and interest payment in kind of 9.0% and has a final maturity of August 2, 2018.

On December 30, 2013, we made a secured debt investment of \$40,000 in Crosman Corporation, the world's leading designer, manufacturer and marketer of airguns, airsoft guns and related category consumables. The second lien term loan originally bore interest in cash at the greater of 11.0% or Libor plus 9.5%. On June 30, 2014, we amended the terms of this investment to the greater of 12.0% or Libor plus 10.5%. The second lien term loan has a final maturity of December 30, 2019.

On December 30, 2013, we made a \$10,000 follow-on investment in First Tower to support seasonal demand. We invested \$1,500 of equity and \$8,500 of debt in First Tower. The first lien term loan bears interest in cash at the greater of 20.0% or Libor plus 18.5% and has a final maturity of June 30, 2022.

On December 30, 2013, we made a \$45,000 follow-on investment in Progrexion Holdings, Inc. ("Progrexion") to fund a dividend recapitalization. The senior secured first lien note bears interest in cash at the greater of 10.5% or Libor plus 8.5% and has a final maturity of September 14, 2017.

On December 31, 2013, we made a \$10,620 follow-on investment in NPH to acquire Indigo Apartments, a multi-family residential property located in Jacksonville, Florida. We invested \$1,820 of equity and \$8,800 of debt in NPH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On January 8, 2014, we made a \$161,500 follow-on investment in Broder Bros., Co. ("Broder") to support an acquisition. The senior secured term loan bears interest in cash at the greater of 10.25% or Libor plus 9.0% and has a final maturity of April 8, 2019.

On January 17, 2014, we made a \$6,565 follow-on investment in APH to acquire the Gulf Coast II Portfolio, a portfolio of two multi-family residential properties located in Alabama and Florida. We invested \$1,065 of equity and \$5,500 of debt in APH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On January 31, 2014, we made a \$4,805 follow-on investment in NPH to acquire Island Club, a multi-family residential property located in Jacksonville, Florida. We invested \$805 of equity and \$4,000 of debt in NPH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On February 4, 2014, we made a secured debt investment of \$25,000 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. The second lien term loan bears interest in cash at the greater of 8.75% or Libor plus 7.75% and has a final maturity of February 12, 2022.

On February 5, 2014, we made an investment of \$32,383 to purchase 94.27% of the subordinated notes in ING IM CLO 2014-1, Ltd.

On February 7, 2014, we made an investment of \$23,111 to purchase 63.64% of the subordinated notes in Halcyon Loan Advisors Funding 2014-1 Ltd.

On February 11, 2014, we made a \$7,000 follow-on investment in InterDent, Inc. ("InterDent") to fund an acquisition. We invested an additional \$3,500 in Term Loan A and \$3,500 in Term Loan B. The Term Loan A note bears interest in cash at the greater of 7.25% or Libor plus 5.75% and has a final maturity of August 3, 2017. The Term Loan B note bears interest in cash at the greater of 12.25% or Libor plus 9.25% and has a final maturity of August 3, 2017.

On February 11, 2014, we made a secured debt investment of \$10,000 in TriMark USA, LLC, a foodservice equipment and supplies distributor and provider of custom kitchen design services. The second lien term loan bears interest in cash at the greater of 10.0% or Libor plus 9.0% and has a final maturity of August 11, 2019.

On February 19, 2014, we provided \$17,000 of secured floating rate financing to support the acquisition of Venio LLC (f/k/a LM Keane Acquisition Co.) 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. The second lien term loan bears interest in cash at the greater of 12.0% or Libor plus 9.5% and has a final maturity of February 19, 2020.

On March 7, 2014, we provided \$78,000 of senior secured floating rate debt to support the continued growth of Tolt Solutions, Inc. ("Tolt"), a retail-focused information technology services company, providing customized network architecture solutions, installation, deployment, maintenance, and customer support to retailers nationwide. The \$39,000 Term Loan A note bears interest in cash at the greater of 7.0% or Libor plus 6.0% and has a final maturity of March 7, 2019. The \$39,000 Term Loan B note bears interest in cash at the greater of 12.0% or Libor plus 11.0% and has a final maturity of March 7, 2019.

On March 12, 2014, we made a secured debt investment of \$10,000 in Tectum Holdings, Inc., a manufacturer of aftermarket accessories for the lite-truck market. The second lien term loan originally bore interest in cash at the greater of 10.25% or PRIME plus 7.0%. On April 1, 2014, the interest rate changed to the greater of 9.0% or Libor plus 8.0%. The second lien term loan has a final maturity of March 12, 2019.

On March 18, 2014, we made a \$28,250 follow-on investment in LaserShip, Inc., of which \$22,250 was funded at closing, to finance an acquisition. The \$22,250 Term Loan B note bears interest in cash at the greater of 10.25% or Libor plus 8.25% and has a final maturity of March 18, 2019. We also provided \$6,000 of Delayed Draw Term Loan commitment to support future acquisitions. The Delayed Draw Term Loan, which was unfunded at closing, will bear interest in cash at 2.0% and have a final maturity of December 31, 2015.

On March 25, 2014, we made a secured debt investment of \$28,500 in Global Employment Solutions, Inc., a provider of contract and permanent placement staffing services, with a strategic focus on the information technology segment.

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senior secured term loan bears interest in cash at the greater of 10.0% or Libor plus 9.0% and has a final maturity of March 25, 2019.

On March 28, 2014, we provided \$277,500 of secured floating rate debt to support the refinancing of Instant Web, LLC ("IWCO"), a provider of direct marketing solutions to direct marketers for acquisition and loyalty programs in the United States. The \$132,500 Term Loan A note bears interest in cash at the greater of 5.5% or Libor plus 4.5% and has a final maturity of March 28, 2019. The \$132,500 Term Loan B note bears interest in cash at the greater of 12.0% or Libor plus 11.0% and has a final maturity of March 28, 2019. The \$12,500 Term Loan C note bears interest in cash at the greater of 12.75% or Libor plus 11.75% and has a final maturity of March 28, 2019.

On March 31, 2014, we made a secured debt investment of \$60,000 in United States Environmental Services, LLC, a provider of industrial, environmental, and maritime services in the Gulf States region. The \$24,000 Term Loan A note bears interest in cash at the greater of 6.5% or Libor plus 5.5% and has a final maturity of March 31, 2019. The \$36,000 Term Loan B note bears interest in cash at the greater of 11.5% or Libor plus 10.5% and has a final maturity of March 31, 2019.

On March 31, 2014, we provided \$153,500 follow-on investment in Progrexion to fund a dividend recapitalization. The senior secured first lien note bears interest in cash at the greater of 10.5% or Libor plus 8.5% and has a final maturity of September 14, 2017.

On March 31, 2014, we invested \$246,250 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 \$24,898 of equity and \$123,000 of debt in Harbortouch Holdings of Delaware Inc., the newly-formed holding company, and \$130,796 of debt in Harbortouch Payments, LLC, the operating company. Through the recapitalization, we acquired a controlling interest in Harbortouch Payments, LLC. After the recapitalization, we received repayment of the \$23,894 loan previously outstanding. The \$130,796 senior secured term loan issued to the operating company bears interest in cash at the greater of 9.0% or Libor plus 7.0% and has a final maturity of September 30, 2017. The \$123,000 senior secured note issued to the holding company bears interest in cash at the greater of 10.0% or Libor plus 8.0% and interest payment in kind of 6.0% and has a final maturity of March 31, 2019.

On March 31, 2014, we provided \$78,521 of debt and \$14,107 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. The senior term loan bears interest in cash at the greater of 11.75% or Libor plus 9.75% and interest payment in kind of 2.25% and has a final maturity of March 31, 2022.

On April 8, 2014, we provided \$59,000 of senior secured financing, of which \$54,000 was funded at closing, to support the recapitalization of Ark-La-Tex Wireline Services, LLC and affiliates, a provider of cased hole wireline and related completion-stage services in connection with oil and gas production. The \$27,000 Term Loan A note bears interest in cash at the greater of 6.5% or Libor plus 5.5% and has a final maturity of April 8, 2019. The \$27,000 Term Loan B note bears interest in cash at the greater of 10.5% or Libor plus 9.5% and has a final maturity of April 8, 2019. We also provided \$5,000 of Delayed Draw Term Loan commitment to support future acquisitions. The Delayed Draw Term Loan, which was unfunded at closing, will increase the existing Term Loan A and Term Loan B on a pro rata basis and bear the same terms and conditions as the initial loans.

On April 8, 2014, we refinanced our existing subordinated loan to Pelican Products, Inc., making a new debt investment of \$17,500. Concurrent with the refinancing, we received repayment of the \$15,000 loan previously outstanding. The second lien term loan bears interest in cash at the greater of 9.25% or Libor plus 8.25% and has a final maturity of April 9, 2021.

On April 11, 2014, we made an investment of \$21,685 to purchase 52.87% of the subordinated notes in Washington Mill CLO Ltd.

On April 14, 2014, we made an investment of \$38,220 to purchase 78.37% of the subordinated notes in Halcyon Loan Advisors Funding 2014-2 Ltd.

On April 21, 2014, we made an \$18,250 follow-on investment in InterDent to fund an acquisition. We invested an additional \$9,125 in Term Loan A and \$9,125 in Term Loan B. The Term Loan A note bears interest in cash at the greater of 7.25% or Libor plus 5.75% and has a final maturity of August 3, 2017. The Term Loan B note bears interest

in cash at the greater of 12.25% or Libor plus 9.25% and has a final maturity of August 3, 2017.

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On April 30, 2014, we provided \$65,000 of senior secured financing, of which \$50,000 was funded at closing, to support the recapitalization of Fleetwash, Inc., a national provider of mobile vehicle fleet and mobile facility cleaning services. The \$25,000 Term Loan A note bears interest in cash at the greater of 6.5% or Libor plus 5.5% and has a final maturity of April 30, 2019. The \$25,000 Term Loan B note bears interest in cash at the greater of 10.5% or Libor plus 9.5% and has a final maturity of April 30, 2019. We also provided \$15,000 of Delayed Draw Term Loan commitment to support future acquisitions. The Delayed Draw Term Loan, which was unfunded at closing, will bear interest in cash at the greater of 9.5% or Libor plus 8.5% and have a final maturity of April 30, 2019.

On May 5, 2014, we invested \$48,960 in cash and 1,102,313 unregistered shares of our common stock to support the recapitalization of Arctic Energy Services, LLC, an oil and gas service company based in Glenrock, Wyoming and doing business as Arctic Oilfield Services. Through the recapitalization, we acquired a controlling interest in Arctic Energy Services, LLC. We invested \$9,006 of equity in Arctic Oilfield Equipment USA, Inc., the newly-formed holding company, and \$51,870 of debt in Arctic Energy Services, LLC, the operating company. The \$31,640 senior secured term loan bears interest in cash at the greater of 12.0% or Libor plus 9.0% and has a final maturity of May 5, 2019. The \$20,230 senior subordinated term loan bears interest in cash at the greater of 14.0% or Libor plus 11.0% and has a final maturity of May 5, 2019.

On May 6, 2014, we made an investment of \$49,250 to purchase 67.47% of the subordinated notes in Symphony CLO XIV Ltd.

On May 15, 2014, we made an investment of \$46,360 to purchase 89.08% of the subordinated notes in Cent CLO 21 Limited.

On May 30, 2014, we made an investment of \$36,766 to purchase 79.10% of the subordinated notes in Galaxy XVII CLO, Ltd.

On June 30, 2014, we made a \$19,800 follow-on investment in Tolt to fund an acquisition. We invested an additional \$9,900 in Term Loan A and \$9,900 in Term Loan B. The Term Loan A note bears interest in cash at the greater of 7.0% or Libor plus 6.0% and has a final maturity of March 7, 2019. The Term Loan B note bears interest in cash at the greater of 12.0% or Libor plus 11.0% and has a final maturity of March 7, 2019.

On June 30, 2014, we made a secured debt investment of \$15,000, of which \$12,000 was funded at closing, to support the recapitalization of Wheel Pros, LLC, a designer, marketer, and distributor of branded aftermarket wheels. The senior subordinated secured note bears interest in cash at the greater of 11.0% or Libor plus 7.0% and has a final maturity of June 29, 2020. We also provided \$3,000 of Delayed Draw Term Loan commitment to support future acquisitions. The Delayed Draw Term Loan, which was unfunded at closing, bears interest in cash at the greater of 11.0% or Libor plus 7.0% and has a final maturity of December 30, 2015.

In addition to the purchases noted above, during the year ended June 30, 2014, we made 11 follow-on investments in NPH totaling \$25,000 to support the peer-to-peer lending initiative. We invested \$3,750 of equity and \$21,250 of debt in NPH. The senior secured note bears interest in cash at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

During the year ended June 30, 2014, we received full repayments on twenty-one investments, sold eight investments, received several partial prepayments and amortization payments totaling \$787,069. The more significant of these transactions are briefly described below.

On July 1, 2013, Pre-Paid Legal Services, Inc. repaid the \$5,000 loan receivable to us.

On July 9, 2013, Southern Management Corporation repaid the \$17,565 loan receivable to us.

On July 24, 2013, we sold our \$2,000 investment in Carolina Beverage and realized a gain of \$45 on the sale.

On July 31, 2013, Royal repaid the \$28,364 subordinated unsecured loan receivable to us.

On July 31, 2013, Cargo Airport Services USA, LLC repaid the \$43,399 loan receivable to us.

On August 1, 2013, Medical Security Card Company, LLC repaid the \$13,214 loan receivable to us.

On September 11, 2013, Seaton Corp. repaid the \$13,310 loan receivable to us.

On September 30, 2013, we sold our investment in ADAPCO, Inc. for net proceeds of \$553, recognizing a realized gain of \$413 on the sale.

On October 7, 2013, Evanta Ventures, Inc. repaid the \$10,506 loan receivable to us.

On October 15, 2013, we sold our \$2,000 investment in Digital Insight and realized a gain of \$20 on the sale.

On October 17, 2013, \$19,730 of the Apidos CLO VIII subordinated notes were called, and we realized a gain of \$1,183 on this investment.

On October 29, 2013, we sold our \$2,500 investment in Omnitracs and realized a gain of \$25 on the sale.

On October 31, 2013, we sold our \$18,755 National Bankruptcy Services, LLC ("NBS") loan receivable. The loan receivable was sold at a discount and we realized a loss of \$7,853.

On November 1, 2013, P2 repaid the \$22,000 second lien term loan receivable to us.

On November 4, 2013, we sold our \$6,000 secured debt investment in P2 and realized a gain of \$60 on the sale.

On November 4, 2013, we sold our \$7,000 investment in Renaissance and realized a gain of \$140 on the sale.

On November 4, 2013, we sold \$2,000 of our \$12,500 investment in Photonis and realized a gain of \$49 on the sale.

On November 19, 2013, United Bank Card, Inc. (d/b/a Harbortouch) made a partial repayment of \$23,942.

On November 22, 2013, we sold our \$1,000 investment in Chromaflo and realized a gain of \$10 on the sale.

On November 25, 2013, EIG Investors Corp. repaid the \$22,000 loan receivable to us.

On December 4, 2013, we sold a \$972 participation in our term loans in AIRMALL, equal to 2% of the outstanding principal amount of loans on that date.

On December 18, 2013, Naylor, LLC repaid the \$45,563 loan receivable to us.

On December 30, 2013, Energy Solutions repaid the \$4,250 junior secured note receivable to us.

On March 20, 2014, New Star Metals, Inc. repaid the \$50,534 loan receivable to us.

On March 26, 2014, Material Handling Services, LLC repaid the \$64,547 loan receivable to us.

On March 31, 2014, we sold \$10,000 of our \$277,500 investment in IWCO. There was no gain or loss realized on the sale.

On May 1, 2014, Totes repaid the \$53,000 loan receivable to us.

On May 9, 2014, Hoffmaster Group, Inc. repaid the \$21,000 loan receivable to us.

On June 2, 2014, Skillsoft Public Limited Company repaid the \$15,000 loan receivable to us.

On June 4, 2014, CRT MIDCO, LLC repaid \$14,000 of the \$61,504 loan receivable to us.

In addition to the sales noted above, during the year ended June 30, 2014, we sold \$21,250 of our investment in ICON Health & Fitness, Inc. ("ICON") and realized losses of \$1,669 on the sales.

The following table provides a summary of our investment activity for each quarter within the three years ended June 30, 2014:

| Quarter Ended | Acquisitions(1) | Dispositions(2) |
|--------------------|-----------------|-----------------|
| September 30, 2011 | \$222,575 | \$46,055 |
| December 31, 2011 | 154,697 | 120,206 |
| March 31, 2012 | 170,073 | 188,399 |
| June 30, 2012 | 573,314 | 146,292 |
| September 30, 2012 | 747,937 | 158,123 |
| December 31, 2012 | 772,125 | 349,269 |
| March 31, 2013 | 784,395 | 102,527 |
| June 30, 2013 | 798,760 | 321,615 |
| September 30, 2013 | 556,843 | 164,167 |
| December 31, 2013 | 608,153 | 255,238 |
| March 31, 2014 | 1,343,356 | 198,047 |
| June 30, 2014 | 444,104 | 169,617 |

(1) Includes investments in new portfolio companies, follow-on investments in existing portfolio companies, refinancings and PIK interest.

(2) Includes sales, scheduled principal payments, prepayments and refinancings.

During the three months ended June 30, 2014, we restructured our investment in several of our controlled portfolio companies to replace holding company debt with debt of the associated operating company. These transactions are briefly described below.

\$19,993 of debt that was previously held at AMU Holdings Inc. was assumed by Airmall Inc.

\$167,162 of debt that was previously held at APH Property Holdings, LLC was assumed by American Property REIT Corp.

\$8,216 of debt that was previously held at CCPI Holdings Inc. was assumed by CCPI Inc. and \$2 of holding company equity was converted into additional debt investment in the operating company.

\$75,733 of debt that was previously held at CP Energy Services Inc. and \$22,500 of debt that was previously held at CP Well Testing Holding Company LLC was assumed by CP Well Testing, LLC.

\$36,333 of debt that was previously held at Credit Central Holdings of Delaware, LLC was assumed by Credit Central Loan Company, LLC and the remaining \$3,874 of holding company debt was converted into additional equity investment in the holding company.

\$251,246 of debt that was previously held at First Tower Holdings of Delaware LLC was assumed by First Tower, LLC and the remaining \$23,712 of holding company debt was converted into additional equity investment in the holding company.

\$123,000 of debt that was previously held at Harbortouch Holdings of Delaware Inc. was assumed by Harbortouch Payments, LLC and \$14,226 of holding company equity was converted into additional debt investment in the operating company.

\$15,769 of debt that was previously held at MITY Holdings of Delaware Inc. was assumed by MITY, Inc. and the remaining \$7,200 of holding company debt was converted into additional equity investment in the holding company.

\$14,820 of debt that was previously held at Nationwide Acceptance Holdings LLC was assumed by Nationwide Acceptance LLC and the remaining \$9,888 of holding company debt was converted into additional equity investment in the holding company.

\$104,460 of debt that was previously held at NPH Property Holdings, LLC was assumed by National Property REIT Corp.

\$19,027 of debt that was previously held at UPH Property Holdings, LLC was assumed by United Property REIT Corp.

\$20,471 of debt that was previously held at Valley Electric Holdings I, Inc. was assumed by Valley Electric Company, Inc. and the remaining \$16,754 of holding company debt was converted into additional equity investment in the holding company.

Investment Valuation

In determining the fair value of our portfolio investments at June 30, 2014, the Audit Committee considered valuations from the independent valuation firms and from management having an aggregate range of \$6,041,155 to \$6,421,204, excluding money market investments.

In determining the range of value for debt instruments except CLOs, management and the independent valuation firm generally estimate corporate and security credit ratings and identify corresponding yields to maturity for each loan from relevant market data. A discounted cash flow analysis was then prepared using the appropriate yield to maturity as the discount rate, to determine range of value. For non-traded equity investments, the enterprise value was determined by applying EBITDA multiples for similar guideline public companies and/or similar recent investment transactions. For stressed equity investments, a liquidation analysis was prepared.

In determining the range of value for our investments in CLOs, management and the independent valuation firm used a discounted cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach was chosen from alternative approaches to ensure the most accurate valuation for such security. A waterfall engine is used to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, and distribute the cash flows to the liability structure based on the payment priorities, and discount them back using proper discount rates.

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties, comparable multiples for recent sales of companies within the industry and discounted cash flow models for our investments in CLOs. The composite of all these analyses, applied to each investment, was a total valuation of \$6,253,739, excluding money market investments.

Our portfolio companies are generally lower middle market companies, outside of the financial sector, with less than \$150,000 of annual EBITDA. We believe our market has experienced less volatility than others because we believe there are more buy and hold investors who own these less liquid investments.

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment.

Transactions between our controlled investments and us have been detailed in Note 14 to the accompanying consolidated financial statements. Several control investments in our portfolio are under enhanced scrutiny by our senior management and our Board of Directors and are discussed below.

AMU Holdings Inc.

AIRMALL is a leading developer and manager of airport retail operations. AIRMALL has developed and presently manages all or substantially all of the retail operations and food and beverage concessions at Baltimore/Washington International Thurgood Marshall Airport (BWI), Boston Logan International Airport (BOS), Cleveland Hopkins International Airport (CLE) and Pittsburgh International Airport (PIT). AIRMALL does so pursuant to long-term, infrastructure-like contracts with the respective municipal agencies that own and operate the airports.

On July 30, 2010, we invested \$52,420 of combined debt and equity as follows: \$30,000 senior term loan, \$12,500 senior subordinated note and \$9,920 preferred equity. During the six months ended December 31, 2013, we provided an additional \$7,600 of subordinated secured financing to AIRMALL. On December 4, 2013, we sold a \$972 participation in our term loans in AIRMALL, equal to 2% of the outstanding principal amount of loans on that date. As of June 30, 2014, we own 98% of AIRMALL's equity securities. AIRMALL's financial performance has been consistent since the acquisition and we continue to monitor the medium to long-term growth prospects for the company.

During the three months ended June 30, 2014, \$19,993 of debt that was previously held at AMU Holdings Inc. was assumed by Airmall Inc.

During the year ended June 30, 2014, we received distributions of \$12,000 from AIRMALL which were recorded as dividend income. No dividends were received from AIRMALL during the year ended June 30, 2013. Primarily as a result of

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the distribution of earnings during the year ended June 30, 2014, the Board of Directors decreased the fair value of our investment in AIRMALL to \$45,284 as of June 30, 2014, a discount of \$12,216 from its amortized cost, compared to the \$3,478 unrealized appreciation recorded at June 30, 2013.

APH Property Holdings, LLC

APH is a holding company that owns 100% of the common stock of American Property REIT Corp. ("APRC"). APRC is a Maryland corporation and a qualified REIT for federal income tax purposes. APRC was formed to acquire, operate, finance, lease, manage and sell a portfolio of real estate assets. As of June 30, 2014, we own 100% of the fully-diluted common equity of APH.

During the year ended June 30, 2013, we provided \$125,892 and \$26,648 of debt and equity financing, respectively, to APH for the acquisition of various real estate properties. During the year ended June 30, 2014, we provided \$135,350 and \$28,397 of debt and equity financing, respectively, to APH for the acquisition of certain properties. In December 2013, APRC, a wholly-owned subsidiary of APH, distributed its investments in fourteen properties: eight to National Property REIT Corp. ("NPRC"); and six to United Property REIT Corp. ("UPRC"), two newly formed REIT holding companies which are discussed below. The investments transferred consisted of \$98,164 and \$20,022 of debt and equity financing, respectively. The eight investments transferred to NPRC from APRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. The six investments transferred to UPRC from APRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no gain or loss realized on these transactions.

As of June 30, 2014, APRC's real estate portfolio was comprised of fourteen multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties:

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|--------------------------|--------------------|------------------|----------------|----------------------|
| 1 | Abbingtion Pointe | Marietta, GA | 12/28/2012 | \$23,500 | \$15,275 |
| 2 | Amberly Place | Tampa, FL | 1/17/2013 | 63,400 | 39,600 |
| 3 | Lofton Place | Tampa, FL | 4/30/2013 | 26,000 | 16,965 |
| 4 | Vista at Palma Sola | Bradenton, FL | 4/30/2013 | 27,000 | 17,550 |
| 5 | Arlington Park | Marietta, GA | 5/8/2013 | 14,850 | 9,650 |
| 6 | The Resort | Pembroke Pines, FL | 6/24/2013 | 225,000 | 157,500 |
| 7 | Cordova Regency | Pensacola, FL | 11/15/2013 | 13,750 | 9,026 |
| 8 | Crestview at Oakleigh | Pensacola, FL | 11/15/2013 | 17,500 | 11,488 |
| 9 | Inverness Lakes | Mobile, AL | 11/15/2013 | 29,600 | 19,400 |
| 10 | Kings Mill Apartments | Pensacola, FL | 11/15/2013 | 20,750 | 13,622 |
| 11 | Plantations at Pine Lake | Tallahassee, FL | 11/15/2013 | 18,000 | 11,817 |
| 12 | Verandas at Rocky Ridge | Birmingham, AL | 11/15/2013 | 15,600 | 10,205 |
| 13 | Crestview at Cordova | Pensacola, FL | 1/17/2014 | 8,500 | 5,072 |
| 14 | Plantations at Hillcrest | Mobile, AL | 1/17/2014 | 6,930 | 5,094 |
| 15 | Taco Bell, OK | Yukon, OK | 6/4/2014 | 1,719 | — |
| | | | | \$512,099 | \$342,264 |

During the three months ended June 30, 2014, \$167,162 of debt that was previously held at APH Property Holdings, LLC was assumed by American Property REIT Corp.

The Board of Directors set the fair value of our investment in APH at \$206,159 as of June 30, 2014, a premium of \$3,392 from its amortized cost, compared to being valued at cost at June 30, 2013.

ARRM Holdings Inc.

Ajax Rolled Ring & Machine, Inc. ("Ajax") forges large seamless steel rings on two forging mills in Ajax's York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

On April 4, 2008, we acquired a controlling equity interest in ARRM Holdings Inc. ("ARRM"), which owns 100% of Ajax, the operating company. We funded \$22,000 of senior secured term debt, \$11,500 of subordinated term debt and

\$6,300

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of equity as of that closing. During the fiscal year ended June 30, 2010, we funded an additional \$3,530 of secured subordinated debt to refinance a third-party revolver provider and provide working capital. Ajax repaid \$3,461 of this secured subordinated debt during the quarter ended September 30, 2010. During the quarter ended December 31, 2012, we funded an additional \$3,600 of unsecured debt to refinance first lien debt held by Wells Fargo.

On April 1, 2013, we refinanced our existing \$38,472 senior loans to Ajax, increasing the size of our debt investment to \$38,537. Concurrent with the refinancing, we received repayment of the \$18,635 loans that were previously outstanding. On October 11, 2013, we provided \$25,000 in preferred equity for the recapitalization of Ajax. After the financing, we received repayment of the \$20,008 subordinated unsecured loan previously outstanding. As of June 30, 2014, we control 79.53% of the fully-diluted common and preferred equity.

Due to soft operating results, the Board of Directors decreased the fair value of our investment in ARRM to \$25,536 as of June 30, 2014, a discount of \$21,014 from its amortized cost, compared to the \$6,057 unrealized depreciation recorded at June 30, 2013.

Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings, Inc.)

Energy Solutions owns interests in companies operating in the energy sector. These include a company operating offshore supply vessels and ownership of a non-operating biomass plant and several coal mines. Energy Solutions subsidiaries formerly owned interests in a gas gathering and processing system in east Texas.

In December 2011, we completed a reorganization of Gas Solutions Holdings, Inc. renaming the company Energy Solutions and transferring ownership of other operating companies owned by us and operating within the energy industry with the intent of strategically expanding Energy Solutions operations across energy sectors. As part of the reorganization, we transferred our equity interests in Change Clean Energy Holdings, Inc. ("CCEHI"), Change Clean Energy, Inc. ("CCEI"), Freedom Marine and Yatesville Coal Holdings, Inc. ("Yatesville") to Energy Solutions. On December 28, 2011, we made a follow-on investment of \$4,750 to support the acquisition of a new vessel by Vessel Holdings LLC, a subsidiary of Freedom Marine.

On January 4, 2012, Energy Solutions sold its gas gathering and processing assets ("Gas Solutions") for a sale price of \$199,805, adjusted for the final working capital settlement, including a potential earnout of \$28,000 that may be paid based on the future performance of Gas Solutions. Through June 30, 2014, we have not accrued income for any portion of the \$28,000 potential payment. After expenses, including structuring fees of \$9,966 paid to us, Energy Solutions received \$158,687 in cash. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, distributions from Energy Solutions to us were required to be recognized as dividend income, in accordance with ASC 946, as cash distributions were received from Energy Solutions, to the extent there are current year earnings and profits sufficient to support such recognition. During the year ended June 30, 2013, we received distributions of \$53,820 from Energy Solutions which were recorded as dividend income. No such dividends were received during the year ended June 30, 2014.

During the year ended June 30, 2014, Energy Solutions repaid the remaining \$8,500 of our subordinated secured debt to the company. In addition to the repayment of principal, we received \$4,812 of make-whole fees for early repayment of the outstanding loan receivables, which was recorded as additional interest income during the year ended June 30, 2014.

On November 25, 2013, we provided \$13,000 in senior secured debt financing for the recapitalization of our investment in Freedom Marine. The subordinated secured loan to Jettco was replaced with a senior secured note to Vessel Holdings II, LLC ("Vessel Holdings II"), a new subsidiary of Freedom Marine. On December 3, 2013, we made a \$16,000 senior secured investment in Vessel Holdings III, LLC, another new subsidiary of Freedom Marine, to support the acquisition of two new vessels. We received \$2,480 of structuring fees from Energy Solutions related to the transaction which was recognized as other income during the year ended June 30, 2014. As of June 30, 2014, our loan to Vessel Holdings II, previously on non-accrual status, was accruing income due to improved operating results. In determining the value of Energy Solutions, we have utilized two valuation techniques to determine the value of the investment: a current value method for the cash balances of Energy Solutions and a liquidation analysis for our interests in CCEHI, CCEI, Freedom Marine and Yatesville. The Board of Directors set the fair value of our investment in Energy Solutions, including the underlying portfolio companies affected by the reorganization, at

\$32,004 as of June 30, 2014, a discount of \$9,742 from its amortized cost, compared to the \$7,574 unrealized depreciation recorded at June 30, 2013.

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First Tower Holdings of Delaware, LLC

First Tower is a multiline specialty finance company based in Flowood, Mississippi with over 170 branch offices. On June 15, 2012, we acquired 80.1% of First Tower, LLC businesses for \$110,200 in cash and 14,518,207 unregistered shares of our common stock. Based on our share price of \$11.06 at the time of issuance, we acquired our 80.1% interest in First Tower for approximately \$270,771. As consideration for our investment, First Tower Delaware, which is 100% owned by us, recorded a secured revolving credit facility to us of \$244,760 and equity of \$43,193. First Tower Delaware owns 80.1% of First Tower Holdings LLC, the holding company of First Tower. The assets of First Tower acquired include, among other things, the subsidiaries owned by First Tower, which hold finance receivables, leaseholds, and tangible property associated with First Tower's businesses. As part of the transaction, we received \$4,038 and \$4,038 in structuring fee income from First Tower and First Tower Delaware, respectively. On October 18, 2012, we funded an additional \$20,000 of senior secured debt to support seasonally high demand during the holiday season. On December 30, 2013, we funded an additional \$10,000 to again support seasonal demand and received \$8,000 of structuring fees related to the renegotiation and expansion of First Tower's revolver with a third party which was recognized as other income. As of June 30, 2014, First Tower had total assets of approximately \$597,995 including \$385,875 of finance receivables net of unearned charges. As of June 30, 2014, First Tower's total debt outstanding to parties senior to us was \$250,965.

During the three months ended June 30, 2014, \$251,246 of debt that was previously held at First Tower Holdings of Delaware LLC was assumed by First Tower, LLC and the remaining \$23,712 of holding company debt was converted into additional equity investment.

Due to improved operating results, the Board of Directors increased the fair value of our investment in First Tower to \$326,785 as of June 30, 2014, a premium of \$7,134 from its amortized cost, compared to the \$9,869 unrealized depreciation recorded at June 30, 2013.

NPH Property Holdings, LLC

NPH is a holding company that owns 100% of the common stock of National Property REIT Corp. ("NPRC") and 100% of the membership units of NPH Property Holdings II, LLC ("NPH II"). NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. NPRC was formed to acquire, operate, finance, lease, manage and sell a portfolio of real estate assets. NPH II is a Delaware single member limited liability company structured to enable NPRC to invest in peer-to-peer consumer loans. As of June 30, 2014, we own 100% of the fully-diluted common equity of NPH.

The eight investments transferred to NPRC from APRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. There was no gain or loss realized on these transactions. During the year ended June 30, 2014, we provided \$24,700 and \$4,725 of debt and equity financing, respectively, to NPH for the acquisition of certain properties and to invest in peer-to-peer consumer loans.

As of June 30, 2014, NPRC's real estate portfolio was comprised of nine multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties:

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|--------------------|-----------------------|------------------|----------------|----------------------|
| 1 | 146 Forest Parkway | Forest Park, GA | 10/24/2012 | \$7,400 | \$— |
| 2 | Bexley | Marietta, GA | 11/1/2013 | 30,600 | 22,497 |
| 3 | St. Marin | Coppell, TX | 11/19/2013 | 73,078 | 53,863 |
| 4 | Mission Gate | Plano, TX | 11/19/2013 | 47,621 | 36,148 |
| 5 | Vinings Corner | Smyrna, GA | 11/19/2013 | 35,691 | 26,640 |
| 6 | Central Park | Altamonte Springs, FL | 11/19/2013 | 36,590 | 27,471 |
| 7 | City West | Orlando, FL | 11/19/2013 | 23,562 | 18,533 |
| 8 | Matthews Reserve | Matthews, NC | 11/19/2013 | 22,063 | 17,571 |
| 9 | Indigo | Jacksonville, FL | 12/31/2013 | 38,000 | 28,500 |
| 10 | Island Club | Atlantic Beach, FL | 1/31/2014 | 13,025 | 9,118 |
| | | | | \$327,630 | \$240,341 |

During the three months ended June 30, 2014, \$104,460 of debt that was previously held at NPH Property Holdings, LLC was assumed by National Property REIT Corp.

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The Board of Directors set the fair value of our investment in NPH at \$124,511 as of June 30, 2014, a discount of \$2,088 from its amortized cost.

UPH Property Holdings, LLC

UPH is a holding company that owns 100% of the common stock of United Property REIT Corp. (“UPRC”). UPRC is a Delaware limited liability company and a qualified REIT for federal income tax purposes. UPRC was formed to acquire, operate, finance, lease, manage and sell a portfolio of real estate assets. As of June 30, 2014, we own 100% of the fully-diluted common equity of UPH.

The six investments transferred to UPRC from APRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no gain or loss realized on these transactions. During the year ended June 30, 2014, we provided \$1,405 of equity financing to UPH for the acquisition of certain properties.

As of June 30, 2014, UPRC’s real estate portfolio was comprised of six multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties:

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|-------------------|------------------|------------------|----------------|----------------------|
| 1 | Eastwood Village | Stockbridge, GA | 12/12/2013 | \$25,957 | \$19,785 |
| 2 | Monterey Village | Jonesboro, GA | 12/12/2013 | 11,501 | 9,193 |
| 3 | Hidden Creek | Morrow, GA | 12/12/2013 | 5,098 | 3,619 |
| 4 | Meadow Springs | College Park, GA | 12/12/2013 | 13,116 | 10,180 |
| 5 | Meadow View | College Park, GA | 12/12/2013 | 14,354 | 11,141 |
| 6 | Peachtree Landing | Fairburn, GA | 12/12/2013 | 17,224 | 13,575 |
| 7 | Taco Bell, MO | Marshall, MO | 6/4/2014 | 1,405 | — |
| | | | | \$88,655 | \$67,493 |

During the three months ended June 30, 2014, \$19,027 of debt that was previously held at UPH Property Holdings, LLC was assumed by United Property REIT Corp.

The Board of Directors set the fair value of our investment in UPH at \$24,566 as of June 30, 2014, a premium of \$426 from its amortized cost.

Valley Electric Holdings I, Inc.

Valley Electric is a leading provider of specialty electrical services in the state of Washington and is among the top 50 electrical contractors in the U.S. The company, with its headquarters in Everett, Washington, offers a comprehensive array of contracting services, primarily for commercial, industrial, and transportation infrastructure applications, including new installation, engineering and design, design-build, traffic lighting and signalization, low to medium voltage power distribution, construction management, energy management and control systems, 24-hour electrical maintenance and testing, as well as special projects and tenant improvement services. Valley Electric was founded in 1982 by the Ward family, who held the company until the end of 2012.

On December 31, 2012, Valley Electric Holdings II, Inc., a wholly-owned subsidiary of Valley Electric Holdings I, Inc., and management acquired 100% of the outstanding shares of Valley Electric Company of Mount Vernon, Inc. We funded the recapitalization of Valley Electric with \$42,572 of debt and \$9,526 of equity financing. Through the recapitalization, we acquired a controlling interest in Valley Electric for \$7,449 in cash and 4,141,547 unregistered shares of our common stock. As of June 30, 2014, we control 96.3% of the common equity.

During the three months ended June 30, 2014, \$20,471 of debt that was previously held at Valley Electric Holdings I, Inc. was assumed by Valley Electric Company, Inc. and the remaining \$16,754 of holding company debt was converted into additional equity investment.

Due to soft operating results, the Board of Directors decreased the fair value of our investment in Valley Electric to \$33,556 as of June 30, 2014, a discount of \$23,304 from its amortized cost, compared to being valued at cost at June 30, 2013.

Wolf Energy Holdings Inc.

Wolf is a holding company formed to hold 100% of the outstanding membership interests of each of Coalbed and AEH. The membership interests of Coalbed and AEH, which were previously owned by Manx, were assigned to Wolf Energy Holdings effective June 30, 2012. The purpose of assignment was to remove those activities from Manx deemed non-core by the Manx convertible debt investors who were not interested in funding those operations. In addition, effective June 29, 2012 C&J Cladding Holding Company, Inc. ("C&J Holdings") merged with and into Wolf Energy Holdings, with Wolf Energy Holdings as the surviving entity. At the time of the merger, C&J Holdings held the remaining undistributed proceeds from the sale of its membership interests in C&J Cladding, LLC. The merger was effectuated in connection with the broader simplification of our energy investment holdings.

On April 15, 2013, assets previously held by H&M Oil & Gas, LLC ("H&M") were assigned to Wolf Energy, LLC ("Wolf Energy") in exchange for a \$66,000 term loan secured by the assets. Our cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and is equal to the fair value of assets at the time of transfer and we recorded a realized loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold certain of the assets that had been previously held by H&M that were located in Martin County to Hibernia for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us and we recognized as a realized gain of \$11,826 partially offsetting the previously recorded loss. We received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

The Board of Directors set the fair value of our investment in Wolf Energy Holdings at \$3,599 as of June 30, 2014, a discount of \$4,442 from its amortized cost, compared to the \$3,091 unrealized depreciation recorded at June 30, 2013. Equity positions in the portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results. Seven of our controlled companies, AIRMALL, Ajax, CP Energy, First Tower, Gulf Coast, Harbortouch and Valley Electric, experienced such volatility and experienced fluctuations in valuations during the year ended June 30, 2014. See above for discussion regarding the fluctuations in AIRMALL, Ajax, First Tower, and Valley Electric. The value of Gulf Coast decreased to \$14,459 as of June 30, 2014, a discount of \$28,991 to its amortized cost, compared to the \$9,241 unrealized depreciation recorded at June 30, 2013 due to a decline in operating results. The value of Harbortouch increased to \$291,314 as of June 30, 2014, a premium of \$12,620 to its amortized cost. The value of CP Energy increased to \$130,119 as of June 30, 2014, a premium of \$16,618 to its amortized cost. Eight of the other controlled investments have been valued at discounts to the original investment. Nine of the other control investments are valued at the original investment amounts or higher. Overall, at June 30, 2014, control investments are valued at \$78,788 below their amortized cost.

We hold one affiliate investment at June 30, 2014. Our affiliate portfolio company did not experience a significant change in valuation during the year ended June 30, 2014.

With the non-control/non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is generally limited on the high side to each loan's par value, plus any prepayment premia that could be imposed. Many of the debt investments in this category have not experienced a significant change in value, as they were previously valued at or near par value. Non-control/non-affiliate investments did not experience significant changes in valuation and are generally performing as expected or better than expected. Two of our Non-control/non-affiliate investments, Stryker Energy, LLC ("Stryker") and Wind River Resources Corporation ("Wind River"), are valued at a discount to amortized cost due to a decline in the operating results of the operating companies from those originally underwritten. In June 2014, New Century Transportation, Inc. ("NCT") filed for bankruptcy. As we hold a second lien position and do not expect liquidation proceeds to exceed the first lien liability, we decreased the fair value of our debt investment to zero. Overall, at June 30, 2014, other non-control/non-affiliate investments are valued at \$52,073 above their amortized cost, excluding our investments in NCT, Stryker and Wind River, as the remaining companies are generally performing as or better than expected.

Capitalization

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt as of June 30, 2014 consists of: a Revolving Credit Facility availing us of the ability to borrow debt subject to borrowing base determinations; Senior Convertible Notes which we issued in December 2010, February 2011, April 2012, August 2012, December 2012 and April 2014; Senior Unsecured Notes which we issued in May 2012, March 2013 and April 2014; and Prospect Capital InterNotes® which we may issue from time to time. Our equity capital is comprised entirely of common equity. The following table shows the Revolving Credit Facility, Senior

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Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® maximum draw amounts and outstanding borrowings as of June 30, 2014 and June 30, 2013:

| | June 30, 2014 | | June 30, 2013 | |
|------------------------------|---------------------|--------------------|---------------------|--------------------|
| | Maximum Draw Amount | Amount Outstanding | Maximum Draw Amount | Amount Outstanding |
| Revolving Credit Facility | \$857,500 | \$92,000 | \$552,500 | \$124,000 |
| Senior Convertible Notes | 1,247,500 | 1,247,500 | 847,500 | 847,500 |
| Senior Unsecured Notes | 647,881 | 647,881 | 347,725 | 347,725 |
| Prospect Capital InterNotes® | 785,670 | 785,670 | 363,777 | 363,777 |
| Total | \$3,538,551 | \$2,773,051 | \$2,111,502 | \$1,683,002 |

The following table shows the contractual maturities of our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® as of June 30, 2014:

| | Payments Due by Period | | | | |
|-------------------------------|------------------------|------------------|-------------|-------------|---------------|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | \$92,000 | \$— | \$92,000 | \$— | \$— |
| Senior Convertible Notes | 1,247,500 | — | 317,500 | 530,000 | 400,000 |
| Senior Unsecured Notes | 647,881 | — | — | — | 647,881 |
| Prospect Capital InterNotes® | 785,670 | — | 8,859 | 261,456 | 515,355 |
| Total Contractual Obligations | \$2,773,051 | \$— | \$418,359 | \$791,456 | \$1,563,236 |

The following table shows the contractual maturities of our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® as of June 30, 2013:

| | Payments Due by Period | | | | |
|-------------------------------|------------------------|------------------|-------------|-------------|---------------|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | \$124,000 | \$— | \$— | \$124,000 | \$— |
| Senior Convertible Notes | 847,500 | — | 150,000 | 297,500 | 400,000 |
| Senior Unsecured Notes | 347,725 | — | — | — | 347,725 |
| Prospect Capital InterNotes® | 363,777 | — | — | — | 363,777 |
| Total Contractual Obligations | \$1,683,002 | \$— | \$150,000 | \$421,500 | \$1,111,502 |

We have and expect to continue to fund a portion of our cash needs through borrowings from banks, issuances of senior securities, including secured, unsecured and convertible debt securities, or issuances of common equity. For flexibility, we maintain a universal shelf registration statement that allows for the public offering and sale of our debt securities, common stock, preferred stock, subscription rights, and warrants and units to purchase such securities in an amount up to \$5,000,000 less issuances to date. As of June 30, 2014, we can issue up to \$3,691,792 of additional debt and equity securities in the public market under this shelf registration. We may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Revolving Credit Facility

On March 27, 2012, we closed on an expanded five-year \$650,000 revolving credit facility with a syndicate of lenders through PCF (the “2012 Facility”). The lenders have extended commitments of \$857,500 under the 2012 Facility as of June 30, 2014, which was increased to \$877,500 in July 2014 (see “Recent Developments”). The 2012 Facility includes an accordion feature which allows commitments to be increased up to \$1,000,000 in the aggregate. The revolving period of the 2012 Facility extends through March 2015, with an additional two year amortization period (with distributions allowed) after the completion of the revolving period. During such two year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two year amortization period, the remaining balance will become due, if required by the lenders.

The 2012 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2012 Facility also contains certain requirements relating to portfolio performance, including required minimum

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portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2012 Facility. The 2012 Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2014, we were in compliance with the applicable covenants.

Interest on borrowings under the 2012 Facility is one-month Libor plus 275 basis points with no minimum Libor floor. Additionally, the lenders charge a fee on the unused portion of the 2012 Facility equal to either 50 basis points, if at least half of the credit facility is drawn, or 100 basis points otherwise. The 2012 Facility requires us to pledge assets as collateral in order to borrow under the credit facility. As of June 30, 2014 and June 30, 2013, we had \$780,620 and \$473,508, respectively, available to us for borrowing under the 2012 Facility, of which the amount outstanding was \$92,000 and \$124,000, respectively. As additional eligible investments are transferred to PCF and pledged under the 2012 Facility, PCF will generate additional availability up to the current commitment amount of \$877,500. At June 30, 2014, the investments used as collateral for the 2012 Facility had an aggregate fair value of \$1,535,476, which represents 24.1% of our total investments and money market funds. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and as such, these investments are not available to our general creditors. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the 2012 Facility, we incurred \$14,154 of fees, including \$1,319 of fees carried over from the previous facility, which are being amortized over the term of the facility in accordance with ASC 470-50, Debt Modifications and Extinguishments, of which \$4,883 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$12,216, \$9,082 and \$14,883, respectively, of interest costs, unused fees and amortization of financing costs on the 2012 Facility as interest expense.

Senior Convertible Notes

On December 21, 2010, we issued \$150,000 aggregate principal amount of senior convertible notes that mature on December 15, 2015 (the "2015 Notes"), unless previously converted or repurchased in accordance with their terms. The 2015 Notes bear interest at a rate of 6.25% per year, payable semi-annually on June 15 and December 15 of each year, beginning June 15, 2011. Total proceeds from the issuance of the 2015 Notes, net of underwriting discounts and offering costs, were \$145,200.

On February 18, 2011, we issued \$172,500 aggregate principal amount of senior convertible notes that mature on August 15, 2016 (the "2016 Notes"), unless previously converted or repurchased in accordance with their terms. The 2016 Notes bear interest at a rate of 5.50% per year, payable semi-annually on February 15 and August 15 of each year, beginning August 15, 2011. Total proceeds from the issuance of the 2016 Notes, net of underwriting discounts and offering costs, were \$167,325. Between January 30, 2012 and February 2, 2012, we repurchased \$5,000 of the 2016 Notes at a price of 97.5, including commissions. The transactions resulted in our recognizing \$10 of loss in the year ended June 30, 2012.

On April 16, 2012, we issued \$130,000 aggregate principal amount of senior convertible notes that mature on October 15, 2017 (the "2017 Notes"), unless previously converted or repurchased in accordance with their terms. The 2017 Notes bear interest at a rate of 5.375% per year, payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2012. Total proceeds from the issuance of the 2017 Notes, net of underwriting discounts and offering costs, were \$126,035.

On August 14, 2012, we issued \$200,000 aggregate principal amount of senior convertible notes that mature on March 15, 2018 (the "2018 Notes"), unless previously converted or repurchased in accordance with their terms. The 2018 Notes bear interest at a rate of 5.75% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2013. Total proceeds from the issuance of the 2018 Notes, net of underwriting discounts and offering costs, were \$193,600.

On December 21, 2012, we issued \$200,000 aggregate principal amount of senior convertible notes that mature on January 15, 2019 (the "2019 Notes"), unless previously converted or repurchased in accordance with their terms. The 2019 Notes bear interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were \$193,600.

On April 11, 2014, we issued \$400,000 aggregate principal amount of senior convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were \$387,500.

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Certain key terms related to the convertible features for the 2015 Notes, the 2016 Notes, the 2017 Notes, the 2018 Notes, the 2019 Notes and the 2020 Notes (collectively, the “Senior Convertible Notes”) are listed below.

| | 2015 Notes | 2016 Notes | 2017 Notes | 2018 Notes | 2019 Notes | 2020 Notes |
|--|-------------|------------|------------|------------|-------------|------------|
| Initial conversion rate(1) | 88.0902 | 78.3699 | 85.8442 | 82.3451 | 79.7766 | 80.6647 |
| Initial conversion price | \$ 11.35 | \$12.76 | \$11.65 | \$12.14 | \$ 12.54 | \$12.40 |
| Conversion rate at June 30, 2014(1)(2) | 89.0157 | 79.3176 | 86.9426 | 82.8631 | 79.7865 | 80.6647 |
| Conversion price at June 30, 2014(2)(3) | \$ 11.23 | \$12.61 | \$11.50 | \$12.07 | \$ 12.53 | \$12.40 |
| Last conversion price calculation date | 12/21/2013 | 2/18/2014 | 4/16/2014 | 8/14/2013 | 12/21/2013 | 4/11/2014 |
| Dividend threshold amount (per share)(4) | \$ 0.101125 | \$0.101150 | \$0.101500 | \$0.101600 | \$ 0.110025 | \$0.110525 |

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

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

The conversion price in effect at June 30, 2014 was calculated on the last anniversary of the issuance and will be (3) adjusted again on the next anniversary, unless the exercise price shall have changed by more than 1% before the anniversary.

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment.

In no event will the total number of shares of common stock issuable upon conversion exceed 96.8992 per \$1 principal amount of the 2015 Notes (the “conversion rate cap”), except that, to the extent we receive written guidance or a no-action letter from the staff of the Securities and Exchange Commission (the “Guidance”) permitting us to adjust the conversion rate in certain instances without regard to the conversion rate cap and to make the 2015 Notes convertible into certain reference property in accordance with certain reclassifications, business combinations, asset sales and corporate events by us without regard to the conversion rate cap, we will make such adjustments without regard to the conversion rate cap and will also, to the extent that we make any such adjustment without regard to the conversion rate cap pursuant to the Guidance, adjust the conversion rate cap accordingly. We will use our commercially reasonable efforts to obtain such Guidance as promptly as practicable.

Prior to obtaining the Guidance, we will not engage in certain transactions that would result in an adjustment to the conversion rate increasing the conversion rate beyond what it would have been in the absence of such transaction unless we have engaged in a reverse stock split or share combination transaction such that in our reasonable best estimation, the conversion rate following the adjustment for such transaction will not be any closer to the conversion rate cap than it would have been in the absence of such transaction.

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

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

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Senior Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Senior Convertible Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date.

In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Senior Convertible Notes through and including the maturity date.

In connection with the issuance of the Senior Convertible Notes, we incurred \$39,558 of fees which are being amortized over the terms of the notes, of which \$27,824 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

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During the years ended June 30, 2014, 2013 and 2012, we recorded \$58,042, \$45,880 and \$22,197, respectively, of interest costs and amortization of financing costs on the Senior Convertible Notes as interest expense.

Senior Unsecured Notes

On May 1, 2012, we issued \$100,000 aggregate principal amount of senior unsecured notes that mature on November 15, 2022 (the "2022 Notes"). The 2022 Notes bear interest at a rate of 6.95% per year, payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning August 15, 2012. Total proceeds from the issuance of the 2022 Notes, net of underwriting discounts and offering costs, were \$97,000.

On March 15, 2013, we issued \$250,000 aggregate principal amount of senior unsecured notes that mature on March 15, 2023 (the "2023 Notes"). The 2023 Notes bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2013. Total proceeds from the issuance of the 2023 Notes, net of underwriting discounts and offering costs, were \$245,885.

On April 7, 2014, we issued \$300,000 aggregate principal amount of senior unsecured notes that mature on July 15, 2019 (the "5.00% 2019 Notes"). Included in the issuance is \$45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were \$250,775.

The 2022 Notes, the 2023 Notes and the 5.00% 2019 Notes (collectively, the "Senior Unsecured Notes") are direct unsecured obligations and rank equally with all of our unsecured senior indebtedness from time to time outstanding. In connection with the issuance of the Senior Unsecured Notes, we incurred \$11,358 of fees which are being amortized over the term of the notes, of which \$10,297 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$25,988, \$11,672 and \$1,178, respectively, of interest costs and amortization of financing costs on the Senior Unsecured Notes as interest expense.

Prospect Capital InterNotes®

On February 16, 2012, we entered into a Selling Agent Agreement (the "Selling Agent Agreement") with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to \$500,000 of Prospect Capital InterNotes® (the "InterNotes® Offering"), which was increased to \$1,500,000 in May 2014. Additional agents may be appointed by us from time to time in connection with the InterNotes® Offering and become parties to the Selling Agent Agreement.

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

During the year ended June 30, 2014, we issued \$473,762 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$465,314. These notes were issued with stated interest rates ranging from 3.75% to 6.75% with a weighted average interest rate of 5.12%. These notes mature between October 15, 2016 and October 15, 2043. Below is a summary of the Prospect Capital InterNotes® issued during the year ended June 30, 2014:

| 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 | 45,751 | 3.75%–4.00% | 3.92 | % November 15, 2017 – May 15, 2018 |
| 5 | 217,915 | 4.25%–5.00% | 4.91 | % July 15, 2018 – August 15, 2019 |
| 5.5 | 43,820 | 4.75%–5.00% | 4.77 | % February 15, 2019 – August 15, 2019 |
| 6.5 | 1,800 | 5.50% | 5.50 | % February 15, 2020 |
| 7 | 62,409 | 5.25%–5.75% | 5.44 | % July 15, 2020 – May 15, 2021 |
| 7.5 | 1,996 | 5.75% | 5.75 | % February 15, 2021 |
| 10 | 23,850 | 5.75%–6.50% | 5.91 | % January 15, 2024 – May 15, 2024 |
| 12 | 2,978 | 6.00% | 6.00 | % November 15, 2025 – December 15, 2025 |
| 15 | 2,495 | 6.00% | 6.00 | % August 15, 2028 – November 15, 2028 |
| 18 | 4,062 | 6.00%–6.25% | 6.21 | % July 15, 2031 – August 15, 2031 |
| 20 | 2,791 | 6.00% | 6.00 | % September 15, 2033 – October 15, 2033 |
| 25 | 34,886 | 6.25%–6.50% | 6.39 | % August 15, 2038 – May 15, 2039 |
| 30 | 20,150 | 6.50%–6.75% | 6.60 | % July 15, 2043 – October 15, 2043 |
| | \$473,762 | | | |

During the year ended June 30, 2013, we issued \$343,139 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$334,244. These notes were issued with stated interest rates ranging from 3.28% to 6.625% with a weighted average interest rate of 5.59%. These notes mature between July 15, 2019 and June 15, 2043. Below is a summary of the Prospect Capital InterNotes® issued during the year ended June 30, 2013:

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---------------------------------|------------------|---------------------|--------------------------------|---|
| 7 | \$190,937 | 4.00%–6.45% | 5.35 | % July 15, 2019 – June 15, 2020 |
| 10 | 1,489 | 3.28%–3.78% | 3.37 | % March 15, 2023 – April 15, 2023 |
| 15 | 15,000 | 5.00% | 5.00 | % May 15, 2028 – June 15, 2028 |
| 18 | 22,157 | 4.125%–6.00% | 5.34 | % December 15, 2030 – June 15, 2031 |
| 20 | 3,106 | 5.625%–5.75% | 5.70 | % November 15, 2032 – December 15, 2032 |
| 30 | 110,450 | 5.50%–6.625% | 6.15 | % November 15, 2042 – June 15, 2043 |
| | \$343,139 | | | |

In connection with the issuance of the 5.00% 2019 Notes, \$45,000 of previously-issued Prospect Capital InterNotes® were exchanged for the 5.00% 2019 Notes. During the year ended June 30, 2014, we repaid \$6,869 aggregate principal amount of our Prospect Capital InterNotes® in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. Below are the Prospect Capital InterNotes® outstanding as of June 30, 2014:

| 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 | 45,751 | 3.75%–4.00% | 3.92 | % November 15, 2017 – May 15, 2018 |
| 5 | 212,915 | 4.25%–5.00% | 4.92 | % July 15, 2018 – August 15, 2019 |
| 5.5 | 3,820 | 5.00% | 5.00 | % February 15, 2019 |
| 6.5 | 1,800 | 5.50% | 5.50 | % February 15, 2020 |
| 7 | 256,903 | 4.00%–6.55% | 5.39 | % June 15, 2019 – May 15, 2021 |
| 7.5 | 1,996 | 5.75% | 5.75 | % February 15, 2021 |
| 10 | 41,952 | 3.23%–7.00% | 6.18 | % March 15, 2022 – May 15, 2024 |
| 12 | 2,978 | 6.00% | 6.00 | % November 15, 2025 – December 15, 2025 |
| 15 | 17,465 | 5.00%–6.00% | 5.14 | % May 15, 2028 – November 15, 2028 |
| 18 | 25,435 | 4.125%–6.25% | 5.49 | % December 15, 2030 – August 15, 2031 |
| 20 | 5,847 | 5.625%–6.00% | 5.85 | % November 15, 2032 – October 15, 2033 |
| 25 | 34,886 | 6.25%–6.50% | 6.39 | % August 15, 2038 – May 15, 2039 |
| 30 | 125,063 | 5.50%–6.75% | 6.22 | % November 15, 2042 – October 15, 2043 |
| | \$785,670 | | | |

Below are the Prospect Capital InterNotes® outstanding as of June 30, 2013:

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---------------------------------|------------------|---------------------|--------------------------------|---|
| 7 | \$194,937 | 4.00%–6.55% | 5.37 | % June 15, 2019 – June 15, 2020 |
| 10 | 18,127 | 3.28%–7.00% | 6.56 | % March 15, 2022 – April 15, 2023 |
| 15 | 15,000 | 5.00% | 5.00 | % May 15, 2028 – June 15, 2028 |
| 18 | 22,157 | 4.125%–6.00% | 5.34 | % December 15, 2030 – June 15, 2031 |
| 20 | 3,106 | 5.625%–5.75% | 5.70 | % November 15, 2032 – December 15, 2032 |
| 30 | 110,450 | 5.50%–6.625% | 6.15 | % November 15, 2042 – June 15, 2043 |
| | \$363,777 | | | |

In connection with the issuance of the Prospect Capital InterNotes®, we incurred \$20,235 of fees which are being amortized over the term of the notes, of which \$18,889 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$33,857, \$9,707 and \$276, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Net Asset Value

During the year ended June 30, 2014, we issued \$1,045,856 of additional equity, net of underwriting and offering costs, by issuing 94,789,672 shares of our common stock. The following table shows the calculation of net asset value per share as of June 30, 2014 and June 30, 2013:

| | June 30, 2014 | June 30, 2013 |
|---|---------------|---------------|
| Net assets | \$3,618,182 | \$2,656,494 |
| Shares of common stock issued and outstanding | 342,626,637 | 247,836,965 |
| Net asset value per share | \$10.56 | \$10.72 |

Results of Operations

Net increase in net assets resulting from operations for the years ended June 30, 2014, 2013 and 2012 was \$319,020, \$220,856 and \$190,904, respectively, representing \$1.06, \$1.07 and \$1.67 per weighted average share, respectively. During the year ended June 30, 2014, the decrease is primarily due to a \$32,300, or \$0.38 per weighted average share, decline in net investment income primarily due to a decrease in dividend income from our investment in Energy Solutions, a decrease in the average rate of interest earned on investments, a decline in structuring fee income (during the quarter ended June 30, 2014) and an increase in interest expense due to additional debt financing. (See "Investment Income" for further discussion of dividend and structuring fee income.) The decline in net investment income is partially offset by a \$65,865, or \$0.37 per weighted average share, favorable decrease in our net realized losses and net change in unrealized depreciation on investments. (See "Net Realized Losses and Net Decrease in Net Assets from Changes in Unrealized Depreciation" for further discussion.)

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

Investment Income

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

Investment income, which consists of interest income, including accretion of loan origination fees and prepayment penalty fees, dividend income and other income, including settlement of net profits interests, overriding royalty interests and structuring fees, was \$712,291, \$576,336 and \$320,910 for the years ended June 30, 2014, 2013 and 2012, respectively. During the year ended June 30, 2014, the increase in investment income is primarily the result of a larger income producing portfolio. During the year ended June 30, 2013, the increase in investment income is primarily the result of a larger income producing portfolio, increased structuring, advisory and amendment fees from the deployment of additional capital in revenue-producing assets, make-whole fees from Energy Solutions for early repayment of our outstanding loan, and increased dividends received from Energy Solutions and R-V.

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

| | Year Ended June 30, | | | |
|--|---------------------|-------------|-------------|---|
| | 2014 | 2013 | 2012 | |
| Interest income | \$613,741 | \$435,455 | \$219,536 | |
| Dividend income | 26,837 | 82,705 | 64,881 | |
| Other income | 71,713 | 58,176 | 36,493 | |
| Total investment income | \$712,291 | \$576,336 | \$320,910 | |
| Average debt principal of performing investments | \$4,886,846 | \$2,878,421 | \$1,466,703 | |
| Weighted average interest rate earned on performing assets | 12.56 | % 15.13 | % 14.97 | % |

Average interest income producing assets have increased from \$1,466,703 for the year ended June 30, 2012 to \$2,878,421 for the year ended June 30, 2013 to \$4,886,846 for the year ended June 30, 2014. The average yield on interest bearing performing assets decreased from 15.1% for the year ended June 30, 2013 to 12.6% for the year ended June 30, 2014. The decrease in annual returns during the comparable period is primarily due to a decline in

prepayment penalty income driven by a \$14,731 decrease in the make-whole fees we received from Energy Solutions. The decrease in our current yield is primarily due to originations at lower rates than our average existing portfolio yield. Excluding the adjustment for make-whole fees our annual return would have been 14.1% for the year ended June 30, 2013.

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Investment income is also generated from dividends and other income. Dividend income decreased from \$82,705 for the year ended June 30, 2013 to \$26,837 for the year ended June 30, 2014. The decrease in dividend income is primarily attributed to a \$53,820 decrease in the level of dividends received from our investment in Energy Solutions. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, distributions from Energy Solutions to us were recognized as dividend income, in accordance with ASC 946, Financial Services—Investment Companies, as cash distributions are received from Energy Solutions to the extent there are earnings and profits sufficient to support such recognition. As a result, we received dividends from Energy Solutions of \$53,820 during the year ended June 30, 2013. No such dividends were received during the year ended June 30, 2014 related to our investment in Energy Solutions. The decrease in dividend income is also attributed to a \$23,361 decrease in the level of dividends received from our investment in R-V. We received dividends from R-V of \$1,100 and \$24,462 during the years ended June 30, 2014 and 2013, respectively. The \$24,462 of dividends received from R-V during the year ended June 30, 2013 include a \$11,073 distribution as part of R-V's recapitalization in November 2012 for which we provided an additional \$9,500 of senior secured financing. The decrease in dividend income is further attributed to a \$2,945 decrease in dividends received from our investment in American Gilsonite Company ("AGC"). We received dividends of \$2,945 from AGC during the year ended June 30, 2013. No such dividends were received during the year ended June 30, 2014 related to our investment in AGC. The decrease in dividend income was partially offset by dividends of \$12,000, \$4,841 and \$5,000 received from our investments in AIRMALL, Credit Central and Nationwide, respectively, during the year ended June 30, 2014. The dividends received from Credit Central and Nationwide include distributions as part of follow-on financings in March 2014 for which we provided an additional \$6,500 of financing, as discussed above. No dividends were received from AIRMALL, Credit Central or Nationwide during the year ended June 30, 2013.

Dividend income increased from \$64,881 for the year ended June 30, 2012 to \$82,705 for the year ended June 30, 2013. This \$17,824 increase in dividend income is primarily attributed to an increase in the level of dividends received from our investments in Energy Solutions and R-V due to increased profits generated by the portfolio companies. We received dividends from Energy Solutions of \$53,820 and \$47,850 during the years ended June 30, 2013 and June 30, 2012, respectively. The sale of Gas Solutions by Energy Solutions has resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. We received dividends from R-V of \$24,462 and \$283 during the years ended June 30, 2013 and June 30, 2012, respectively. The \$24,462 of dividends received from R-V during the year ended June 30, 2013 include a \$11,073 distribution as part of R-V's recapitalization in November 2012 for which we provided an additional \$9,500 of senior secured financing. The increases in dividend income from our investments in Energy Solutions and R-V were offset by a reduction in dividends received from NRG. We received dividends from NRG of \$15,011 during the year ended June 30, 2012. There were no dividends from NRG received during the year ended June 30, 2013 as NRG has been sold.

Other income has come primarily from structuring fees, overriding royalty interests, and settlement of net profits interests. Income from other sources increased from \$58,176 for the year ended June 30, 2013 to \$71,713 for the year ended June 30, 2014. The increase is primarily due to a \$4,998 increase in structuring fees, \$5,825 of legal cost reimbursement from a litigation settlement which had been expensed in prior years, and a \$1,771 increase in royalty interests from our controlled investments, particularly APH, Credit Central, First Tower, Nationwide, NPH and UPH. During the years ended June 30, 2014 and 2013, we recognized structuring fees of \$57,697 and \$52,699, respectively, from new originations, restructurings and follow-on investments. Included within the \$57,697 of structuring fees recognized during the year ended June 30, 2014 is an \$8,000 fee from First Tower Delaware related to the renegotiation and expansion of First Tower's third party revolver for which a fee was received in December 2013. The remaining \$49,697 of structuring fees recognized during the year ended June 30, 2014 resulted from follow-on investments and new originations, primarily from our investments in Echelon, Harbortouch, IWCO and Matrixx. Income from other sources increased from \$36,493 for the year ended June 30, 2012 to \$58,176 for the year ended June 30, 2013. The increase is primarily due to \$52,699 of structuring fees recognized during the year ended June 30, 2013 primarily from our investments in APH, Arctic Glacier, Broder, InterDent, Progrexion, Ryan, TransPlace, USC

and Wolf, in comparison to \$26,443 of structuring fees recognized during the year ended June 30, 2012. The increase in structuring fees is partially offset by a decrease in advisory fees recognized during the year ended June 30, 2013 from our investments in Energy Solutions and NRG. We received \$8,783 of advisory fees from Energy Solutions and NRG during the year ended June 30, 2012. No such fee was received during the year ended June 30, 2013. The remaining increase is primarily due to \$4,122 of royalty income recognized during the year ended June 30, 2013 primarily from First Tower and Wolf, in comparison to \$224 of royalty income recognized during the year ended June 30, 2012.

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While we were in discussions with the SEC regarding consolidation, we elected to suspend our debt and equity raising activities for the remainder of the quarter and continuing through the filing of this Form 10-K. This curtailment of capital raising activities suppressed our levels of origination and growth in the fourth quarter of the fiscal year ended June 30, 2014. While structuring fees increased from the fiscal year ended June 30, 2013 to the fiscal year ended June 30, 2014, the reduction in originations in the quarter ended June 30, 2014 suppressed our level of structuring fees recognized and reduced our earnings for the quarter. Originations were \$1,343,356 in the quarter ended March 31, 2014 versus \$444,104 in the quarter ended June 30, 2014. As a result, structuring fees fell from \$24,659 in the quarter ended March 31, 2014 to \$5,026 in the quarter ended June 30, 2014.

Operating Expenses

Our primary operating expenses consist of investment advisory fees (base management and income incentive fees), borrowing costs, legal and professional fees and other operating and overhead-related expenses. These expenses include our allocable portion of overhead under the Administration Agreement with Prospect Administration under which Prospect Administration provides administrative services and facilities for us. Our investment advisory fees compensate Prospect Capital Management (the "Investment Adviser") for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions. Operating expenses were \$355,068, \$251,412 and \$134,226 for the years ended June 30, 2014, 2013 and 2012, respectively.

The base management fee was \$108,990, \$69,800 and \$35,836 for the years ended June 30, 2014, 2013 and 2012, respectively. The increases are directly related to our growth in total assets. For the years ended June 30, 2014, 2013 and 2012, we incurred \$89,306, \$81,231 and \$46,671 of income incentive fees, respectively. These increases are driven by corresponding increases in pre-incentive fee net investment income from \$233,355 for the year ended June 30, 2012 to \$406,155 for the year ended June 30, 2013 to \$446,529 for the year ended June 30, 2014, primarily due to an increase in interest income from a larger asset base. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement.

During the years ended June 30, 2014, 2013 and 2012, we incurred \$130,103, \$76,341 and \$38,534, respectively, of expenses related to our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® (collectively, our "Senior Notes"). These expenses are related directly to the leveraging capacity put into place for each of those periods and the levels of indebtedness actually undertaken in those periods. The table below describes the various expenses of our Senior Notes and the related indicators of leveraging capacity and indebtedness during these periods.

| | Year Ended June 30, | | |
|--|---------------------|--------------|------------|
| | 2014 | 2013 | 2012 |
| Interest on borrowings | \$ 111,900 | \$ 62,657 | \$ 27,346 |
| Amortization of deferred financing costs | 11,491 | 8,232 | 8,511 |
| Accretion of discount on Senior Unsecured Notes | 156 | 50 | — |
| Facility commitment fees | 6,556 | 5,402 | 2,677 |
| Total interest and credit facility expenses | \$ 130,103 | \$ 76,341 | \$ 38,534 |
| Average principal debt outstanding | \$ 1,982,054 | \$ 1,066,368 | \$ 502,038 |
| Weighted average stated interest rate on borrowings(1) | 5.65 | % 5.88 | % 5.45 |
| Weighted average interest rate on borrowings(2) | 6.23 | % 6.65 | % 7.14 |
| Revolving Credit Facility amount at beginning of year | \$ 552,500 | \$ 492,500 | \$ 325,000 |

(1) Includes only the stated interest expense.

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

The increase in interest expense for the year ended June 30, 2014 is primarily due to the issuance of additional Prospect Capital InterNotes®, the 2019 Notes, the 5.00% 2019 Notes, the 2020 Notes, and the 2023 Notes for which we incurred an incremental \$49,101 of collective interest expense, respectively. The weighted average interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) decreased from 5.88% for the year ended

June 30, 2013 to 5.65% for the year ended June 30, 2014. This decrease is primarily due to issuances of debt at lower coupon rates. For example, the weighted average interest rate on our Prospect Capital InterNotes® decreased from 5.65% as of June 30, 2013 to 5.38% as of June 30, 2014.

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The allocation of overhead expense from Prospect Administration was \$14,373, \$8,737 and \$6,848 for the years ended June 30, 2014, 2013 and 2012, respectively. As our portfolio continues to grow, we expect Prospect Administration to continue to increase the size of its administrative and financial staff. During the years ended June 30, 2014, 2013 and 2012, Prospect Administration received payments of \$7,582, \$1,394, and \$1,092 directly from our controlled portfolio companies for legal, tax and portfolio level accounting services. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by these amounts.

Excise tax decreased from an expense of \$6,500 for the year ended June 30, 2013 to a benefit of \$4,200 for the year ended June 30, 2014. As of June 30, 2013, we accrued \$5,000 as an estimate of the excise tax due for continuing to retain a portion of our annual taxable income for the calendar year ended December 31, 2013. We previously paid \$4,500 for the undistributed ordinary income retained at December 31, 2012. During the year ended June 30, 2014, we amended our excise tax returns resulting in the \$4,200 reversal of previously recognized expense and we recorded a \$2,200 prepaid asset for the amount our \$4,500 excise tax payment exceeded the excise tax liability estimated through June 30, 2014. There was no excise tax expense for the year ended June 30, 2012.

Total operating expenses, net of investment advisory fees, interest and credit facility expenses, allocation of overhead from Prospect Administration and excise tax ("Other Operating Expenses") were \$16,496, \$8,803 and \$6,337 for the years ended June 30, 2014, 2013 and 2012, respectively. The increase of \$7,693 during the year ended June 30, 2014 is primarily due to an increase in our investor relations expense which is included within other general and administrative expenses. Investor relations expense increased due to increased proxy costs incurred for our larger investor base. The increase of \$2,466 during the year ended June 30, 2013 is primarily the result of a \$1,000 insurance claim settlement for legal fees expensed in previous periods which reduced legal fees in the year ended June 30, 2012.

Net Investment Income

Net investment income was \$357,223, \$324,924 and \$186,684 for the years ended June 30, 2014, 2013 and 2012, respectively (\$1.19, \$1.57 and \$1.63 per weighted average share, respectively). The \$32,299 increase during the year ended June 30, 2014 is primarily the result of a \$135,955 increase in investment income partially offset by a \$103,656 increase in operating expenses. The \$0.38 per weighted average share decrease in net investment income for the year ended June 30, 2014 is primarily due to a \$0.31 per weighted average share decrease in dividend income primarily due to a decline in the level of dividends received from our investment in Energy Solutions. The \$138,240 increase in net investment income during the year ended June 30, 2013 is primarily the result of a \$255,426 increase in investment income partially offset by a \$117,186 increase in operating expenses. The \$0.06 per weighted average share decrease in net investment income for the year ended June 30, 2013 is primarily due to an increase in excise taxes and higher levels of cash awaiting deployment. (Refer to "Investment Income" and "Operating Expenses" above for further discussion.)

Net Realized Gains (Losses)

Net realized gains (losses) were \$(3,346), \$(26,234) and \$36,588 for the years ended June 30, 2014, 2013 and 2012, respectively. The net realized loss during the year ended June 30, 2014 was due primarily to realized losses of \$7,853 and \$1,669 related to the sale of our investments in NBS and ICON, respectively. These losses were partially offset by a distribution of \$3,252 related to our investment in NRG for which we realized a gain of the same amount; a \$1,183 gain realized when the subordinated notes from Apidos CLO VIII were called in October 2013; \$954 gains received from the release of escrowed amounts due to us from several portfolio companies; and \$762 gains realized on sales of other investments described above in "Portfolio Investment Activity."

The net realized loss for the year ended June 30, 2013 was primarily due to the sale of New Meatco Provisions, LLC (realized loss of \$10,814), the other-than-temporary impairment of ICS (realized loss of \$12,117) and restructuring of the H&M debt in conjunction with the foreclosure on the assets of H&M (realized loss of \$19,647). These losses were partially offset by net realized gains from the sale of our assets in Wolf Energy (realized gain of \$11,826), assets formerly held by H&M, and distributions received from our escrow receivable account, primarily NRG (realized gains of \$3,252).

Net Decrease in Net Assets from Changes in Unrealized Depreciation

Net decrease in net assets from changes in unrealized depreciation was \$34,857, \$77,834 and \$32,368 for the years ended June 30, 2014, 2013 and 2012, respectively. The variability in results is primarily due to the valuation of equity positions in our portfolio susceptible to significant changes in value, both increases as well as decreases, due to operating results. For the year ended June 30, 2014, the \$34,857 net change in unrealized depreciation was driven by significant write-down of our investment in NCT, which filed for bankruptcy in June 2014. As we hold a second lien position and do not expect liquidation proceeds to

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exceed the first lien liability, we decreased the fair value of our debt investment in NCT to zero. We also experienced significant write-downs in our investments in AIRMALL, Ajax, Gulf Coast and Valley Electric. These instances of unrealized depreciation were partially offset by unrealized appreciation related to CP Well, First Tower, Harbortouch and our CLO equity investments. During the year ended June 30, 2014, we partially sold our debt investment in ICON at a discount and realized a loss of \$1,669, reducing the amount previously recorded as unrealized depreciation. Included within the change in net unrealized appreciation for the year ended June 30, 2014 is \$1,669 of unrealized appreciation resulting from the partial sale of ICON recognized as a realized loss.

For the year ended June 30, 2013, the \$77,834 decrease in net assets from the net change in unrealized depreciation was driven by a reduction in the fair value of our investments in Ajax, Boxercraft and First Tower because of changes in current market conditions; and Energy Solutions for which we received \$19,543 of make-whole fees for early repayment of the outstanding loan and distributions of \$53,820 during the year, which were recorded as interest and dividend income, respectively, reducing the amount previously recorded as unrealized appreciation. These instances of unrealized depreciation were partially offset by the elimination of the unrealized depreciation resulting from the H&M foreclosure mentioned above.

Financial Condition, Liquidity and Capital Resources

For the years ended June 30, 2014, 2013 and 2012, our operating activities used \$1,725,387, \$1,786,208 and \$229,415 of cash, respectively. There were no investing activities for the years ended June 30, 2014, 2013 and 2012. Financing activities provided \$1,656,376, \$1,868,250 and \$289,214 of cash during the years ended June 30, 2014, 2013 and 2012, respectively, which included dividend payments of \$377,070, \$242,301 and \$127,564, respectively.

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

Our primary sources of funds have been issuances of debt and equity. We have and may continue to fund a portion of our cash needs through borrowings from banks, issuances of senior securities or secondary offerings. We may also securitize a portion of our investments in unsecured or senior secured loans or other assets. Our objective is to put in place such borrowings in order to enable us to expand our portfolio. During the year ended June 30, 2014, we borrowed \$1,078,500 and made repayments totaling \$1,110,500 under our Revolving Credit Facility. As of June 30, 2014, we had \$92,000 outstanding on our Revolving Credit Facility, \$1,247,500 outstanding on our Senior Convertible Notes, Senior Unsecured Notes with a carrying value of \$647,881 and \$785,670 outstanding on our Prospect Capital InterNotes®. (See "Capitalization" above.)

Undrawn committed revolvers to our portfolio companies incur commitment fees ranging from 0.00% to 2.00%. As of June 30, 2014 and June 30, 2013, we have \$143,597 and \$202,518 of undrawn revolver commitments to our portfolio companies, respectively.

Our Board of Directors, pursuant to the Maryland General Corporation Law, executed Articles of Amendment to increase the number of shares authorized for issuance from 500,000,000 to 1,000,000,000 in the aggregate. The amendment became effective May 6, 2014.

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 \$3,691,792 of additional debt and equity securities in the public market as of June 30, 2014.

We also continue to generate liquidity through public and private stock offerings.

On May 8, 2013, we entered into an ATM Program with BB&T Capital Markets, BMO Capital Markets, and KeyBanc Capital Markets through which we could sell, by means of at-the-market offerings from time to time, up to 45,000,000 shares of our common stock. During the period from July 5, 2013 to August 21, 2013, we sold 9,818,907 shares of our common stock at an average price of \$10.97 per share, and raised \$107,725 of gross proceeds, under the ATM Program. Net proceeds were \$106,654 after commissions to the broker-dealer on shares sold and offering costs. On August 22, 2013, we entered into an ATM Program with BMO Capital Markets, Goldman, Sachs & Co., KeyBanc Capital Markets, and RBC Capital Markets through which we could sell, by means of at-the-market offerings from time to time, up to 45,000,000 shares of our common stock. During the period from August 29, 2013 to November 4, 2013, we sold 24,127,242 shares of our common stock at an average price of \$11.28 per share, and raised \$272,114 of gross proceeds, under the ATM Program. Net proceeds were \$268,997 after commissions to the broker-dealer on

shares sold and offering costs.

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On November 5, 2013, we entered into an ATM Program with Barclays Capital, Goldman, Sachs & Co., KeyBanc Capital Markets, and RBC Capital Markets through which we could sell, by means of at-the-market offerings from time to time, up to 50,000,000 shares of our common stock. During the period from November 12, 2013 to February 5, 2014, we sold 27,301,889 shares of our common stock at an average price of \$11.25 per share, and raised \$307,045 of gross proceeds, under the ATM Program. Net proceeds were \$303,540 after commissions to the broker-dealer on shares sold and offering costs.

On February 4, 2014, we entered into an ATM Program with BMO Capital Markets, BNP Paribas, Goldman, Sachs & Co., KeyBanc Capital Markets, and UBS Investment Bank through which we could sell, by means of at-the-market offerings from time to time, up to 50,000,000 shares of our common stock. During the period from February 10, 2014 to April 9, 2014, we sold 21,592,715 shares of our common stock at an average price of \$11.08 per share, and raised \$239,305 of gross proceeds, under the ATM Program. Net proceeds were \$236,904 after commissions to the broker-dealer on shares sold and offering costs.

On April 9, 2014, we entered into an ATM Program with Barclays Capital through which we could sell, by means of at-the-market offerings from time to time, up to 20,000,000 shares of our common stock. During the period from April 15, 2014 to May 2, 2014, we sold 5,213,900 shares of our common stock at an average price of \$10.93 per share, and raised \$56,995 of gross proceeds, under the ATM Program. Net proceeds were \$56,357 after commissions to the broker-dealer on shares sold and offering costs. There have been no issuances under the ATM Program subsequent to June 30, 2014.

Off-Balance Sheet Arrangements

As of June 30, 2014, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than those which originate from 1) the investment advisory and management agreement and the administration agreement and 2) the portfolio companies.

Recent Developments

On July 11, 2014, we increased total commitments to our Revolving Credit Facility by \$10,000 to \$867,500 in the aggregate.

On July 22, 2014, Injured Workers Pharmacy, LLC repaid the \$22,678 loan receivable to us.

On July 23, 2014, Correctional Healthcare Holding Company, Inc. repaid the \$27,100 loan receivable to us.

On July 23, 2014, we increased total commitments to our Revolving Credit Facility by \$10,000 to \$877,500 in the aggregate.

On July 24, 2014, we issued 98,503 shares of our common stock in connection with the dividend reinvestment plan.

On July 28, 2014, Tectum Holdings, Inc. repaid the \$10,000 loan receivable to us.

On August 1, 2014, we sold our investments in AMU Holdings Inc. and Airmall Inc. for net proceeds of \$51,379. In addition, there is \$6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized if and when received.

On August 5, 2014, we made an investment of \$39,105 to purchase 70.94% of the subordinated notes in CIFC Funding 2014-IV, Ltd.

On August 13, 2014, we provided \$210,000 of senior secured financing, of which \$200,000 was funded at closing, to support the recapitalization of Trinity Services Group, Inc., a leading food services company in the H.I.G. Capital portfolio.

On August 14, 2014, we announced the then current conversion rate on the 2018 Notes as 83.6661 shares of common stock per \$1 principal amount of the 2018 Notes converted, which is equivalent to a conversion price of approximately \$11.95.

On August 21, 2014, we issued 129,435 shares of our common stock in connection with the dividend reinvestment plan.

On August 22, 2014, Byrider Systems Acquisition Corp. repaid the \$11,177 loan receivable to us.

On August 22, 2014, Capstone Logistics, LLC repaid the \$189,941 loan receivable to us.

On August 22, 2014, TriMark USA, LLC repaid the \$10,000 loan receivable to us.

On August 29, 2014, we completed a first closing on an expanded five-and-one-half year \$1,500,000 revolving credit facility (the "Facility") for Prospect Capital Funding LLC with reduced pricing. The new Facility, for which twenty lenders have closed on \$800,000 to date, includes an accordion feature that allows the Facility, at our discretion, to accept up to a total of \$1,500,000 of commitments, an objective we target reaching with additional lenders. The Facility matures in March 2020 and is substantially

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similar to the terms of the prior revolving credit facility. It includes a revolving period that extends through March 2019, followed by an additional one-year amortization period, with distributions allowed to us after the completion of the revolving period. Pricing for the Facility is one-month Libor plus 2.25%, achieving 50 basis point reduction in pricing from the previous five-year facility pricing of Libor plus 2.75%. The new Facility has an investment grade Moody's rating of Aa3.

On August 29, 2014, we made a follow-on secured debt investment of \$15,000 to support the recapitalization of BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork), a provider of intra-operative neurophysiological monitoring services.

Critical Accounting Policies and Estimates

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and pursuant to the requirements for reporting on Form 10-K, ASC 946, Financial Services—Investment Companies ("ASC 946"), and Articles 6 and 12 of Regulation S-X. The financial results of our portfolio investments are not consolidated in the financial statements.

Reclassifications

Certain reclassifications have been made in the presentation of prior consolidated financial statements and accompanying notes to conform to the presentation as of and for the year ended June 30, 2014.

Use of Estimates

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

Basis of Consolidation

Under the 1940 Act, the regulations pursuant to Article 6 of Regulation S-X and ASC 946, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Our consolidated financial statements include our accounts and the accounts of PCF and PSBL, our wholly-owned, closely-managed subsidiaries that are also investment companies. All intercompany balances and transactions have been eliminated in consolidation.

On May 6, 2014, we announced in our filing on Form 10-Q for the quarter ended March 31, 2014 that the SEC Staff had asserted certain of our wholly-owned holding companies were investment companies, such companies were required to be consolidated in our historical financial results and financial position, and restatement of such financial statements was needed. At that time, we disclosed that we disagreed with the views of the SEC Staff and wished to appeal the conclusion through the Office of the Chief Accountant. On June 10, 2014, based on those discussions with the Office of the Chief Accountant, we concluded the following:

- Our historical non-consolidation of wholly-owned and substantially wholly-owned holding companies did not require restatement of our prior period financial statements.

Upon our adoption of ASU 2013-08 for the fiscal year ended June 30, 2015, we will begin consolidating on a prospective basis certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy.

The following companies will be consolidated: AMU Holdings Inc.; APH Property Holdings, LLC; Arctic Oilfield Equipment USA, Inc.; CCPI Holdings Inc.; CP Holdings of Delaware LLC; Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC; Harbortouch Holdings of Delaware Inc.; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc.; NPH Property Holdings, LLC; STI Holding, Inc.; UPH Property Holdings, LLC; Valley Electric Holdings I, Inc.; Valley Electric Holdings II, Inc.; and Wolf Energy Holdings Inc.

Any operating companies owned by the holding companies will not be consolidated. We do not expect this consolidation to have any material effect on our financial position or results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include funds deposited with financial institutions and short-term, highly-liquid investments in money market funds. Cash and cash equivalents are carried at cost which approximates fair value.

Investment Classification

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

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Amounts for investments recognized or derecognized but not yet settled are reported as receivables for investments sold and payables for investments purchased, respectively, in the Consolidated Statements of Assets and Liabilities.

Investment Risks

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

Market Risk

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

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Prepayment Risk

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making the security less likely to be an income producing instrument.

Investment Valuation

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors;
2. The independent valuation firms conduct independent valuations and make their own independent assessments;
3. The Audit Committee of our Board of Directors reviews and discusses the preliminary valuation of Prospect Capital Management LLC (the "Investment Adviser") and that of the independent valuation firms; and
4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

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

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

Our investments in CLOs are classified as ASC 820 Level 3 securities and are valued using a discounted cash flow model. The valuations have been accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach has been chosen from alternative approaches to ensure the most accurate valuation for such security. To value a CLO, both the assets and the liabilities of the CLO capital structure are modeled. We use a waterfall engine to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, distribute the cash flows to the liability structure based on the payment priorities, and discount them back using current market discount rates. The main risk factors are: default risk, interest rate risk, downgrade risk, and credit spread risk.

Valuation of Other Financial Assets and Financial Liabilities

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The Fair Value Option within ASC 825, Financial Instruments, specifically ASC 825-10-25, permits an entity to elect fair value as the initial and subsequent measurement attribute for eligible assets and liabilities for which the assets and liabilities are measured using another measurement attribute. For our non-investment assets and liabilities, we have elected not to value them at fair value as would be permitted by ASC 825-10-25.

Senior Convertible Notes

We have recorded the Senior Convertible Notes (see Note 5) at their contractual amounts. The Senior Convertible Notes were analyzed for any features that would require their accounting to be bifurcated and such features were determined to be immaterial.

Revenue Recognition

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

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis.

Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Accretion of such purchase discounts or amortization of premiums is calculated by the effective interest method as of the purchase date and adjusted only for material amendments or prepayments. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income. The purchase discount for portfolio investments acquired from Patriot Capital Funding, Inc. ("Patriot") was determined based on the difference between par value and fair value as of December 2, 2009, and continues to accrete until maturity or repayment of the respective loans (see Note 3). As of June 30, 2014, the purchase discount from the assets acquired from Patriot has been fully accreted.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected.

Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, are likely to remain current. As of June 30, 2014, approximately 0.1% of our total assets are in non-accrual status.

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

Dividend income is recorded on the ex-dividend date.

Structuring fees and similar fees are recognized as income as earned, usually when paid. Structuring fees, excess deal deposits, net profits interests and overriding royalty interests are included in other income.

Federal and State Income Taxes

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

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. We had an excise tax liability of \$1,918 for the calendar year ended

December 31, 2012 and zero for the calendar year ended December 31, 2013. As of June 30, 2014, we had an accrued prepaid excise tax balance of \$2,200 because we have made estimated excise tax payments in excess of our expected excise tax liability for the calendar year ending December 31, 2014.

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If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Internal Revenue Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years reduced by an interest charge of 50% of such earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years.

We follow ASC 740, Income Taxes (“ASC 740”). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of June 30, 2014 and for the year then ended, we did not have a liability for any unrecognized tax benefits. Management’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2010 remain subject to examination by the Internal Revenue Service.

Dividends and Distributions

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

Financing Costs

We record origination expenses related to our Revolving Credit Facility and Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® (collectively, our “Senior Notes”), as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method for our Revolving Credit Facility and the effective interest method for our Senior Notes, over the respective expected life or maturity. We record registration expenses related to shelf filings as prepaid assets. These expenses consist principally of SEC registration fees, legal fees and accounting fees incurred. These prepaid assets are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed.

Guarantees and Indemnification Agreements

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

Per Share Information

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

Recent Accounting Pronouncements

In June 2013, the FASB issued Accounting Standards Update 2013-08, Financial Services — Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure Requirements (“ASU 2013-08”). The update clarifies the approach to be used for determining whether an entity is an investment company and provides new

measurement and disclosure requirements. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier application is prohibited. The adoption of the amended guidance in ASU 2013-08 is not expected to have a significant effect on our consolidated financial statements and disclosures.

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In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The update supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The adoption of the amended guidance in ASU 2014-09 is not expected to have a significant effect on our consolidated financial statements and disclosures.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates and equity price risk. Some of the loans in our portfolio have floating interest rates.

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the year ended ended June 30, 2014, we did not engage in hedging activities.

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USE OF PROCEEDS

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by means of ordinary brokers' transactions on the NASDAQ Global Select Market or that otherwise qualify for delivery of a prospectus to the NASDAQ Global Select Market in accordance with Rule 153 under the 1933 Act, at market prices prevailing at the time of sale, at prices related to prevailing market prices or negotiated transactions or as otherwise agreed with the Sales Managers. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale, and may be for prices below our most recently determined net asset value per share. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of all 50,000,000 shares of common stock offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of \$10.26 per share for our common stock on the NASDAQ Global Select Market as of August 28, 2014, we estimate that the net proceeds of this offering will be approximately \$502.4 million after deducting the estimated Sales Managers' commissions and our estimated offering expenses.

We expect to use the net proceeds from this offering initially to maintain balance sheet liquidity, involving repayment of debt under our credit facility, if any, investments in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. We anticipate that substantially all of the net proceeds from this offering will be used for the above purposes within six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions.

On August 29, 2014, we completed a first closing on an expanded five-and-one-half year \$1.5 billion revolving credit facility (the "Facility") for Prospect Capital Funding LLC with reduced pricing. The new Facility, for which twenty lenders have closed on \$800 million to date, includes an accordion feature that allows the Facility, at our discretion, to accept up to a total of \$1.5 billion of commitments, an objective we target reaching with additional lenders. The Facility matures in March 2020 and is substantially similar to the terms of the prior revolving credit facility. It includes a revolving period that extends through March 2019, followed by an additional one-year amortization period, with distributions allowed to us after the completion of the revolving period. Pricing for the Facility is one-month Libor plus 2.25%, achieving 50 basis point reduction in pricing from the previous five-year facility pricing of Libor plus 2.75%. The new Facility has an investment grade Moody's rating of Aa3.

As of August 29, 2014, we had borrowings under our credit facility and, based on the assets currently pledged as collateral on the facility, approximately \$688.9 million was available to us for borrowing under our credit facility. Affiliates of the Sales Managers that are lenders under our credit facility may receive a portion of the net proceeds from offerings made pursuant to this prospectus supplement and the accompanying prospectus through the repayment of any borrowings. Interest on borrowings under the credit facility is one-month LIBOR plus 225 basis points with no minimum LIBOR floor. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if at least half of the credit facility is used or 100 basis points otherwise.

CAPITALIZATION

The equity distribution agreements provide that we may offer and sell up to 50,000,000 shares of our common stock from time to time through the Sales Managers, as our agents for the offer and sale of such common stock. The table below assumes that we will sell all of the 50,000,000 shares at a price of \$10.26 per share (the last reported sale price per share of our common stock on the NASDAQ Global Select Market on August 28, 2014), but there is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than \$10.26, depending on the market price of our common stock at the time of any such sale and whether such sale is made at a discount to our most recently determined net asset value per share. The following table sets forth our capitalization as of June 30, 2014:

on an actual basis;

on an as adjusted basis giving effect to the issuance of 227,938 shares in connection with the Company's dividend reinvestment plan during the period from July 1, 2014 to August 28, 2014, our redemption of certain Prospect Capital Internotes in accordance with the survivors option, and our repayment of \$92.0 million under our credit facility; and on an as further adjusted basis giving effect to the transactions noted above, the assumed sale of 50,000,000 shares of our common stock at a price of \$10.26 per share (the last reported sale price per share of our common stock on the NASDAQ Global Select Market on August 28, 2014) less commissions and expenses.

This table should be read in conjunction with "Use of Proceeds" and our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto included in this prospectus supplement and the accompanying prospectus. The adjusted information is illustrative only.

As of June 30, 2014

| | Actual | As Adjusted for Stock Issuances and Borrowings After June 30, 2014 | As further Adjusted for this Offering |
|---|--|---|---|
| | (In thousands, except shares and per share data) | | |
| | (Unaudited) | | |
| Long-term debt, including current maturities: | | | |
| Borrowings under senior credit facility | \$92,000 | \$— | \$— |
| Senior Convertible Notes | 1,247,500 | 1,247,500 | 1,247,500 |
| Senior Unsecured Notes | 647,881 | 647,881 | 647,881 |
| Prospect Capital InterNotes® | 785,670 | 784,612 | 784,612 |
| Amount owed to affiliates | 2,211 | 2,211 | 2,211 |
| Total long-term debt | 2,775,262 | 2,682,204 | 2,682,204 |
| Stockholders' equity: | | | |
| Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 342,626,637 shares outstanding actual, 342,854,575 shares outstanding as adjusted and 392,854,575 shares outstanding as further adjusted) | 343 | 343 | (1) 393 |
| Paid-in capital in excess of par value | 3,814,634 | 3,817,120 | (1) 4,319,460 |
| Undistributed net investment income | 42,086 | 42,086 | 42,086 |
| Accumulated realized losses on investments | (121,098) |) (121,098 |) (121,098) |
| Net unrealized depreciation on investments | (117,783) |) (117,783 |) (117,783) |
| Total stockholders' equity | 3,618,182 | 3,620,668 | 4,123,058 |
| Total capitalization | \$6,393,444 | \$6,302,872 | \$6,805,262 |

(1) Includes 98,503 and 129,435 shares of Prospect's common stock issued on July 24, 2014 and August 21, 2014, respectively in connection with its dividend reinvestment plan.

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RECENT SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2009, 2010, 2011, 2012 and 2013 annual meeting of stockholders, our stockholders approved our ability to sell an unlimited number of shares of our common stock at any level of discount to NAV per share during the twelve-month period following such approval. Accordingly, we may make offerings of our common stock without any limitation on the total amount of dilution to stockholders. See "Sales of Common Stock Below Net Asset Value" in this prospectus supplement and in the accompanying prospectus. Pursuant to this authority and the approval of our Board of Directors, we have made the following offerings:

| Date of Offering | Price Per Share to Investors | Shares Issued | Estimated Net Asset Value per Share(1) | Percentage Dilution | |
|--|---------------------------------|------------------|---|------------------------|---|
| June 21, 2010 to June 25, 2010(2) | \$10.01 - \$10.67 | 1,072,500 | \$10.39 - 10.40 | 0.06 | % |
| June 28, 2010 to July 16, 2010(2) | \$9.47 - \$10.04 | 2,748,600 | \$10.31 - 10.34 | 0.29 | % |
| July 19, 2010 to August 19, 2010(2) | \$9.28 - \$10.04 | 3,814,528 | \$10.26 - 10.36 | 0.39 | % |
| September 7, 2010 to September 23, 2010(2) | \$9.47 - \$9.98 | 2,185,472 | \$10.22 - 10.25 | 0.18 | % |
| September 24, 2010 to September 27, 2010(2) | \$9.74 - \$9.92 | 302,400 | \$10.25 - 10.26 | 0.02 | % |
| September 28, 2010 to October 29, 2010(2) | \$9.65 - \$10.09 | 4,929,556 | \$10.13 - 10.27 | 0.32 | % |
| November 11, 2010 to December 10, 2010(2) | \$9.70 - \$10.54 | 4,513,920 | \$10.18 - 10.28 | 0.22 | % |
| June 24, 2011 | \$10.15 | 10,000,000 | \$10.48 | 0.41 | % |
| July 18, 2011(3) | \$10.15 | 1,500,000 | \$10.41 | 0.05 | % |

The data for sales of shares below NAV pursuant to our previous equity distribution agreements are an estimate based on the last reported NAV adjusted and capital events occurring during the period since the last calculated (1)NAV. All amounts presented are approximations based on the best available data at the time of issuance. Overall, the dilution from the issuance of shares below NAV in connection with the ATM Program is estimated to be less than 1.5%.

(2) At the market offering. Dates of offering represent the sales dates of the stock. The settlement dates are three business days later than the sale dates.

(3) On July 18, 2011, the underwriter exercised its option to purchase an additional 1,500,000 shares at \$10.15.

SENIOR SECURITIES

Information about our senior securities is shown in the following table as of each fiscal year ended June 30 since the Company commenced operations and as of June 30, 2014.

| Credit Facility | Total Amount Outstanding(1) | Asset Coverage per Unit(2) | Involuntary Liquidating Preference per Unit(3) | Average Market Value per Unit(4) |
|-----------------------------------|-----------------------------|----------------------------|--|----------------------------------|
| Fiscal 2014 (as of June 30, 2014) | \$92,000 | \$69,470 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 124,000 | 34,996 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 96,000 | 22,668 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 84,200 | 18,065 | — | — |
| Fiscal 2010 (as of June 30, 2010) | 100,300 | 8,093 | — | — |
| Fiscal 2009 (as of June 30, 2009) | 124,800 | 5,268 | — | — |
| Fiscal 2008 (as of June 30, 2008) | 91,167 | 5,712 | — | — |
| Fiscal 2007 (as of June 30, 2007) | — | N/A | — | — |
| Fiscal 2006 (as of June 30, 2006) | 28,500 | 4,799 | — | — |
| Fiscal 2005 (as of June 30, 2005) | — | N/A | — | — |
| Fiscal 2004 (as of June 30, 2004) | — | N/A | — | — |
| 2015 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$150,000 | \$42,608 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 150,000 | 28,930 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 150,000 | 14,507 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 150,000 | 10,140 | — | — |
| 2016 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$167,500 | \$38,157 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 167,500 | 25,907 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 167,500 | 12,992 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 172,500 | 8,818 | — | — |
| 2017 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$130,000 | \$49,163 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 130,000 | 33,381 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 130,000 | 16,739 | — | — |
| 2018 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$200,000 | \$31,956 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 200,000 | 21,697 | — | — |
| 2019 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$200,000 | \$31,956 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 200,000 | 21,697 | — | — |
| 5.00% 2019 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$300,000 | \$21,304 | — | — |
| 2020 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$400,000 | \$15,978 | — | — |

2022 Notes

| | | | | |
|-----------------------------------|------------|-----------|---|------------|
| Fiscal 2014 (as of June 30, 2014) | \$ 100,000 | \$ 63,912 | — | \$ 103,920 |
| Fiscal 2013 (as of June 30, 2013) | 100,000 | 43,395 | — | 101,800 |
| Fiscal 2012 (as of June 30, 2012) | 100,000 | 21,761 | — | 99,560 |

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| | Total Amount Outstanding(1) | Asset Coverage per Unit(2) | Involuntary Liquidating Preference per Unit(3) | Average Market Value per Unit(4) |
|-----------------------------------|--------------------------------|----------------------------------|---|---|
| 2023 Notes | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$247,881 | \$25,783 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 247,725 | 17,517 | — | — |
| Prospect Capital InterNotes® | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$785,670 | \$8,135 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 363,777 | 11,929 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 20,638 | 105,442 | — | — |
| All Senior Securities | | | | |
| Fiscal 2014 (as of June 30, 2014) | \$2,773,051 | \$2,305 | — | — |
| Fiscal 2013 (as of June 30, 2013) | 1,683,002 | 2,578 | — | — |
| Fiscal 2012 (as of June 30, 2012) | 664,138 | 3,277 | — | — |
| Fiscal 2011 (as of June 30, 2011) | 406,700 | 3,740 | — | — |

(1) Total amount of each class of senior securities outstanding at the end of the year presented (in 000's).

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage Per Unit.

(3) This column is inapplicable.

(4) This column is inapplicable, except for the 2022 Notes.

DISTRIBUTIONS AND PRICE RANGE OF COMMON STOCK

We have paid and intend to continue to distribute monthly distributions to our stockholders out of assets legally available for distribution. Our distributions, if any, will be determined by our Board of Directors. Certain amounts of the monthly distributions may from time to time be paid out of our capital rather than from earnings for the period as a result of our deliberate planning or by accounting reclassifications.

In order to maintain RIC tax treatment, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In order to avoid certain excise taxes imposed on RICs, we are required to distribute with respect to each calendar year by January 31 of the following year an amount at least equal to the sum of

98% of our ordinary income for the calendar year,

98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and

any ordinary income and net capital gains for preceding years that were not distributed during such years.

We had no excise tax liability for the calendar year ended December 31, 2013. Through June 30, 2014, we have a prepaid excise tax balance of \$2.2 million because we have made estimated excise tax payments in excess of our expected excise tax liability for the calendar year ending December 31, 2014. Tax characteristics of all distributions will be reported to stockholders, as appropriate, on Form 1099-DIV after the end of the calendar year.

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

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution (as discussed above), stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. Stockholders are advised to consult with their brokers or financial institutions, as appropriate, with respect to the administration of their dividends and related instructions.

With respect to the distributions paid to stockholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies were treated as taxable income and accordingly, distributed to stockholders. For the fiscal year ended June 30, 2012, we recorded total distributions of approximately \$141.4 million. For the fiscal year ended June 30, 2013, we recorded total distributions of approximately \$271.5 million. For the fiscal year ended June 30, 2014, we recorded total distributions of approximately \$403.2 million.

Tax characteristics of all distributions will be reported to stockholders, as appropriate, on Form 1099-DIV after the end of the year. Our ability to pay distributions could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PSEC." The following table sets forth, for the periods indicated, our NAV per share of common stock and the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market. Our common stock historically trades at prices both above and below its NAV per share. There can be no assurance, however, that such premium or discount, as applicable, to NAV per share will be maintained. Common stock of business development companies, like that of closed-end investment companies, frequently trades at a discount to current NAV per share. In the past, our common stock has traded at a discount to our NAV per share. The risk that our common stock may continue to trade at a discount to our NAV per share is separate and distinct from the risk that our NAV per share may decline.

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| | Stock Price | | | Premium | Premium | Dividends Declared |
|---|-------------|----------|----------|---------------------------------|--------------------------------|-----------------------|
| | NAV(1) | High(2) | Low(2) | (Discount) of High to NAV | (Discount) of Low to NAV | |
| Twelve Months Ending June 30, 2013 | | | | | | |
| First quarter | \$ 10.88 | \$ 12.21 | \$ 10.83 | 12.2 | % (0.5) |)% \$ 0.304800 |
| Second quarter | 10.81 | 11.98 | 9.89 | 10.8 | % (8.5) |)% 0.313325 |
| Third quarter | 10.71 | 11.49 | 10.91 | 7.3 | % 1.9 | % 0.330150 |
| Fourth quarter | 10.72 | 11.11 | 10.08 | 3.6 | % (6.0) |)% 0.330375 |
| Twelve Months Ending June 30, 2014 | | | | | | |
| First quarter | \$ 10.72 | \$ 11.61 | \$ 10.76 | 8.3 | % 0.4 | % \$ 0.330600 |
| Second quarter | 10.73 | 11.48 | 10.80 | 7.0 | % 0.7 | % 0.330825 |
| Third quarter | 10.68 | 11.39 | 10.73 | 6.6 | % 0.5 | % 0.331050 |
| Fourth quarter | 10.56 | 10.99 | 9.64 | 4.1 | % (8.7) |)% 0.331275 |
| Twelve Months Ending June 30, 2015 | | | | | | |
| First quarter (through August 28, 2014) | (3)(4) | \$ 11.00 | \$ 10.26 | (4) | (4) | \$ 0.331500 (5) |

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

(2) The High/Low Stock Price is calculated as of the closing price on a given day in the applicable quarter.

Our most recently estimated NAV per share is \$10.56 on an as adjusted basis solely to give effect to our issuance of common stock since June 30, 2014 in connection with our dividend reinvestment plan. NAV per share as of (3) September 30, 2014, may be higher or lower than \$10.56 based on potential changes in valuations, issuances of securities, dividends paid and earnings for the quarter then ended.

(4) NAV has not yet been finally determined for any day after June 30, 2014.

(5) On February 3, 2014, Prospect announced the declaration of monthly dividends in the following amounts and with the following dates:

\$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.

On May 6, 2014, Prospect announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.110550 per share for October 2014 to holders of record on October 31, 2014 with a payment date of November 20, 2014;

\$0.110575 per share for November 2014 to holders of record on November 28, 2014 with a payment date of December 18, 2014; and

\$0.110600 per share for December 2014 to holders of record on December 31, 2014 with a payment date of January 22, 2015.

On August 28, 2014, the last reported sales price of our common stock was \$10.26 per share.

As of August 28, 2014, we had approximately 124 stockholders of record.

The below table sets forth each class of our outstanding securities as of August 28, 2014.

| Title of Class | Amount Authorized | Amount Held by Registrant or for its Account | Amount Outstanding |
|----------------|----------------------|---|-----------------------|
| Common Stock | 1,000,000,000 | — | 342,854,575 |

SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2013 annual meeting of stockholders held on December 6, 2013, our stockholders approved our ability to sell, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, an unlimited number of shares of our common stock at any level of discount from NAV per share during the twelve-month period following such approval. This authority does not apply to any shares offered pursuant hereto, as none of the shares offered pursuant to this registration statement are offered by us. In order to sell shares pursuant to this authorization, a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (a) find that the sale is in our best interests and in the best interests of our stockholders, and (b) in consultation with any underwriter or underwriters or sales manager or sales managers of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares of common stock, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount.

We may make sales of our common stock at prices below our most recently determined NAV per share. Pursuant to the approval of our Board of Directors, we have made such sales in the past and we may continue to do so under this prospectus.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our Board of Directors considers a variety of factors including matters such as:

- The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;
- The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;
- The relationship of recent market prices of par common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- Whether the estimated offering price would closely approximate the market value of our shares;
- The potential market impact of being able to raise capital during the current financial market difficulties;
- The nature of any new investors anticipated to acquire shares of common stock in the offering;
- The anticipated rate of return on and quality, type and availability of investments; and
- The leverage available to us.

Our Board of Directors also considers the fact that sales of common stock at a discount will benefit our Investment Advisor as the Investment Advisor will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at premium to NAV per share.

We will not sell shares of common stock under a prospectus supplement to a registration statement (the "current registration statement") if the cumulative dilution to our NAV per share from offerings under the current registration statement exceeds 15%. This limit would be measured separately for each offering pursuant to the current registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage from each offering. For example, if our most recently determined NAV per share at the time of the first offering is \$10.75 and we have 340.0 million shares of common stock outstanding, sale of 70.0 million shares of common stock at net proceeds to us of \$5.38 per share (an approximately 50% discount) would produce dilution of 8.53%. If we subsequently determined that our NAV per share increased back to \$10.50 on the then 410.0 million shares of common stock outstanding and then made an additional offering, we could, for example, sell approximately an additional 61.0 million shares of common stock at net proceeds to us of \$5.25 per share, which would produce dilution of 6.47%, before we would reach the aggregate 15% limit. If we file a new post-effective amendment, the threshold would reset.

Sales by us of our common stock at a discount from NAV per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different set of investors:

- existing shareholders who do not purchase any shares of common stock in the offering;
- existing shareholders who purchase a relatively small amount of shares of common stock in the offering or a relatively large amount of shares of common stock in the offering; and

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new investors who become shareholders by purchasing shares of common stock in the offering.

NAV per share used in the tables below is based on Prospect's most recently determined NAV per share as of June 30, 2014, as adjusted to give effect to issuances of Prospect common stock since June 30, 2014. The NAV per share used for purposes of providing information in the table below is thus an estimate and does not necessarily reflect actual NAV per share at the time sales are made. Actual NAV per share may be higher or lower based on potential changes in valuations of Prospect's portfolio securities, accruals of income, expenses and distributions declared and thus may be higher or lower at the assumed sales prices than shown below.

The tables below provide hypothetical examples of the impact that an offering at a price less than NAV per share may have on the NAV per share of shareholders and investors who do and do not participate in such an offering. However, the tables below do not show and are not intended to show any potential changes in market price that may occur from an offering at a price less than NAV per share and it is not possible to predict any potential market price change that may occur from such an offering.

Impact On Existing Stockholders Who Do Not Participate in the Offering

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares of common stock in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares of common stock they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from NAV per share. It is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below. There is no maximum level of discount from NAV at which we may sell shares pursuant to the stockholder authority.

The examples assume that the issuer has 345.0 million common shares outstanding, \$6,443,200,000 in total assets and \$2,800,000,000 in total liabilities. The current NAV and NAV per share are thus \$3,643,200,000 and \$10.56. The chart illustrates the dilutive effect on Stockholder A of (1) an offering of 17,250,000 shares of common stock (5% of the outstanding shares of common stock) at \$10.03 per share after offering expenses and commission (a 5% discount from NAV), (2) an offering of 34,500,000 shares of common stock (10% of the outstanding shares of common stock) at \$9.50 per share after offering expenses and commissions (a 10% discount from NAV), (3) an offering of 86,250,000 shares of common stock (25% of the outstanding shares of common stock) at \$7.92 per share after offering expenses and commissions (a 25% discount from NAV), and (4) an offering of 86,250,000 shares of common stock (25% of the outstanding shares of common stock) at \$0.00 per share after offering expenses and commissions (a 100% discount from NAV).

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| | Prior to Sale Below NAV | Example 1 5% Offering at 5% Discount | | Example 2 10% Offering at 10% Discount | | Example 3 25% Offering at 25% Discount | | Example 4 25% Offering at 100% Discount | |
|---|----------------------------|--|-------------|--|-------------|--|-------------|---|-------------|
| | | Following Sale | % Change | Following Sale | % Change | Following Sale | % Change | Following Sale | % Change |
| Offering Price | | | | | | | | | |
| Price per Share to Public | | \$10.47 | | \$9.91 | | \$8.25 | | \$— | |
| Net Proceeds per Share to Issuer | | \$10.03 | | \$9.50 | | \$7.92 | | \$— | |
| Decrease to NAV | | | | | | | | | |
| Total Shares Outstanding | 345,000,000 | 362,250,000 | 5.00 % | 379,500,000 | 10.00 % | 431,250,000 | 25.00 % | 431,250,000 | 25.00 % |
| NAV per Share | \$10.56 | \$10.53 | (0.24)% | \$10.46 | (0.91)% | \$10.03 | (5.00)% | \$8.45 | (20.00)% |
| Dilution to Nonparticipating Stockholder | | | | | | | | | |
| Shares Held by Stockholder A | 345,000 | 345,000 | — % | 345,000 | — % | 345,000 | — % | 345,000 | — % |
| Percentage Held by Stockholder A | 0.10 % | 0.10 % | (4.76)% | 0.09 % | (9.09)% | 0.08 % | (20.00)% | 0.08 % | (20.00)% |
| Total NAV Held by Stockholder A | \$3,643,200 | \$3,634,526 | (0.24)% | \$3,610,080 | (0.91)% | \$3,461,040 | (5.00)% | \$2,914,560 | (20.00)% |
| Total Investment by Stockholder A (Assumed to be \$10.56 per Share on Shares Held Prior to Sale) | | \$3,643,200 | | \$3,643,200 | | \$3,643,200 | | \$3,643,200 | |
| Total Dilution to Stockholder A (Total NAV Less Total Investment) | | \$(8,674) | | \$(33,120) | | \$(182,160) | | \$(728,640) | |
| NAV per Share Held by Stockholder A | | \$10.53 | | \$10.46 | | \$10.03 | | \$8.45 | |
| Investment per Share Held by Stockholder A (Assumed to be \$10.56 per Share on Shares Held Prior to Sale) | \$10.56 | \$10.56 | | \$10.56 | | \$10.56 | | \$10.56 | |
| Dilution per Share Held by Stockholder A (NAV per Share Less Investment) | | \$(0.03) | | \$(0.10) | | \$(0.53) | | \$(2.11) | |

| | | | | |
|------------------|---------|----------|----------|------|
| per Share) | | | | |
| Percentage | | | | |
| Dilution to | | | | |
| Stockholder A | | | | |
| (Dilution per | (0.24)% | (0.91)% | (5.00)% | (20. |
| Share Divided by | | | | |
| Investment per | | | | |
| Share) | | | | |

Impact On Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares of common stock in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares of common stock immediately prior to the offering. The level of NAV dilution will decrease as the number of shares of common stock such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV dilution on their existing shares but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in average NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares of common stock such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These shareholders may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. There is no maximum level of discount from NAV at which we may sell shares pursuant to this authority.

The following chart illustrates the level of dilution and accretion in the hypothetical 25% discount offering from the prior chart (Example 3) for a stockholder that acquires shares of common stock equal to (1) 50% of its proportionate share of the offering (i.e., 43,125 shares of common stock, which is 0.05% of an offering of 86,250,000 shares of common stock) rather than its 0.10% proportionate share and (2) 150% of such percentage (i.e., 129,375 shares of common stock, which is 0.15% of an offering of 86,250,000 shares of common stock rather than its 0.10% proportionate share). It is not possible to predict the level

of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below. There is no maximum level of discount from NAV at which we may sell shares pursuant to the stockholder authority.

| | Prior to Sale Below NAV | 50% Participation | | 150% Participation | | |
|---|----------------------------|-------------------|----------|--------------------|----------|--|
| | | Following Sale | % Change | Following Sale | % Change | |
| Offering Price | | | | | | |
| Price per Share to Public | | \$8.25 | | \$8.25 | | |
| Net Proceeds per Share to Issuer | | \$7.92 | | \$7.92 | | |
| Decrease to NAV | | | | | | |
| Total Shares Outstanding | 345,000,000 | 431,250,000 | 25.00 % | 431,250,000 | 25.00 % | |
| NAV per Share | \$10.56 | \$10.03 | (5.00)% | \$10.03 | (5.00)% | |
| Dilution to Nonparticipating Stockholder | | | | | | |
| Shares Held by Stockholder A | 345,000 | 388,125 | 12.50 % | 474,375 | 37.50 % | |
| Percentage Held by Stockholder A | 0.10 % | 0.09 % | (10.00)% | 0.11 % | 10.00 % | |
| Total NAV Held by Stockholder A | \$10.56 | \$3,893,670 | 6.88 % | \$4,758,930 | 30.63 % | |
| Total Investment by Stockholder A (Assumed to be \$10.56 per Share on Shares Held Prior to Sale) | | \$3,999,164 | | \$4,711,091 | | |
| Total Dilution to Stockholder A (Total NAV Less Total Investment) | | \$(105,494) | | \$47,839 | | |
| NAV per Share Held by Stockholder A | | \$10.03 | | \$10.03 | | |
| Investment per Share Held by Stockholder A (Assumed to be \$10.56 per Share on Shares Held Prior to Sale) | | \$10.30 | | \$9.93 | | |
| Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share) | | \$(0.27) | | \$0.10 | | |
| Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share) | | | (2.64)% | | 1.02 % | |

Impact On New Investors

Investors who are not currently stockholders and who participate in an offering below NAV but whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by the issuer will experience an immediate decrease, albeit small, in the NAV of their shares of common stock and their NAV per share compared to the price they pay for their shares of common stock. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by the issuer being significantly less than the discount per share will experience an immediate increase in the NAV of their shares of common stock and their NAV per share compared to the price they pay for their shares of common stock. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. There is no maximum level of discount from NAV at which we may sell shares pursuant to this authority.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical 5%, 10% and 25% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (0.10%) of the shares of common stock in the offering as Stockholder A in the prior examples held immediately prior to the offering. It is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below. There is no maximum level of discount from NAV at which we may sell shares pursuant to the stockholder authority.

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| | | Example 1 5% Offering at 5% Discount | | Example 2 10% Offering at 10% Discount | | Example 3 25% Offering at 25% Discount | |
|---|----------------------------|--|----------|--|----------|--|----------|
| | Prior to Sale Below NAV | Following Sale | % Change | Following Sale | % Change | Following Sale | % Change |
| Offering Price | | | | | | | |
| Price per Share to Public | | \$10.47 | | \$9.91 | | \$8.25 | |
| Net Proceeds per Share to Issuer | | \$10.03 | | \$9.50 | | \$7.92 | |
| Decrease to NAV | | | | | | | |
| Total Shares Outstanding | 345,000,000 | 362,250,000 | 5.00 % | 379,500,000 | 10.00 % | 431,250,000 | 25.00 % |
| NAV per Share | \$10.56 | \$10.53 | (0.24)% | \$10.46 | (0.91)% | \$10.03 | (5.00)% |
| Dilution to Nonparticipating Stockholder | | | | | | | |
| Shares Held by Stockholder A | — | 17,250 | | 34,500 | | 86,250 | |
| Percentage Held by Stockholder A | — | % — | % | 0.01 | % | 0.02 | % |
| Total NAV Held by Stockholder A | \$— | \$181,726 | | \$361,008 | | \$865,260 | |
| Total investment by Stockholder A | | \$180,627 | | \$341,915 | | \$711,927 | |
| Total Dilution to Stockholder A (Total NAV Less Total investment) | | \$1,099 | | \$19,093 | | \$153,333 | |
| NAV per Share Held by Stockholder A | | \$10.53 | | \$10.46 | | \$10.03 | |
| Investment per Share Held by Stockholder A | | \$10.47 | | \$9.91 | | \$8.25 | |
| Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share) | | \$0.06 | | \$0.55 | | \$1.78 | |
| Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share) | | | 0.61 % | | 5.58 % | | 21.54 % |

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PLAN OF DISTRIBUTION

Upon written instructions from the Company, KeyBanc, BB&T Capital Markets, Goldman, Sachs & Co., and RBC Capital Markets as applicable, will each use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, the common stock under the terms and subject to the conditions set forth in each Sales Manager's equity distribution agreement. We will instruct each Sales Manager as to the amount of common stock to be sold by such Sales Manager; provided, however, that, subject to the terms of the equity distribution agreements, any sales of common stock pursuant to the equity distribution agreements will only be effected by or through only one of KeyBanc, BB&T Capital Markets, Goldman, Sachs & Co., and RBC Capital Markets on any single given day, but in no event by more than one Sales Manager. We may instruct the Sales Managers not to sell common stock if the sales cannot be effected at or above the price designated by the Company in any instruction. We or the Sales Managers may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by means of ordinary brokers' transactions on the NASDAQ Global Select Market or that otherwise qualify for delivery of a prospectus to the NASDAQ Global Select Market in accordance with Rule 153 under the 1933 Act, at market prices prevailing at the time of sale, at prices related to prevailing market prices or negotiated transactions or as otherwise agreed with each Sales Manager.

Each Sales Manager will provide written confirmation of a sale to us no later than the opening of the trading day on the NASDAQ Global Select Market following each trading day in which shares of our common stock are sold under the applicable equity distribution agreement. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to the applicable Sales Manager in connection with the sales.

Each Sales Manager will receive from us a commission to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of all shares of common stock sold through it as Sales Manager under the applicable equity distribution agreement. We estimate that the total expenses for the offering, excluding compensation payable to the Sales Managers under the terms of the equity distribution agreement, will be approximately \$350,000. This estimate includes the reimbursement by the Company of the reasonable fees and expenses of each Sales Manager and its counsel in connection with the transactions contemplated by the equity distribution agreement, provided that such fees and expenses will not exceed an aggregate amount of \$15,000 on a quarterly basis.

Settlement for sales of shares of common stock will occur on the third trading day following the date on which such sales are made, or on some other date that is agreed upon by the Company and the applicable Sales Manager in connection with a particular transaction, in return for payment of the net proceeds to the Company. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

In connection with the sale of the common stock on our behalf, each Sales Manager may be deemed to be an "underwriter" within the meaning of the 1933 Act, and the compensation of such Sales Manager may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to each Sales Manager against certain civil liabilities, including liabilities under the 1933 Act.

The offering of our shares of common stock pursuant to the equity distribution agreements will terminate upon the earlier of (i) the sale of all common stock subject to the equity distribution agreements or (ii) the termination of the equity distribution agreements. Each equity distribution agreement may be terminated by the Company in our sole discretion under the circumstances specified in the equity distribution agreement by giving notice to the applicable Sales Manager. In addition, each Sales Manager may terminate such equity distribution agreement under the circumstances specified in such equity distribution agreement by giving notice to the Company.

The Sales Managers and their respective affiliates may perform commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The Sales Managers and their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business. In addition, in the ordinary course of their business activities, the Sales Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and

for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Sales Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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The principal business address of KeyBanc Capital Markets Inc. is 127 Public Square, 4th Floor, Cleveland, OH 44114; the principal business address of BB&T Capital Markets, a division of BB&T Securities, LLC, is 901 East Byrd Street, Suite 410, Richmond, VA 23219; the principal business address of Goldman, Sachs & Co. is 200 West Street, New York, New York 10282; and the principal business address of RBC Capital Markets, LLC is Three World Financial Center, 200 Vesey Street, 8th Floor, New York, New York 10281.

LEGAL MATTERS

Certain legal matters regarding the common stock offered hereby will be passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden, Arps"), New York, New York, and Venable LLP, as special Maryland counsel, Baltimore, Maryland, will pass on certain matters for the Company. Troutman Sanders LLP will pass on certain matters for the Sales Managers. Skadden, Arps and Venable LLP each have from time to time acted as counsel for us and our subsidiaries and may do so in the future.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO USA, LLP is the independent registered public accounting firm for the Company.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the shares of common stock offered by this prospectus supplement and accompanying prospectus. The registration statement contains additional information about us and the shares of common stock being registered by this prospectus supplement and accompanying prospectus. We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information and the information specifically regarding how we voted proxies relating to portfolio securities for the period ended June 30, 2014, are available free of charge by contacting us at 10 East 40th Street, 42nd floor, New York, NY 10016 or by telephone at toll-free (888) 748-0702. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet site at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

No dealer, salesperson or other individual has been authorized to give any information or to make any representation other than those contained in this prospectus supplement and accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us or the Sales Manager. This prospectus supplement and accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus supplement and accompanying prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained herein is correct as of any time subsequent to the date hereof.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Prospect Capital Corporation

New York, New York

We have audited the accompanying consolidated statements of assets and liabilities of Prospect Capital Corporation (the "Company"), including the consolidated schedules of investments, as of June 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2014, and the financial highlights for each of the five years in the period ended June 30, 2014. These consolidated financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2014 and 2013 by correspondence with the custodian, trustees and portfolio companies, or by other appropriate auditing procedures where replies were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Prospect Capital Corporation at June 30, 2014 and 2013, the results of its operations, the changes in its net assets, and its cash flows for each of the three years in the period ended June 30, 2014, and the financial highlights for each of the five years in the period ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Prospect Capital Corporation's internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 25, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

New York, New York

August 25, 2014

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

| | June 30, 2014 | June 30, 2013 |
|---|------------------|------------------|
| Assets | | |
| Investments at fair value: | | |
| Control investments (amortized cost of \$1,719,242 and \$830,151, respectively) | \$1,640,454 | \$811,634 |
| Affiliate investments (amortized cost of \$31,829 and \$49,189, respectively) | 32,121 | 42,443 |
| Non-control/non-affiliate investments (amortized cost of \$4,620,451 and \$3,376,438, respectively) | 4,581,164 | 3,318,775 |
| Total investments at fair value (amortized cost of \$6,371,522 and \$4,255,778, respectively) | 6,253,739 | 4,172,852 |
| Cash and cash equivalents | 134,225 | 203,236 |
| Receivables for: | | |
| Interest, net | 21,997 | 22,863 |
| Other | 2,587 | 4,397 |
| Prepaid expenses | 2,828 | 540 |
| Deferred financing costs | 61,893 | 44,329 |
| Total Assets | 6,477,269 | 4,448,217 |
| Liabilities | | |
| Revolving Credit Facility (Notes 4 and 8) | 92,000 | 124,000 |
| Senior Convertible Notes (Notes 5 and 8) | 1,247,500 | 847,500 |
| Senior Unsecured Notes (Notes 6 and 8) | 647,881 | 347,725 |
| Prospect Capital InterNotes® (Notes 7 and 8) | 785,670 | 363,777 |
| Due to broker | — | 43,588 |
| Dividends payable | 37,843 | 27,299 |
| Due to Prospect Administration (Note 13) | 2,208 | 1,366 |
| Due to Prospect Capital Management (Note 13) | 3 | 5,324 |
| Accrued expenses | 4,790 | 2,345 |
| Interest payable | 37,459 | 24,384 |
| Other liabilities | 3,733 | 4,415 |
| Total Liabilities | 2,859,087 | 1,791,723 |
| Net Assets | \$3,618,182 | \$2,656,494 |
| Components of Net Assets | | |
| Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 342,626,637 and 247,836,965 issued and outstanding, respectively) (Note 9) | \$343 | \$248 |
| Paid-in capital in excess of par (Note 9) | 3,814,634 | 2,772,191 |
| Undistributed net investment income | 42,086 | 82,112 |
| Accumulated realized losses on investments | (121,098) | (115,131) |
| Unrealized depreciation on investments | (117,783) | (82,926) |
| Net Assets | \$3,618,182 | \$2,656,494 |
| Net Asset Value Per Share (Note 16) | \$10.56 | \$10.72 |

See notes to consolidated financial statements.

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

| | Year Ended June 30, | | |
|--|---------------------|------------|------------|
| | 2014 | 2013 | 2012 |
| Investment Income | | | |
| Interest income: | | | |
| Control investments | \$153,307 | \$106,425 | \$53,408 |
| Affiliate investments | 4,358 | 6,515 | 12,155 |
| Non-control/non-affiliate investments | 334,039 | 234,013 | 144,592 |
| CLO fund securities | 122,037 | 88,502 | 9,381 |
| Total interest income | 613,741 | 435,455 | 219,536 |
| Dividend income: | | | |
| Control investments | 26,687 | 78,282 | 63,144 |
| Affiliate investments | — | 728 | — |
| Non-control/non-affiliate investments | 98 | 3,656 | 1,733 |
| Money market funds | 52 | 39 | 4 |
| Total dividend income | 26,837 | 82,705 | 64,881 |
| Other income: (Note 10) | | | |
| Control investments | 43,671 | 16,821 | 25,464 |
| Affiliate investments | 17 | 623 | 108 |
| Non-control/non-affiliate investments | 28,025 | 40,732 | 10,921 |
| Total other income | 71,713 | 58,176 | 36,493 |
| Total Investment Income | 712,291 | 576,336 | 320,910 |
| Operating Expenses | | | |
| Investment advisory fees: | | | |
| Base management fee (Note 13) | 108,990 | 69,800 | 35,836 |
| Income incentive fee (Note 13) | 89,306 | 81,231 | 46,671 |
| Total investment advisory fees | 198,296 | 151,031 | 82,507 |
| Interest and credit facility expenses | 130,103 | 76,341 | 38,534 |
| Legal fees | 2,771 | 1,918 | 279 |
| Valuation services | 1,836 | 1,579 | 1,212 |
| Audit, compliance and tax related fees | 2,959 | 1,566 | 1,446 |
| Allocation of overhead from Prospect Administration (Note 13) | 14,373 | 8,737 | 6,848 |
| Insurance expense | 373 | 356 | 324 |
| Directors' fees | 325 | 300 | 273 |
| Excise tax | (4,200) |) 6,500 | — |
| Other general and administrative expenses | 8,232 | 3,084 | 2,803 |
| Total Operating Expenses | 355,068 | 251,412 | 134,226 |
| Net Investment Income | 357,223 | 324,924 | 186,684 |
| Net realized (loss) gain on investments | (3,346) |) (26,234) |) 36,588 |
| Net change in unrealized depreciation on investments | (34,857) |) (77,834) |) (32,368) |
| Net Increase in Net Assets Resulting from Operations | \$319,020 | \$220,856 | \$190,904 |
| Net increase in net assets resulting from operations per share | \$1.06 | \$1.07 | \$1.67 |
| Dividends declared per share | \$(1.32) |) \$(1.28) |) \$(1.22) |

See notes to consolidated financial statements.

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

| | Year Ended June 30, | | |
|---|---------------------|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Operations | | | |
| Net investment income | \$357,223 | \$324,924 | \$186,684 |
| Net realized (loss) gain on investments | (3,346) |) (26,234 |) 36,588 |
| Net change in unrealized depreciation on investments | (34,857 |) (77,834 |) (32,368 |
| Net Increase in Net Assets Resulting from Operations | 319,020 | 220,856 | 190,904 |
| Distributions to Shareholders | | | |
| Distribution from net investment income | (403,188 |) (271,507 |) (136,875 |
| Distribution of return of capital | — | — | (4,504 |
| Net Decrease in Net Assets Resulting from Distributions to Shareholders | (403,188 |) (271,507 |) (141,379 |
| Common Stock Transactions | | | |
| Issuance of common stock, net of underwriting costs | 973,832 | 1,121,648 | 177,699 |
| Less: Offering costs from issuance of common stock | (1,380 |) (1,815 |) (708 |
| Value of shares issued to acquire controlled investments | 57,830 | 59,251 | 160,571 |
| Value of shares issued through reinvestment of dividends | 15,574 | 16,087 | 10,530 |
| Net Increase in Net Assets Resulting from Common Stock Transactions | 1,045,856 | 1,195,171 | 348,092 |
| Total Increase in Net Assets | 961,688 | 1,144,520 | 397,617 |
| Net assets at beginning of year | 2,656,494 | 1,511,974 | 1,114,357 |
| Net Assets at End of Year | \$3,618,182 | \$2,656,494 | \$1,511,974 |
| Common Stock Activity | | | |
| Shares sold | 88,054,653 | 101,245,136 | 16,452,489 |
| Shares issued to acquire controlled investments | 5,326,949 | 5,507,381 | 14,518,207 |
| Shares issued through reinvestment of dividends | 1,408,070 | 1,450,578 | 1,056,484 |
| Total shares issued due to common stock activity | 94,789,672 | 108,203,095 | 32,027,180 |
| Shares issued and outstanding at beginning of year | 247,836,965 | 139,633,870 | 107,606,690 |
| Shares Issued and Outstanding at End of Year | 342,626,637 | 247,836,965 | 139,633,870 |

See notes to consolidated financial statements.

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

| | Year Ended June 30, | | |
|---|---------------------|--------------|------------|
| | 2014 | 2013 | 2012 |
| Operating Activities | | | |
| Net increase in net assets resulting from operations | \$319,020 | \$220,856 | \$190,904 |
| Net realized loss (gain) on investments | 3,346 | 26,234 | (36,588) |
| Net change in unrealized depreciation on investments | 34,857 | 77,834 | 32,368 |
| Amortization (accretion) of discounts and premiums, net | 46,297 | (11,016) | (7,284) |
| Amortization of deferred financing costs | 11,491 | 8,232 | 8,511 |
| Payment-in-kind interest | (15,145) | (10,947) | (5,647) |
| Structuring fees | (45,087) | (52,699) | (8,075) |
| Change in operating assets and liabilities: | | | |
| Payments for purchases of investments | (2,834,394) | (2,980,320) | (901,833) |
| Proceeds from sale of investments and collection of investment principal | 787,069 | 931,534 | 500,952 |
| Decrease (increase) in interest receivable, net | 866 | (8,644) | (4,950) |
| Decrease (increase) in other receivables | 1,810 | (3,613) | (517) |
| Increase in prepaid expenses | (2,288) | (119) | (320) |
| Decrease in due to broker | (43,588) | (945) | — |
| Increase in due to Prospect Administration | 842 | 708 | 446 |
| (Decrease) increase in due to Prospect Capital Management | (5,321) | (2,589) | 207 |
| Increase (decrease) in accrued expenses | 2,445 | (580) | 1,052 |
| Increase in interest payable | 13,075 | 17,661 | 2,720 |
| (Decrease) increase in other liabilities | (682) | 2,205 | (1,361) |
| Net Cash Used in Operating Activities | (1,725,387) | (1,786,208) | (229,415) |
| Financing Activities | | | |
| Borrowings under Revolving Credit Facility (Note 4) | 1,078,500 | 223,000 | 726,800 |
| Principal payments under Revolving Credit Facility (Note 4) | (1,110,500) | (195,000) | (715,000) |
| Issuance of Senior Convertible Notes (Note 5) | 400,000 | 400,000 | 130,000 |
| Repurchases of Senior Convertible Notes (Note 5) | — | — | (5,000) |
| Issuance of Senior Unsecured Notes, net of original issue discount (Note 6) | 255,000 | 247,675 | 100,000 |
| Accretion of discount on Senior Unsecured Notes (Note 6) | 156 | 50 | — |
| Issuance of Prospect Capital InterNotes® (Note 7) | 473,762 | 343,139 | 20,638 |
| Redemptions of Prospect Capital InterNotes® (Note 7) | (6,869) | — | — |
| Financing costs paid and deferred | (29,055) | (28,146) | (17,651) |
| Proceeds from issuance of common stock, net of underwriting costs | 973,832 | 1,121,648 | 177,699 |
| Offering costs from issuance of common stock | (1,380) | (1,815) | (708) |
| Dividends paid | (377,070) | (242,301) | (127,564) |
| Net Cash Provided by Financing Activities | 1,656,376 | 1,868,250 | 289,214 |
| Total Increase in Cash and Cash Equivalents | (69,011) | 82,042 | 59,799 |
| Cash and cash equivalents at beginning of year | 203,236 | 121,194 | 61,395 |
| Cash and Cash Equivalents at End of Year | \$134,225 | \$203,236 | \$121,194 |
| Supplemental Disclosures | | | |
| Cash paid for interest | \$105,410 | \$45,363 | \$24,515 |

Non-Cash Financing Activities

| | | | |
|---|-----------|-----------|------------|
| Value of shares issued through reinvestment of dividends | \$ 15,574 | \$ 16,087 | \$ 10,530 |
| Value of shares issued to acquire controlled investments | \$ 57,830 | \$ 59,251 | \$ 160,571 |
| Exchange of Prospect Capital InterNotes® for Senior Unsecured Notes | \$ 45,000 | \$ — | \$ — |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Cost | | Fair Value(2) | % of Net Assets |
|--|------------------------------------|---|---------------------------------|----------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(46) | | | | | | |
| | | Senior Secured Term Loan A to Airmall Inc. (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3)(4) | \$27,587 | \$27,587 | \$27,587 | 0.8% |
| AMU Holdings Inc.(27) | Pennsylvania / Property Management | Senior Secured Term Loan B to Airmall Inc. (12.00% plus 6.00% PIK, due 12/31/2015) | 19,993 | 19,993 | 17,697 | 0.5% |
| | | Series A Preferred Stock of AMU Holdings Inc. (9,919.684 shares) | | 9,920 | — | —% |
| | | Common Stock of AMU Holdings Inc. (100 shares) | | — | — | —% |
| | | | | 57,500 | 45,284 | 1.3% |
| APH Property Holdings, LLC(32) | Florida / Real Estate | Senior Term Loan to American Property REIT Corp. (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 167,743 | 167,743 | 167,743 | 4.6% |
| | | Membership Interest in APH Property Holdings, LLC | | 35,024 | 38,416 | 1.1% |
| | | | | 202,767 | 206,159 | 5.7% |
| Arctic Oilfield Equipment USA, Inc. (45) | Wyoming / Oil & Gas Production | Senior Secured Term Loan to Arctic Energy Services, LLC (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 5/5/2019)(4) | 31,640 | 31,640 | 31,640 | 0.9% |
| | | Senior Subordinated Term Loan to Arctic Energy Services, LLC (14.00% (LIBOR + 11.00% with 3.00% LIBOR floor), due 5/5/2019)(4) | 20,230 | 20,230 | 20,230 | 0.6% |
| | | Common Stock of Arctic Oilfield Equipment USA, Inc. (100 shares) | | 9,006 | 9,244 | 0.2% |
| | | | | 60,876 | 61,114 | 1.7% |
| ARRM Services, Inc. (f/k/a ARRM Holdings Inc.)(42) | South Carolina / Manufacturing | Senior Secured Note to Ajax Rolled Ring & Machine, LLC (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 3/30/2018)(4) | 19,337 | 19,337 | 19,337 | 0.5% |
| | | Series B Preferred Stock of ARRM Services, Inc. (25,000 shares) | | 21,156 | 6,199 | 0.2% |
| | | | | 6,057 | — | —% |

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| | | | | | |
|--------------|-------------------------------|--|--------|--------|------|
| | | Series A Convertible Preferred Stock of ARRM Services, Inc. (6,142.60 shares) | | | |
| | | Common Stock of ARRM Services, Inc. (6.00 shares) | — | — | —% |
| | | | 46,550 | 25,536 | 0.7% |
| | | Members Units – Class A (1,800,000 units) | — | — | —% |
| AWC, LLC(19) | North Carolina / Machinery | Members Units – Class B-1 (1 unit) | — | — | —% |
| | | Members Units – Class B-2 (7,999,999 units) | — | — | —% |
| | | | — | — | —% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 | | Fair Value(2) | % of Net Assets |
|---|--|---|-----------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(46) | | | | | | |
| | | Senior Secured Term Loan A to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | \$1,629 | \$1,621 | \$1,629 | 0.1% |
| | | Senior Secured Term Loan B to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 4,942 | 4,917 | 486 | —% |
| | | Senior Secured Term Loan C to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 2,395 | 2,383 | — | —% |
| BXC Company, Inc. (f/k/a BXC Holding Company)(20) | Georgia / Textiles, Apparel & Luxury Goods | Senior Secured Term Loan D to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 4/18/2014, due 9/15/2015) | 301 | 300 | — | —% |
| | | Senior Secured Term Loan to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 8,410 | 8,227 | — | —% |
| | | Series A Preferred Stock of BXC Company, Inc. (12,520,000 shares) | — | — | — | —% |
| | | Series B Preferred Stock of BXC Company, Inc. (2,400,000 shares) | — | — | — | —% |
| | | Common Stock of BXC Company, Inc. (138,250 shares) | — | — | — | —% |
| | | Warrant (to purchase 15% of all classes of equity of BXC Company, Inc., expires 8/31/2022) | — | — | — | —% |
| | | | | 17,448 | 2,115 | 0.1% |
| | | Senior Secured Term Loan A to CCPI Inc. (10.00%, due 12/31/2017)(3) | 17,213 | 17,213 | 17,213 | 0.5% |
| CCPI Holdings Inc.(33) | Ohio / Manufacturing | Senior Secured Term Loan B to CCPI Inc. (12.00% plus 7.00% PIK, due 12/31/2017) | 8,245 | 8,245 | 8,245 | 0.2% |
| | | Common Stock of CCPI Holdings Inc. (100 shares) | — | 8,579 | 7,136 | 0.2% |
| | | | — | 34,037 | 32,594 | 0.9% |

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| | | | | | | |
|--|---------------------------------|--|--------|---------|---------|------|
| | | Senior Secured Term Loan A to CP Well Testing, LLC (7.00% (LIBOR + 5.00% with 2.00% LIBOR floor), due 4/1/2019)(4) | 11,035 | 11,035 | 11,035 | 0.3% |
| CP Holdings of Delaware LLC(38) | Oklahoma / Oil & Gas Production | Senior Secured Term Loan B to CP Well Testing, LLC (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor) plus 7.50% PIK, due 4/1/2019)(4) | 72,238 | 72,238 | 72,238 | 2.0% |
| | | Second Lien Term Loan to CP Well Testing, LLC (9.00% (LIBOR + 7.00% with 2.00% LIBOR floor) plus 9.00% PIK, due 4/1/2019)(4) | 15,000 | 15,000 | 15,000 | 0.4% |
| | | Membership Interest in CP Holdings of Delaware LLC | | 15,228 | 31,846 | 0.9% |
| | | | | 113,501 | 130,119 | 3.6% |
| Credit Central Holdings of Delaware, LLC(22)(34) | Ohio / Consumer Finance | Subordinated Term Loan to Credit Central Loan Company, LLC (10.00% plus 10.00% PIK, due 6/26/2019) | 36,333 | 36,333 | 36,333 | 1.0% |
| | | Membership Interest in Credit Central Holdings of Delaware, LLC | | 13,670 | 14,099 | 0.4% |
| | | | | 50,003 | 50,432 | 1.4% |
| Echelon Aviation LLC | New York / Aerospace & Defense | Senior Secured Revolving Credit Facility to Echelon Aviation LLC – \$150,000 Commitment (11.75% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(4)(25) | 78,521 | 78,521 | 78,521 | 2.2% |
| | | Membership Interest in Echelon Aviation LLC | | 14,107 | 14,107 | 0.4% |
| | | | | 92,628 | 92,628 | 2.6% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|---|----------------------------------|---|----------------------------------|---------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(46) | | | | | | |
| Energy Solutions Holdings Inc.(8) | Texas / Energy | Senior Secured Note to Vessel Company, LLC (18.00%, due 12/12/2016) | \$3,500 | \$3,500 | \$3,500 | 0.1% |
| | | Senior Secured Note to Vessel Company II, LLC (13.00%, due 11/25/2018) | 13,000 | 12,504 | 12,504 | 0.4% |
| | | Senior Secured Note to Vessel Company III, LLC (13.00%, due 12/3/2018) | 16,000 | 16,000 | 16,000 | 0.4% |
| | | Senior Secured Note to Yatesville Coal Company, LLC (in non-accrual status effective 1/1/2009, past due) | 1,449 | 1,449 | — | —% |
| | | Common Stock of Energy Solutions Holdings Inc. (100 shares) | | 8,293 | — | —% |
| | | | 41,746 | 32,004 | 0.9% | |
| First Tower Holdings of Delaware LLC(22)(29) | Mississippi / Consumer Finance | Subordinated Term Loan to First Tower, LLC (10.00% plus 7.00% PIK, due 6/24/2019) | 251,246 | 251,246 | 251,246 | 6.9% |
| | | Membership Interest in First Tower Holdings of Delaware LLC | | 68,405 | 75,539 | 2.1% |
| | | | 319,651 | 326,785 | 9.0% | |
| Gulf Coast Machine & Supply Company | Texas / Manufacturing | Senior Secured Term Loan to Gulf Coast Machine & Supply Company (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor) plus 2.00% default interest on principal, due 10/12/2017)(4) | 17,500 | 17,500 | 14,459 | 0.4% |
| | | Series A Convertible Preferred Stock of Gulf Coast Machine & Supply Company (99,900 shares) | | 25,950 | — | —% |
| | | | | 43,450 | 14,459 | 0.4% |
| Harbortouch Holdings of Delaware Inc.(44) | Pennsylvania / Business Services | Senior Secured Term Loan A to Harbortouch Payments, LLC (9.00% (LIBOR + 7.00% with 2.00% LIBOR floor), due 9/30/2017)(4) | 130,796 | 130,796 | 130,796 | 3.6% |
| | | Senior Secured Term Loan B to Harbortouch Payments, LLC (5.50% (LIBOR + 4.00% with 1.50% LIBOR floor) plus 5.50% PIK, due 3/31/2018)(4) | 137,226 | 137,226 | 137,226 | 3.8% |
| | | Common Stock of Harbortouch Holdings of Delaware Inc. (100 shares) | | 10,672 | 23,292 | 0.6% |

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| | | | | | |
|----------------------------|-------------------------------|--|---------|---------|------|
| | | | 278,694 | 291,314 | 8.0% |
| | | Secured Promissory Notes to The Healing Staff, Inc. and Vets Securing America, Inc. (15.00%, in non-accrual status effective 12/22/2010, past due) | 1,688 | 1,686 | —% |
| The Healing Staff, Inc.(9) | North Carolina / Contracting | Senior Demand Note to The Healing Staff, Inc. (15.00%, in non-accrual status effective 11/1/2010, past due) | 1,170 | 1,170 | —% |
| | | Common Stock of The Healing Staff, Inc. (1,000 shares) | — | — | —% |
| | | Common Stock of Vets Securing America, Inc. (1 share) | 975 | — | —% |
| | | | 3,831 | — | —% |
| | | Senior Secured Note to Manx Energy, Inc. (13.00%, in non-accrual status effective 1/19/2010, past due) | 50 | 50 | —% |
| Manx Energy, Inc.(12) | Kansas / Oil & Gas Production | Series A-1 Preferred Stock of Manx Energy, Inc. (6,635 shares) | — | — | —% |
| | | Common Stock of Manx Energy, Inc. (17,082 shares) | — | — | —% |
| | | | 50 | — | —% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Cost | | Fair Value(2) | % of Net Assets |
|--|----------------------------------|---|---------------------------------|---------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(46) | | | | | | |
| | | Revolving Line of Credit to MITY, Inc. – \$7,500 Commitment (9.50% (LIBOR + 7.00% with 2.50% LIBOR floor), due 12/23/2014)(4)(25) | \$— | \$— | \$— | —% |
| MITY Holdings of Delaware Inc.(17) | Utah / Durable Consumer Products | Senior Secured Note A to MITY, Inc. (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 3/19/2019)(3)(4) | 18,250 | 18,250 | 18,250 | 0.5% |
| | | Senior Secured Note B to MITY, Inc. (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 3/19/2019)(4) | 15,769 | 15,769 | 15,769 | 0.4% |
| | | Common Stock of MITY Holdings of Delaware Inc. (100 shares) | | 14,143 | 15,270 | 0.4% |
| | | | | 48,162 | 49,289 | 1.3% |
| Nationwide Acceptance Holdings LLC(22)(36) | Illinois / Consumer Finance | Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2019) | 14,820 | 14,820 | 14,820 | 0.4% |
| | | Membership Interest in Nationwide Acceptance Holdings LLC | | 14,331 | 15,103 | 0.4% |
| | | | | 29,151 | 29,923 | 0.8% |
| | | Senior Secured Note to NMMB, Inc. (14.00%, due 5/6/2016) | 3,714 | 3,714 | 2,183 | 0.1% |
| NMMB Holdings, Inc.(24) | New York / Media | Senior Secured Note to Armed Forces Communications, Inc. (14.00%, due 5/6/2016) | 7,000 | 7,000 | 4,114 | 0.1% |
| | | Series B Convertible Preferred Stock of NMMB Holdings, Inc. (8,086 shares) | | 8,086 | — | —% |
| | | Series A Preferred Stock of NMMB Holdings, Inc. (4,400 shares) | | 4,400 | — | —% |
| | | | | 23,200 | 6,297 | 0.2% |
| NPH Property Holdings, LLC(40) | Texas / Real Estate | Senior Term Loan to National Property REIT Corp. (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 105,309 | 105,309 | 105,309 | 2.9% |
| | | Membership Interest in NPH Property Holdings, LLC | | 21,290 | 19,202 | 0.5% |
| | | | | 126,599 | 124,511 | 3.4% |
| R-V Industries, Inc. | | | 30,411 | 30,411 | 30,411 | 0.8% |

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| | | | | | | | |
|-----------------------------------|---------------------------------|--|--------|--------|--------|------|--|
| | Pennsylvania / Manufacturing | Senior Subordinated Note to R-V Industries, Inc. (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 6/12/2018)(3)(4) | | | | | |
| | | Common Stock of R-V Industries, Inc. (545,107 shares) | 5,087 | 19,989 | 0.6% | | |
| | | Warrant (to purchase 200,000 shares of Common Stock of R-V Industries, expires 6/30/2017) | 1,682 | 7,334 | 0.2% | | |
| | | | 37,180 | 57,734 | 1.6% | | |
| | | Revolving Line of Credit to Borga, Inc. – \$1,150 Commitment (5.00% (PRIME + 1.75%), in non-accrual status effective 3/2/2010, past due)(4)(25) | 1,150 | 1,095 | 436 | —% | |
| | | Senior Secured Term Loan B to Borga, Inc. (8.50% (PRIME + 5.25%), in non-accrual status effective 3/2/2010, past due)(4) | 1,612 | 1,501 | — | —% | |
| STI Holding, Inc.(21) | California / Manufacturing | Senior Secured Term Loan C to Borga, Inc. (12.00% plus 4.00% PIK, in non-accrual status effective 3/2/2010, past due) | 10,141 | 581 | — | —% | |
| | | Common Stock of STI Holding, Inc. (100 shares) | — | — | — | —% | |
| | | Warrant (to purchase 33,750 shares of Common Stock of Borga, Inc., expires 5/6/2015) | — | — | — | —% | |
| | | | 3,177 | 436 | — | —% | |
| UPH Property Holdings, LLC(41) | Georgia / Real Estate | Senior Term Loan to United Property REIT Corp. (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 19,027 | 19,027 | 19,027 | 0.5% | |
| | | Membership Interest in UPH Property Holdings, LLC | 5,113 | 5,539 | 0.2% | | |
| | | | 24,140 | 24,566 | 0.7% | | |

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Cost | | Fair Value(2) | % of Net Assets |
|---|---|---|---------------------------------|-------------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(46) | | | | | | |
| Valley Electric Holdings I, Inc.(35) | Washington / Construction & Engineering | Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2017)(3)(4) | \$10,081 | \$10,081 | \$10,081 | 0.3% |
| | | Senior Secured Note to Valley Electric Company, Inc. (10.00% plus 8.5% PIK, due 12/31/2018) | 20,500 | 20,500 | 20,500 | 0.6% |
| | | Common Stock of Valley Electric Holdings I, Inc. (100 shares) | | 26,279 | 2,975 | —% |
| | | | | 56,860 | 33,556 | 0.9% |
| Wolf Energy Holdings Inc.(12) | Kansas / Oil & Gas Production | Senior Secured Promissory Note to Wolf Energy, LLC secured by assets formerly owned by H&M (18.00%, in non-accrual status effective 4/15/2013, due 4/15/2018)(37) | 22,000 | — | 3,386 | 0.1% |
| | | Senior Secured Note to Appalachian Energy LLC (8.00%, in non-accrual status effective 1/19/2010, past due) | 2,865 | 2,000 | — | —% |
| | | Senior Secured Note to Appalachian Energy LLC (8.00%, in non-accrual status, past due) | 56 | 50 | — | —% |
| | | Senior Secured Note to Coalbed, LLC (8.00%, in non-accrual status effective 1/19/2010, past due)(6) | 8,595 | 5,991 | — | —% |
| | | Common Stock of Wolf Energy Holdings Inc. (100 shares) | | — | — | —% |
| | | Net Profits Interest in Wolf Energy, LLC (8% of Equity Distributions)(7) | | — | 213 | —% |
| | | | | | 8,041 | 3,599 |
| Total Control Investments | | | | \$1,719,242 | \$1,640,454 | 45.3% |
| Affiliate Investments (5.00% to 24.99% voting control)(47) | | | | | | |
| BNN Holdings Corp. (f/k/a Biotronic) | Michigan / Healthcare | Senior Secured Note (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 12/17/2017)(3)(4) | 28,950 | 28,950 | 28,950 | 0.8% |

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| | | | | |
|-----------------------------|---|----------|----------|------|
| NeuroNetwork) | Series A Preferred Stock (9,925.455 shares)(13) | 2,879 | 3,171 | 0.1% |
| | Series B Preferred Stock (1,753.636 shares)(13) | — | — | —% |
| | | 31,829 | 32,121 | 0.9% |
| Total Affiliate Investments | | \$31,829 | \$32,121 | 0.9% |

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|-------------------|-------------------|----------------|----------------------------------|------|---------------|-----------------|
|-------------------|-------------------|----------------|----------------------------------|------|---------------|-----------------|

LEVEL 3 PORTFOLIO INVESTMENTS:

Non-Control/Non-Affiliate Investments (less than 5.00% voting control)

| | | | | | | |
|---------------------------------------|--|---|---------|---------|---------|------|
| Aderant North America, Inc.(16) | Georgia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 6/20/2019)(4) | \$7,000 | \$6,914 | \$7,000 | 0.2% |
| | | | | 6,914 | 7,000 | 0.2% |
| Aircraft Fasteners International, LLC | California / Machinery | Class A Units (32,500 units) | | 396 | 505 | —% |
| | | | | 396 | 505 | —% |
| ALG USA Holdings, LLC(16) | Pennsylvania / Hotels, Restaurants & Leisure | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 2/28/2020)(4) | 12,000 | 11,792 | 12,000 | 0.3% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 | | Fair Value(2) | % of Net Assets |
|--|---|---|-----------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| | | | | 11,792 | 12,000 | 0.3% |
| Allied Defense Group, Inc. | Virginia / Aerospace & Defense | Common Stock (10,000 shares) | 5 | — | — | —% |
| | | | 5 | — | — | —% |
| American Broadband Holding Company and Cameron Holdings of NC, Inc. | North Carolina / Telecommunication Services | Senior Secured Term Loan B (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(4) | 74,654 | 74,654 | 74,654 | 2.1% |
| | | | | 74,654 | 74,654 | 2.1% |
| American Gilsonite Company | Utah / Metal Services & Minerals | Second Lien Term Loan (11.50%, due 9/1/2017) | 38,500 | 38,500 | 38,500 | 1.1% |
| | | Membership Interest (99.9999%)(15) | — | — | 3,477 | 0.1% |
| | | | | 38,500 | 41,977 | 1.2% |
| Apidos CLO IX(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 20,525 | 18,444 | 19,903 | 0.5% |
| | | | | 18,444 | 19,903 | 0.5% |
| Apidos CLO XI(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 38,340 | 33,937 | 37,087 | 1.0% |
| | | | | 33,937 | 37,087 | 1.0% |
| Apidos CLO XII(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 44,063 | 42,042 | 42,499 | 1.2% |
| | | | | 42,042 | 42,499 | 1.2% |
| Apidos CLO XV(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 36,515 | 37,038 | 36,715 | 1.0% |
| | | | | 37,038 | 36,715 | 1.0% |
| Arctic Glacier U.S.A., Inc. | Minnesota / Food Products | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 11/10/2019)(3)(4) | 150,000 | 150,000 | 150,000 | 4.1% |
| | | | | 150,000 | 150,000 | 4.1% |
| Ark-La-Tex Wireline Services, LLC(4) | Louisiana / Oil and Gas Production | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 4/8/2019) | 26,831 | 26,831 | 26,831 | 0.7% |
| | | | 26,831 | 26,831 | 26,831 | 0.7% |

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| | | | | | | | |
|--|---|--|---------|---------|---------|---|------|
| | | Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/8/2019) | | | | | |
| | | Delayed Draw Term Loan – \$5,000 Commitment (due 4/8/2019)(25) | — | — | — | — | —% |
| | | | | 53,662 | 53,662 | | 1.4% |
| Armor Holding II LLC(16) | New York / Diversified Financial Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 12/26/2020)(3)(4) | 7,000 | 6,874 | 6,874 | | 0.2% |
| | | | | 6,874 | 6,874 | | 0.2% |
| Atlantis Health Care Group (Puerto Rico), Inc. | Puerto Rico / Healthcare | Revolving Line of Credit – \$3,000 Commitment (13.00% (LIBOR + 11.00% with 2.00% LIBOR floor), due 8/21/2014)(4)(25)(26) | \$2,350 | \$2,350 | \$2,350 | | 0.1% |
| | | Senior Term Loan (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 2/21/2018)(3)(4) | 38,957 | 38,957 | 34,102 | | 0.9% |
| | | | | 41,307 | 36,452 | | 1.0% |
| Babson CLO Ltd. 2011-I(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 35,000 | 33,591 | 33,801 | | 0.9% |
| | | | | 33,591 | 33,801 | | 0.9% |

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 | | Fair Value(2) | % of Net Assets |
|--|--|---|-----------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Babson CLO Ltd. 2012-I(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 29,075 | 23,471 | 26,401 | 0.7% |
| | | | | 23,471 | 26,401 | 0.7% |
| Babson CLO Ltd. 2012-II(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 27,850 | 26,764 | 27,230 | 0.8% |
| | | | | 26,764 | 27,230 | 0.8% |
| Blue Coat Systems, Inc.(16) | Massachusetts / Software & Computer Services | Second Lien Term Loan (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 6/28/2020)(3)(4) | 11,000 | 10,902 | 11,000 | 0.3% |
| | | | | 10,902 | 11,000 | 0.3% |
| Broder Bros., Co. | Pennsylvania / Textiles, Apparel & Luxury Goods | Senior Secured Notes (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 4/8/2019)(3)(4) | 257,575 | 257,575 | 257,575 | 7.1% |
| | | | | 257,575 | 257,575 | 7.1% |
| Brookside Mill CLO Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 26,000 | 22,613 | 25,081 | 0.7% |
| | | | | 22,613 | 25,081 | 0.7% |
| Byrider Systems Acquisition Corp.(22) | Indiana / Auto Finance | Senior Subordinated Notes (12.00% plus 2.00% PIK, due 11/3/2016)(3) | 11,139 | 11,139 | 11,139 | 0.3% |
| | | | | 11,139 | 11,139 | 0.3% |
| Caleel + Hayden, LLC(14)(31) | Colorado / Personal & Nondurable Consumer Products | Membership Interest | | — | 182 | —% |
| | | Escrow Receivable | | — | 118 | —% |
| | | | | — | 300 | —% |
| Capstone Logistics, LLC | Georgia / Commercial Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.00% with 1.50% LIBOR floor), due 9/16/2016)(4) | 92,085 | 92,085 | 92,085 | 2.6% |

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| | | | | | | |
|----------------------------------|---|--|----------|----------|----------|------|
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 9/16/2016)(3)(4) | 98,465 | 98,465 | 98,465 | 2.7% |
| | | | | 190,550 | 190,550 | 5.3% |
| Cent CLO 17 Limited(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 24,870 | 21,999 | 23,896 | 0.7% |
| | | | | 21,999 | 23,896 | 0.7% |
| Cent CLO 20 Limited(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 40,275 | 40,483 | 40,259 | 1.1% |
| | | | | 40,483 | 40,259 | 1.1% |
| Cent CLO 21 Limited(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 48,528 | 46,597 | 46,154 | 1.3% |
| | | | | 46,597 | 46,154 | 1.3% |
| CIFC Funding 2011-I, Ltd.(4)(22) | Cayman Islands / Diversified Financial Services | Class D Senior Secured Notes (5.23% (LIBOR + 5.00%, due 1/19/2023)) | \$19,000 | \$15,304 | \$18,037 | 0.5% |
| | | Class E Subordinated Notes (7.23% (LIBOR + 7.00%, due 1/19/2023)) | 15,400 | 12,814 | 15,162 | 0.4% |
| | | | | 28,118 | 33,199 | 0.9% |
| CIFC Funding 2013-III, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 44,100 | 39,534 | 43,217 | 1.2% |
| | | | | 39,534 | 43,217 | 1.2% |
| CIFC Funding 2013-IV, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 45,500 | 40,255 | 40,934 | 1.1% |

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|--|---|---|----------------------------------|--------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| | | | | 40,255 | 40,934 | 1.1% |
| Cinedigm DC Holdings, LLC | New York / Software & Computer Services | Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(4) | 68,714 | 68,664 | 68,714 | 1.9% |
| | | | | 68,664 | 68,714 | 1.9% |
| The Copernicus Group, Inc. | North Carolina / Healthcare | Escrow Receivable | — | — | 115 | —% |
| | | | | — | 115 | —% |
| Correctional Healthcare Holding Company, Inc. | Colorado / Healthcare | Second Lien Term Loan (11.25%, due 1/11/2020)(3) | 27,100 | 27,100 | 27,642 | 0.8% |
| | | | | 27,100 | 27,642 | 0.8% |
| Coverall North America, Inc. | Florida / Commercial Services | Senior Secured Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor), due 12/17/2017)(3)(4) | 51,210 | 51,210 | 51,210 | 1.4% |
| | | | | 51,210 | 51,210 | 1.4% |
| Crosman Corporation | New York / Manufacturing | Second Lien Term Loan (12.00% (LIBOR + 10.50% with 1.50% LIBOR floor), due 12/30/2019)(3)(4) | 40,000 | 40,000 | 39,708 | 1.1% |
| | | | | 40,000 | 39,708 | 1.1% |
| 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) | 47,504 | 47,504 | 47,504 | 1.3% |
| | | | | 47,504 | 47,504 | 1.3% |
| Deltek, Inc.(16) | Virginia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 10/10/2019)(3)(4) | 12,000 | 11,852 | 12,000 | 0.3% |
| | | | | 11,852 | 12,000 | 0.3% |
| Diamondback Operating, LP | Oklahoma / Oil & Gas Production | Net Profits Interest (15% of Equity Distributions) | — | — | — | —% |
| | | | | — | — | —% |
| Edmentum, Inc. (f/k/a Archipelago Learning, Inc.)(16) | Minnesota / Consumer Services | Second Lien Term Loan (11.25% (LIBOR + 9.75% with 1.50% LIBOR floor), due 5/17/2019)(3)(4) | 50,000 | 48,439 | 50,000 | 1.4% |
| | | | | 48,439 | 50,000 | 1.4% |

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| | | | | | | |
|---|---|---|----------|----------|----------|------|
| Empire Today, LLC | Illinois / Durable Consumer Products | Senior Secured Note (11.375%, due 2/1/2017) | 15,700 | 15,419 | 15,700 | 0.4% |
| | | | | 15,419 | 15,700 | 0.4% |
| Fischbein, LLC | North Carolina / Machinery | Escrow Receivable | — | — | 116 | —% |
| | | | — | — | 116 | —% |
| Fleetwash, Inc.(4) | New Jersey / Business Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 4/30/2019) | \$25,000 | \$25,000 | \$25,000 | 0.7% |
| | | Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/30/2019) | 25,000 | 25,000 | 25,000 | 0.7% |
| | | Delayed Draw Term Loan – \$15,000 Commitment (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 4/30/2019)(25) | — | — | — | —% |
| | | | | 50,000 | 50,000 | 1.4% |
| Focus Brands, Inc.(16) | Georgia / Consumer Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 8/21/2018)(4) | 18,000 | 17,776 | 18,000 | 0.5% |
| | | | | 17,776 | 18,000 | 0.5% |
| Focus Products Group International, LLC (f/k/a FPG, LLC) | Illinois / Durable Consumer Products | Senior Secured Term Loan (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 1/20/2017)(3)(4) | 20,297 | 20,297 | 19,886 | 0.5% |
| | | Common Stock (5,638 shares) | | 27 | — | —% |
| | | | 20,324 | 19,886 | 0.5% | |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 | | Fair Value(2) | % of Net Assets |
|--|---|--|-----------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Galaxy XII CLO, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 22,000 | 19,498 | 20,449 | 0.6% |
| | | | | 19,498 | 20,449 | 0.6% |
| Galaxy XV CLO, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 35,025 | 29,777 | 31,824 | 0.9% |
| | | | | 29,777 | 31,824 | 0.9% |
| Galaxy XVI CLO, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 22,575 | 20,790 | 20,573 | 0.6% |
| | | | | 20,790 | 20,573 | 0.6% |
| Galaxy XVII CLO, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 39,905 | 36,811 | 36,589 | 1.0% |
| | | | | 36,811 | 36,589 | 1.0% |
| Global Employment Solutions, Inc. | Colorado / Business Services | Senior Secured Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/25/2019)(3)(4) | 28,464 | 28,464 | 28,464 | 0.8% |
| | | | | 28,464 | 28,464 | 0.8% |
| Grocery Outlet, Inc.(16) | California / Retail | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 6/17/2019)(4) | 14,457 | 14,168 | 14,457 | 0.4% |
| | | | | 14,168 | 14,457 | 0.4% |
| GTP Operations, LLC (f/k/a CI (Transplace) Holdings, LLC)(10) | Texas / Software & Computer Services | Senior Secured Term Loan (10.00% (LIBOR + 5.00% with 5.00% LIBOR floor), due 12/11/2018)(3)(4) | 112,546 | 112,546 | 112,546 | 3.1% |
| | | | | 112,546 | 112,546 | 3.1% |
| Halcyon Loan Advisors Funding 2012-1 Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 23,188 | 20,600 | 22,570 | 0.6% |

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| | | | | | | |
|--|--|---|----------|----------|----------|------|
| | | | | 20,600 | 22,570 | 0.6% |
| Halcyon Loan Advisors Funding 2013-1 Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 40,400 | 38,460 | 41,509 | 1.1% |
| | | | | 38,460 | 41,509 | 1.1% |
| Halcyon Loan Advisors Funding 2014-1 Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 24,500 | 23,471 | 23,110 | 0.6% |
| | | | | 23,471 | 23,110 | 0.6% |
| Halcyon Loan Advisors Funding 2014-2 Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | \$41,164 | \$38,630 | \$38,066 | 1.1% |
| | | | | 38,630 | 38,066 | 1.1% |
| Harley Marine Services, Inc.(16) | Washington / Transportation | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 12/20/2019)(3)(4) | 9,000 | 8,832 | 8,832 | 0.2% |
| | | | | 8,832 | 8,832 | 0.2% |
| ICON Health & Fitness, Inc. | Utah / Durable Consumer Products | Senior Secured Note (11.875%, due 10/15/2016) | 21,850 | 22,005 | 20,889 | 0.6% |
| | | | | 22,005 | 20,889 | 0.6% |
| ICV-CSI Holdings, LLC (f/k/a Cargo Airport Services USA, LLC) | New York / Transportation | Common Equity (1.6 units) | | 1,639 | 2,079 | 0.1% |
| | | | | 1,639 | 2,079 | 0.1% |
| IDQ Holdings, Inc. | Texas / Automobile | Senior Secured Note (11.50%, due 4/1/2017) | 12,500 | 12,344 | 12,500 | 0.3% |
| | | | | 12,344 | 12,500 | 0.3% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Value | Cost | Fair Value(2) | % of Net Assets | |
|--|-------------------------------|--|---|--|------------------|--------------------|--------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | | |
| Ikaria, Inc.(16) | New Jersey / Healthcare | Second Lien Term Loan (8.75% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2022)(4) | 25,000 | 24,430 | 25,000 | 0.7% | |
| | | | | 24,430 | 25,000 | 0.7% | |
| Injured Workers Pharmacy, LLC | Massachusetts / Healthcare | Second Lien Term Loan (11.50% (LIBOR + 7.00% with 4.50% LIBOR floor) plus 1.00% PIK, due 5/31/2019)(3)(4) | 22,678 | 22,678 | 22,904 | 0.6% | |
| | | | | 22,678 | 22,904 | 0.6% | |
| Instant Web, LLC(4) | Minnesota / Media | Senior Secured Term Loan A (5.50% (LIBOR + 4.50% with 1.00% LIBOR floor), due 3/28/2019) | 126,453 | 126,453 | 126,453 | 3.5% | |
| | | | Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 3/28/2019)(3) | 128,000 | 128,000 | 128,000 | 3.6% |
| | | | | Senior Secured Term Loan C (12.75% (LIBOR + 11.75% with 1.00% LIBOR floor), due 3/28/2019) | 12,500 | 12,500 | 12,500 |
| InterDent, Inc. | California / Healthcare | Senior Secured Term Loan A (7.25% (LIBOR + 5.75% with 1.50% LIBOR floor), due 8/3/2017)(4) | | 266,953 | 266,953 | 7.4% | |
| | | | Senior Secured Term Loan B (12.25% (LIBOR + 9.25% with 3.00% LIBOR floor), due 8/3/2017)(3)(4) | 63,225 | 63,225 | 63,225 | 1.7% |
| | | | | | 67,625 | 67,625 | 67,625 |
| JHH Holdings, Inc. | Texas / Healthcare | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor) plus 0.50% PIK, due 3/30/2019)(3)(4) | | 130,850 | 130,850 | 3.6% | |
| | | | 35,119 | 35,119 | 35,119 | 1.0% | |
| | | | | 35,119 | 35,119 | 1.0% | |
| LaserShip, Inc. | Virginia / Transportation | Revolving Line of Credit – \$5,000 Commitment (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 12/21/2014)(4)(25) | — | — | — | —% | |
| | | | Senior Secured Term Loan A (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 3/18/2019)(3)(4) | 36,094 | 36,094 | 36,094 | 1.0% |
| | | | | | | | |

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| | | | | | | |
|-----------------------------------|---|--|--------|--------|--------|------|
| | | Senior Secured Term Loan B (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 3/18/2019)(3)(4) | 22,111 | 22,111 | 22,111 | 0.6% |
| | | Delayed Draw Term Loan – \$6,000 Commitment (2.00%, due 12/31/2015)(4)(25) | — | — | — | —% |
| | | | | 58,205 | 58,205 | 1.6% |
| LCM XIV Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 26,500 | 24,914 | 25,124 | 0.7% |
| | | | | 24,914 | 25,124 | 0.7% |
| 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) | \$— | \$— | \$— | —% |
| | | Senior Subordinated Debt (10.50%, due 5/31/2015)(3) | 1,865 | 1,865 | 1,865 | 0.1% |
| | | Membership Interest (125 units) | | 216 | 253 | —% |
| | | | | 2,081 | 2,118 | 0.1% |
| Madison Park Funding IX, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 31,110 | 24,546 | 27,266 | 0.8% |
| | | | | 24,546 | 27,266 | 0.8% |
| Matrixx Initiatives, Inc. | New Jersey / Pharmaceuticals | Senior Secured Term Loan A (7.50% (LIBOR + 6.00% with 1.50% LIBOR floor), due 8/9/2018)(3)(4) | 38,319 | 38,319 | 36,839 | 1.0% |
| | | Senior Secured Term Loan B (12.50% (LIBOR + 11.00% with 1.50% LIBOR floor), due 8/9/2018)(3)(4) | 39,750 | 39,750 | 36,851 | 1.0% |
| | | | | 78,069 | 73,690 | 2.0% |
| Maverick Healthcare Equity, LLC | Arizona / Healthcare | Preferred Units (1,250,000 units) | | 1,252 | 821 | —% |
| | | Class A Common Units (1,250,000 units) | | — | — | —% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|--|---|--|----------------------------------|--------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| | | | | 1,252 | 821 | —% |
| Mountain View CLO 2013-I Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 43,650 | 40,754 | 43,555 | 1.2% |
| | | | | 40,754 | 43,555 | 1.2% |
| NCP Finance Limited Partnership(22)(23) | Ohio / Consumer Finance | Subordinated Secured Term Loan (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(4)(16) | 11,910 | 11,692 | 12,208 | 0.3% |
| | | | | 11,692 | 12,208 | 0.3% |
| New Century Transportation, Inc. | New Jersey / Transportation | Senior Subordinated Term Loan (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 4/1/2014, due 2/3/2018)(4) | 44,000 | 44,000 | — | —% |
| | | | | 44,000 | — | —% |
| Nixon, Inc. | California / Durable Consumer Products | Senior Secured Term Loan (8.75% plus 2.75% PIK, due 4/16/2018)(16) | 13,532 | 13,316 | 13,316 | 0.4% |
| | | | | 13,316 | 13,316 | 0.4% |
| NRG Manufacturing, Inc. | Texas / Manufacturing | Escrow Receivable | — | — | 1,110 | —% |
| | | | | — | 1,110 | —% |
| Octagon Investment Partners XV, Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 26,901 | 24,338 | 26,732 | 0.7% |
| | | | | 24,338 | 26,732 | 0.7% |
| Onyx Payments, Inc. (f/k/a Pegasus Business Intelligence, LP) | Texas / Diversified Financial Services | Senior Secured Term Loan A (6.75% (LIBOR + 5.50% with 1.25% LIBOR floor), due 4/18/2018)(4) Senior Secured Term Loan B (13.75% (LIBOR + 12.50% with 1.25% LIBOR floor), due 4/18/2018)(4) | 15,125 | 15,125 | 15,125 | 0.4% |
| | | | | 15,938 | 15,938 | 0.4% |
| | | | | 31,063 | 31,063 | 0.8% |
| Pelican Products, Inc.(16) | California / Durable | Second Lien Term Loan (9.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due | 17,500 | 17,482 | 17,500 | 0.5% |

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| | | | | | | |
|---|--|---|---------|---------|---------|-------|
| | Consumer Products | 4/9/2021)(4) | | 17,482 | 17,500 | 0.5% |
| Photonis Technologies SAS(16)(22) | France / Aerospace & Defense | First Lien Term Loan (8.50% (LIBOR + 7.50% with 1.00% LIBOR floor), due 9/18/2019)(4) | 10,448 | 10,170 | 10,339 | 0.3% |
| | | | | 10,170 | 10,339 | 0.3% |
| Pinnacle (US) Acquisition Co. Limited(16) | Texas / Software & Computer Services | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 8/3/2020)(4) | 10,000 | 9,833 | 10,000 | 0.3% |
| | | | | 9,833 | 10,000 | 0.3% |
| | | Revolving Line of Credit – \$15,000 Commitment (10.00% (LIBOR + 9.50% with 0.50% LIBOR floor), due 12/23/2014)(4)(25) | \$— | \$— | \$— | —% |
| PrimeSport, Inc. | Georgia / Hotels, Restaurants & Leisure | Senior Secured Term Loan A (7.50% (LIBOR + 6.50% with 1.00% LIBOR floor), due 12/23/2019)(3)(4) | 43,263 | 43,263 | 43,263 | 1.2% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor) plus 1.00% PIK, due 12/23/2019)(3)(4) | 43,700 | 43,700 | 43,700 | 1.2% |
| | | | | 86,963 | 86,963 | 2.4% |
| Prince Mineral Holding Corp. | New York / Metal Services & Minerals | Senior Secured Term Loan (11.50%, due 12/15/2019) | 10,000 | 9,902 | 10,000 | 0.3% |
| | | | | 9,902 | 10,000 | 0.3% |
| Progrexion Holdings, Inc.(28) | Utah / Consumer Services | Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 9/14/2017)(3)(4) | 436,647 | 436,647 | 436,647 | 12.1% |
| | | | | 436,647 | 436,647 | 12.1% |
| Rocket Software, Inc.(16) | Massachusetts / Software & Computer Services | Second Lien Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 2/8/2019)(3)(4) | 20,000 | 19,758 | 20,000 | 0.6% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|---|--|---|----------------------------------|--------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| | | | | 19,758 | 20,000 | 0.6% |
| Royal Adhesives & Sealants, LLC | Indiana / Chemicals | Second Lien Term Loan (9.75% (LIBOR + 8.50% with 1.25% LIBOR floor), due 1/31/2019)(4) | 20,000 | 19,648 | 19,713 | 0.5% |
| | | | | 19,648 | 19,713 | 0.5% |
| Ryan, LLC | Texas / Business Services | Subordinated Unsecured Notes (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 3.00% PIK, due 6/30/2018)(4) | 70,531 | 70,531 | 70,531 | 1.9% |
| | | | | 70,531 | 70,531 | 1.9% |
| Sandow Media, LLC | Florida / Media | Senior Secured Term Loan (12.00%, due 5/8/2018)(3) | 25,081 | 25,081 | 23,524 | 0.7% |
| | | | | 25,081 | 23,524 | 0.7% |
| Small Business Whole Loan Portfolio(43) | New York / Diversified Financial Services | 144 small business loans issued by OnDeck Capital, Inc. | 4,637 | 4,637 | 4,252 | 0.1% |
| | | | | 4,637 | 4,252 | 0.1% |
| | | Series A Preferred Stock (4,021.45 shares) | | — | — | —% |
| Snacks Parent Corporation | Minnesota / Food Products | Series B Preferred Stock (1,866.10 shares) | | — | — | —% |
| | | Warrant (to purchase 31,196.52 shares of Common Stock, expires 11/12/2020) | | 591 | 1,819 | 0.1% |
| | | | | 591 | 1,819 | 0.1% |
| Spartan Energy Services, Inc. | Louisiana / Energy | Senior Secured Term Loan (10.50% (LIBOR + 9.00% with 1.50% LIBOR floor), due 12/28/2017)(3)(4) | 35,633 | 35,633 | 35,633 | 1.0% |
| | | | | 35,633 | 35,633 | 1.0% |
| Speedy Group Holdings Corp.(22) | Canada / Consumer Finance | Senior Unsecured Notes (12.00%, due 11/15/2017) | 15,000 | 15,000 | 15,000 | 0.4% |
| | | | | 15,000 | 15,000 | 0.4% |
| Sport Helmets Holdings, LLC(14) | New York / Personal & Nondurable Consumer Products | Escrow Receivable | | — | 130 | —% |
| | | | | — | 130 | —% |

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| | | | | | | |
|---|--|--|----------|----------|--------|------|
| Stauber Performance Ingredients, Inc. | California / Food Products | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 1/21/2016)(3)(4) | 12,809 | 12,809 | 12,809 | 0.4% |
| | | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 5/21/2017)(3)(4) | 9,975 | 9,975 | 9,975 | 0.3% |
| | | | | 22,784 | 22,784 | 0.7% |
| Stryker Energy, LLC | Ohio / Oil & Gas Production | Subordinated Secured Revolving Credit Facility – \$50,300 Commitment (12.25% (LIBOR + 10.75% with 1.50% LIBOR floor) plus 3.75% PIK, in non-accrual status effective 12/1/2011, due 12/1/2015)(4)(25) | \$36,080 | \$32,710 | \$— | —% |
| | | Overriding Royalty Interests(18) | | — | — | —% |
| | | | | 32,710 | — | —% |
| Sudbury Mill CLO Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 28,200 | 26,914 | 26,140 | 0.7% |
| | | | | 26,914 | 26,140 | 0.7% |
| Symphony CLO IX Ltd.(22) | Cayman Islands / Diversified Financial Services | Preference Shares (Residual Interest) | 45,500 | 37,734 | 44,294 | 1.2% |
| | | | | 37,734 | 44,294 | 1.2% |
| Symphony CLO XIV Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 49,250 | 49,858 | 49,025 | 1.4% |
| | | | | 49,858 | 49,025 | 1.4% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 | | Fair Value(2) | % of Net Assets |
|--|--|---|-----------------|--------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| System One Holdings, LLC | Pennsylvania / Business Services | Senior Secured Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 12/31/2018)(3)(4) | 44,646 | 44,646 | 44,646 | 1.2% |
| | | | | 44,646 | 44,646 | 1.2% |
| Targus Group International, Inc.(16) | California / Durable Consumer Products | First Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor) plus 1.0% PIK, due 5/24/2016)(3)(4) | 21,911 | 21,697 | 19,949 | 0.6% |
| | | | | 21,697 | 19,949 | 0.6% |
| TB Corp. | Texas / Hotels, Restaurants & Leisure | Senior Subordinated Note (12.00% plus 1.50% PIK, due 12/19/2018)(3) | 23,628 | 23,628 | 23,628 | 0.7% |
| | | | | 23,628 | 23,628 | 0.7% |
| Tectum Holdings, Inc.(16) | Michigan / Automobile | Second Lien Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 3/12/2019)(4) | 10,000 | 9,952 | 9,952 | 0.3% |
| | | | | 9,952 | 9,952 | 0.3% |
| Therakos, Inc. | New Jersey / Healthcare | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor), due 6/27/2018)(4) | 13,000 | 12,762 | 13,000 | 0.4% |
| | | | | 12,762 | 13,000 | 0.4% |
| Tolt Solutions, Inc. | South Carolina / Business Services | Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 3/7/2019)(3)(4) | 48,705 | 48,705 | 48,705 | 1.3% |
| | | Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 3/7/2019)(3)(4) | 48,900 | 48,900 | 48,900 | 1.4% |
| | | | | 97,605 | 97,605 | 2.7% |
| Traeger Pellet Grills LLC | Oregon / Durable Consumer Products | Senior Secured Term Loan A (6.50% (LIBOR + 4.50% with 2.00% LIBOR floor), due 6/18/2018)(3)(4) | 29,100 | 29,100 | 29,100 | 0.8% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 9.50% with 2.00% LIBOR floor), due | 29,700 | 29,700 | 29,700 | 0.8% |

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| | | | 6/18/2018)(3)(4) | | | |
|---|---|--|------------------|-----------|-----------|------|
| | | | | 58,800 | 58,800 | 1.6% |
| Transaction | Virginia / | Second Lien Term Loan (9.00% | | | | |
| Network Services, Inc.(16) | Telecommunication Services | (LIBOR + 8.00% with 1.00% LIBOR floor), due 8/14/2020)(4) | 5,000 | 4,976 | 5,000 | 0.1% |
| | | | | 4,976 | 5,000 | 0.1% |
| TriMark USA, LLC(16) | Massachusetts / Hotels, Restaurants & Leisure | Second Lien Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 8/11/2019)(4) | 10,000 | 9,810 | 9,810 | 0.3% |
| | | | | 9,810 | 9,810 | 0.3% |
| 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)(3)(4) | \$160,000 | \$160,000 | \$160,000 | 4.4% |
| | | | | 160,000 | 160,000 | 4.4% |
| United States Environmental Services, LLC | Texas / Commercial Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 3/31/2019)(3)(4) | 23,850 | 23,850 | 23,850 | 0.7% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor), due 3/31/2019)(3)(4) | 36,000 | 36,000 | 36,000 | 1.0% |
| Venio LLC (f/k/a LM Keane Acquisition Co.) | Pennsylvania / Business Services | Second Lien Term Loan (12.00% (LIBOR + 9.50% with 2.50% LIBOR floor), due 2/19/2020)(3)(4) | | 59,850 | 59,850 | 1.7% |
| | | | 17,000 | 17,000 | 16,726 | 0.5% |
| | | | | 17,000 | 16,726 | 0.5% |
| Voya CLO 2012-2, Ltd. (f/k/a ING IM CLO 2012-2, Ltd.)(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 38,070 | 31,058 | 35,843 | 1.0% |
| | | | | 31,058 | 35,843 | 1.0% |
| Voya CLO 2012-3, Ltd. (f/k/a ING IM CLO 2012-3, Ltd.)(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 46,632 | 39,368 | 43,960 | 1.2% |
| | | | | 39,368 | 43,960 | 1.2% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Cost | | Fair Value(2) | % of Net Assets |
|--|--|---|---------------------------------|--------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Voya CLO 2012-4, Ltd. (f/k/a ING IM CLO 2012-4, Ltd.)(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 40,613 | 34,941 | 39,647 | 1.1% |
| | | | | 34,941 | 39,647 | 1.1% |
| Voya CLO 2014-1, Ltd. (f/k/a ING IM CLO 2014-1, Ltd.)(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 32,383 | 33,825 | 32,949 | 0.9% |
| | | | | 33,825 | 32,949 | 0.9% |
| Washington Mill CLO Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 22,600 | 21,601 | 21,583 | 0.6% |
| | | | | 21,601 | 21,583 | 0.6% |
| Water Pik, Inc.(16) | Colorado / Personal & Nondurable Consumer Products | Second Lien Term Loan (9.75% (LIBOR + 8.75% with 1.00% LIBOR floor), due 1/8/2021)(4) | 11,000 | 10,604 | 10,604 | 0.3% |
| | | | | 10,604 | 10,604 | 0.3% |
| Wheel Pros, LLC(4) | Colorado / Business Services | Senior Subordinated Secured Note (11.00% (LIBOR + 7.00% with 4.00% LIBOR floor), due 6/29/2020) | 12,000 | 12,000 | 12,000 | 0.3% |
| | | Delayed Draw Term Loan – \$3,000 Commitment (11.00% (LIBOR + 7.00% with 4.00% LIBOR floor), due 12/30/2015)(25) | — | — | — | —% |
| | | | | 12,000 | 12,000 | 0.3% |
| Wind River Resources Corporation(39) | Utah / Oil & Gas Production | Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% default interest on principal and 16.00% default interest on past due interest, in non-accrual status effective 12/1/2008, past due)(4) | 15,000 | 14,650 | — | —% |

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| | | | | |
|--|---|-------------|-------------|--------|
| | Net Profits Interest (5% of Equity Distributions)(7) | — | — | —% |
| | | 14,650 | — | —% |
| | Total Non-Control/Non-Affiliate Investments (Level 3) | \$4,620,388 | \$4,580,996 | 126.6% |
| | Total Level 3 Portfolio Investments | \$6,371,459 | \$6,253,571 | 172.8% |

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 Principal Cost Value | Fair Value(2) | % of Net Assets |
|-------------------|-------------------|----------------|--|---------------|-----------------|
|-------------------|-------------------|----------------|--|---------------|-----------------|

LEVEL 1 PORTFOLIO INVESTMENTS:

Non-Control/Non-Affiliate Investments (less than 5.00% voting control)

| | | | | | |
|----------------------|------------------------|---|-------------|-------------|--------|
| Dover Saddlery, Inc. | Massachusetts / Retail | Common Stock (30,974 shares) | \$63 | \$168 | —% |
| | | | 63 | 168 | —% |
| | | Total Non-Control/Non-Affiliate Investments (Level 1) | \$63 | \$168 | —% |
| | | Total Non-Control/Non-Affiliate Investments | \$4,620,451 | \$4,581,164 | 126.6% |
| | | Total Portfolio Investments | \$6,371,522 | \$6,253,739 | 172.8% |

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 | | Fair Value(2) | % of Net Assets |
|---|------------------------------------|--|-----------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(48) | | | | | | |
| AMU Holdings 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) | \$28,750 | \$28,750 | \$28,750 | 1.1% |
| | | Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015) | 12,500 | 12,500 | 12,500 | 0.5% |
| | | Series A Preferred Stock (9,919.684 shares) | | 9,920 | 9,920 | 0.4% |
| | | Common Stock (100 shares) | | — | 3,478 | 0.1% |
| APH Property Holdings, LLC(32) | Georgia / Real Estate | Senior Term Loan (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 10/24/2020)(4) | 125,892 | 125,892 | 125,892 | 4.8% |
| | | Membership Interest | | 26,648 | 26,648 | 1.0% |
| | | | | 152,540 | 152,540 | 5.8% |
| ARRM Holdings Inc. | South Carolina / Manufacturing | Senior Secured Note — Tranche A (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 3/30/2018)(3)(4) | 19,737 | 19,737 | 19,737 | 0.7% |
| | | Subordinated Unsecured Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 6.00% PIK, due 3/30/2018)(4) | 19,700 | 19,700 | 19,700 | 0.7% |
| | | Series A Convertible Preferred Stock (6,142.60 shares) | | 6,057 | — | —% |
| | | Common Stock (6.00 shares) | | — | — | —% |
| AWC, LLC(19) | North Carolina / Machinery | Members Units — Class A (1,800,000 units) | | — | — | —% |
| | | Members Units — Class B-1 (1 unit) | | — | — | —% |
| | | Members Units — Class B-2 (7,999,999 units) | | — | — | —% |
| | | | | — | — | —% |
| Borga, Inc.(21) | California / Manufacturing | Revolving Line of Credit — \$1,150 Commitment (5.00% (PRIME + 1.75%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)(25) | 1,150 | 1,095 | 586 | —% |
| | | Senior Secured Term Loan B (8.50% (PRIME + 5.25%) plus 3.00% default | 1,611 | 1,501 | — | —% |

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| | | | | | | |
|--|-------------------------|--|--------|--------|--------|------|
| | | interest, in non-accrual status effective 03/02/2010, past due)(4) | | | | |
| | | 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) | 9,738 | 706 | — | —% |
| | | Common Stock (100 shares) | | — | — | —% |
| | | Warrant (to purchase 33,750 shares of Common Stock, expires 5/6/2015) | | — | — | —% |
| | | | | 3,302 | 586 | —% |
| | | Senior Secured Note (10.00%, due 12/31/2017)(3) | 17,663 | 17,663 | 17,663 | 0.7% |
| CCPI Holdings Inc.(33) | Ohio / Manufacturing | Senior Secured Note (12.00% plus 7.00% PIK, due 6/30/2018) | 7,659 | 7,659 | 7,659 | 0.3% |
| | | Common Stock (100 shares) | | 8,581 | 7,977 | 0.3% |
| | | Net Revenue Interest (4% of Net Revenue) | | — | 604 | —% |
| | | | | 33,903 | 33,903 | 1.3% |
| Credit Central Holdings of Delaware, LLC(22)(34) | Ohio / Consumer Finance | Senior Secured Revolving Credit Facility — \$60,000 Commitment (20.00% (LIBOR + 18.50% with 1.50% LIBOR floor), due 12/31/2022)(4)(25) | 38,082 | 38,082 | 38,082 | 1.4% |
| | | Membership Interest | | 9,581 | 8,361 | 0.3% |
| | | Net Revenue Interest (5% of Net Revenue) | | — | 4,019 | 0.2% |
| | | | | 47,663 | 50,462 | 1.9% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 | | Fair Value(2) | % of Net Assets |
|---|--------------------------------|---|-----------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(48) | | | | | | |
| Energy Solutions Holdings Inc.(8) | Texas / Energy | Junior Secured Note (18.00%, due 12/12/2016) | \$8,500 | \$8,500 | \$8,500 | 0.3% |
| | | Senior Secured Note to Vessel Holdings, LLC (18.00%, due 12/12/2016) | 3,500 | 3,500 | 3,500 | 0.1% |
| | | Subordinated Secured Note to Jettco Marine Services, LLC (12.00% (LIBOR + 6.11% with 5.89% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 10/1/2010, past due)(4) | 13,906 | 12,503 | 8,449 | 0.3% |
| | | Senior Secured Note to Yatesville Coal Holdings, LLC (in non-accrual status effective 1/1/2009, past due) | 1,449 | 1,449 | — | —% |
| | | Escrow Receivable | — | — | — | —% |
| | | Common Stock (100 shares) | — | 8,318 | 6,247 | 0.2% |
| 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)(4)(25) | 264,760 | 264,760 | 264,760 | 10.0% |
| | | Membership Interest | — | 43,193 | 20,447 | 0.8% |
| | | Net Revenue Interest (5% of Net Revenue) | — | — | 12,877 | 0.5% |
| | | Secured Promissory Notes (15.00%, in non-accrual status effective 12/22/2010, past due) | 1,688 | 1,686 | — | —% |
| | | Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due) | 1,170 | 1,170 | — | —% |
| The Healing Staff, Inc.(9) | North Carolina / Contracting | Common Stock (1,000 shares) | — | 975 | — | —% |
| | | Common Stock (1,000 shares) | — | 3,831 | — | —% |
| | | Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, past due) | 500 | 500 | 346 | —% |
| Manx Energy, Inc.(12) | Kansas / Oil & Gas Production | Series A-1 Preferred Stock (6,635 shares) | — | — | — | —% |
| | | Common Stock (17,082 shares) | — | — | — | —% |
| | | Common Stock (17,082 shares) | 500 | 500 | 346 | —% |

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| | | | | | | |
|---|-----------------------------------|--|--------|--------|--------|------|
| Nationwide Acceptance Holdings LLC(22)(36) | Illinois / Consumer Finance | Senior Secured Revolving Credit Facility — \$30,000 Commitment (20.00% (LIBOR + 18.50% with 1.50% LIBOR floor), due 1/31/2023)(4)(25) | 21,308 | 21,308 | 21,308 | 0.8% |
| | | Membership Interest | | 3,843 | 2,142 | 0.1% |
| | | Net Revenue Interest (5% of Net Revenue) | | — | 1,701 | 0.1% |
| | | | | 25,151 | 25,151 | 1.0% |
| NMMB Holdings, Inc.(24) | New York / Media | Senior Term Loan (14.00%, due 5/6/2016) | 16,000 | 16,000 | 13,149 | 0.5% |
| | | Senior Subordinated Term Loan (15.00%, due 5/6/2016) | 2,800 | 2,800 | — | —% |
| | | Series A Preferred Stock (4,400 shares) | | 4,400 | — | —% |
| R-V Industries, Inc. | Pennsylvania / Manufacturing | Senior Subordinated Note (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 6/12/2018)(4) | 32,750 | 32,750 | 32,750 | 1.2% |
| | | Common Stock (545,107 shares) | | 5,087 | 18,522 | 0.7% |
| | | Warrant (to purchase 200,000 shares of Common Stock, expires 6/30/2017) | | 1,682 | 6,796 | 0.3% |
| | | | | 39,519 | 58,068 | 2.2% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 | | Fair Value(2) | % of Net Assets |
|---|---|---|-----------------|------------------|------------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Control Investments (greater than 25.00% voting control)(48) | | | | | | |
| | | Senior Secured Note (9.00% (LIBOR + 6.00%, with 3.00% LIBOR floor) plus 9.00% PIK, due 12/31/2018)(4) | \$34,063 | \$34,063 | \$34,063 | 1.3% |
| Valley Electric Holdings I, Inc.(35) | Washington / Construction & Engineering | Senior Secured Note (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2017)(3)(4) | 10,026 | 10,026 | 10,026 | 0.4% |
| | | Common Stock (100 shares) | | 9,526 | 8,288 | 0.3% |
| | | Net Revenue Interest (5% of Net Revenue) | | — | 1,238 | 0.1% |
| | | | | 53,615 | 53,615 | 2.1% |
| | | Senior Secured Promissory Note secured by assets formerly owned by H&M (18.00%, in non-accrual status effective 4/15/2013, due 4/15/2018)(37) | 22,000 | — | 3,832 | 0.1% |
| | | Senior Secured Note to Appalachian Energy Holdings, LLC (8.00%, in non-accrual status effective 1/19/2010, past due) | 2,642 | 2,000 | 546 | —% |
| Wolf Energy Holdings Inc.(12) | Kansas / Oil & Gas Production | Senior Secured Note to Appalachian Energy Holdings, LLC (8.00%, in non-accrual status, past due) | 51 | 50 | 51 | —% |
| | | Senior Secured Note to Coalbed, LLC (8.00%, in non-accrual status effective 1/19/2010, past due)(6) | 7,930 | 5,990 | — | —% |
| | | Common Stock (100 shares) | | — | — | —% |
| | | Net Profits Interest (8% of Equity Distributions)(7) | | — | 520 | —% |
| | | | | 8,040 | 4,949 | 0.1% |
| Total Control Investments | | | | \$830,151 | \$811,634 | 30.6% |
| Affiliate Investments (5.00% to 24.99% voting control)(49) | | | | | | |
| BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork) | Michigan / Healthcare | Senior Secured Note (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 12/17/2017)(3)(4) | 29,550 | 29,550 | 29,550 | 1.1% |
| | | Series A Preferred Stock (9,925.455 shares)(13) | | 2,300 | 2,832 | 0.1% |
| | | | | 579 | 533 | —% |

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| | | | | | | |
|-----------------------------|---|---|-------|----------|----------|------|
| | | Series B Preferred Stock (1,753.636 shares)(13) | | 32,429 | 32,915 | 1.2% |
| | | Senior Secured Term Loan A (10.00% plus 1.00% PIK, due 9/15/2015) | 1,712 | 1,702 | 1,712 | 0.1% |
| | | Senior Secured Term Loan B (10.00% plus 1.00% PIK, due 9/15/2015) | 4,892 | 4,809 | 4,892 | 0.2% |
| BXC Holding Company(20) | Georgia / Textiles, Apparel & Luxury Goods | Senior Secured Term Loan C (10.00% plus 1.00% PIK, due 9/15/2015) | 2,371 | 2,371 | 2,371 | 0.1% |
| | | Senior Secured Term Loan (10.00% plus 1.00% PIK, due 9/15/2015) | 8,325 | 7,878 | 410 | —% |
| | | Series A Preferred Stock (1,000,000 shares) | — | — | — | —% |
| | | Common Stock (10,000 shares) | — | — | — | —% |
| | | Warrant (to purchase 15% of all classes of equity, expires 8/31/2022) | — | — | — | —% |
| | | | | 16,760 | 9,385 | 0.4% |
| Smart, LLC(14) | New York / Diversified / Conglomerate Service | Membership Interest | — | — | 143 | —% |
| | | | | — | 143 | —% |
| Total Affiliate Investments | | | | \$49,189 | \$42,443 | 1.6% |

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|--|---|---|----------------------------------|--------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| ADAPCO, Inc. | Florida / Ecological | Common Stock (5,000 shares) | | \$ 141 | \$ 335 | —% |
| | | | | 141 | 335 | —% |
| Aderant North America, Inc. | Georgia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 6/20/2019)(4) | \$ 7,000 | 6,900 | 7,000 | 0.3% |
| | | | | 6,900 | 7,000 | 0.3% |
| Aircraft Fasteners International, LLC | California / Machinery | Class A Units (32,500 units) | | 396 | 565 | —% |
| | | | | 396 | 565 | —% |
| ALG USA Holdings, LLC | Pennsylvania / Hotels, Restaurants & Leisure | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 2/28/2020)(4) | 12,000 | 11,764 | 12,000 | 0.4% |
| | | | | 11,764 | 12,000 | 0.4% |
| Allied Defense Group, Inc. | Virginia / Aerospace & Defense | Common Stock (10,000 shares) | | 56 | — | —% |
| | | | | 56 | — | —% |
| American Gilsonite Company | Utah / Metal Services & Minerals | Second Lien Term Loan (11.50%, due 9/1/2017) Membership Interest(15) | 38,500 | 38,500 | 38,500 | 1.4% |
| | | | | — | 4,058 | 0.2% |
| | | | | 38,500 | 42,558 | 1.6% |
| Apidos CLO VIII(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 19,730 | 19,931 | 19,718 | 0.7% |
| | | | | 19,931 | 19,718 | 0.7% |
| Apidos CLO IX(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 20,525 | 19,609 | 19,294 | 0.7% |
| | | | | 19,609 | 19,294 | 0.7% |
| Apidos CLO XI(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 38,340 | 39,239 | 37,972 | 1.4% |

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| | | | | | | |
|--|---|---|---------|---------|---------|------|
| | | | | 39,239 | 37,972 | 1.4% |
| Apidos CLO XII(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 44,063 | 43,480 | 40,294 | 1.5% |
| | | | | 43,480 | 40,294 | 1.5% |
| Arctic Glacier U.S.A., Inc. | Canada / Food Products | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor), due 11/10/2019)(4) | 150,000 | 150,000 | 150,000 | 5.6% |
| | | | | 150,000 | 150,000 | 5.6% |
| Armor Holding II LLC(16) | New York / Diversified Financial Services | Second Lien Term Loan (9.25% (LIBOR + 8.00% with 1.25% LIBOR floor), due 12/26/2020)(4) | 7,000 | 6,860 | 7,000 | 0.3% |
| | | | | 6,860 | 7,000 | 0.3% |
| Atlantis Health Care Group (Puerto Rico), Inc. | Puerto Rico / Healthcare | Revolving Line of Credit — \$7,000 Commitment (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 2/21/2014)(4)(25)(26) | 2,000 | 2,000 | 2,000 | 0.1% |
| | | Senior Term Loan (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 2/21/2018)(3)(4) | 39,352 | 39,352 | 39,352 | 1.5% |
| | | | | 41,352 | 41,352 | 1.6% |
| Babson CLO Ltd. 2011-I(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 35,000 | 34,499 | 34,450 | 1.3% |
| | | | | 34,499 | 34,450 | 1.3% |

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 | | Fair Value(2) | % of Net Assets |
|--|--|---|-----------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Babson CLO Ltd. 2012-I(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | \$29,075 | \$25,917 | \$27,269 | 1.0% |
| | | | | 25,917 | 27,269 | 1.0% |
| Babson CLO Ltd. 2012-II(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 27,850 | 28,863 | 27,510 | 1.0% |
| | | | | 28,863 | 27,510 | 1.0% |
| Blue Coat Systems, Inc.(16) | Massachusetts / Software & Computer Services | Second Lien Term Loan (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 6/28/2020)(4) | 11,000 | 10,890 | 11,000 | 0.4% |
| | | | | 10,890 | 11,000 | 0.4% |
| Broder Bros., Co. | Pennsylvania / Textiles, Apparel & Luxury Goods | Senior Secured Notes (10.75% (LIBOR + 9.00% with 1.75% LIBOR floor), due 6/27/2018)(3)(4) | 99,500 | 99,500 | 99,323 | 3.7% |
| | | | | 99,500 | 99,323 | 3.7% |
| Brookside Mill CLO Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 26,000 | 23,896 | 23,743 | 0.9% |
| | | | | 23,896 | 23,743 | 0.9% |
| Byrider Systems Acquisition Corp.(22) | Indiana / Auto Finance | Senior Subordinated Notes (12.00% plus 2.00% PIK, due 11/3/2016)(3) | 10,914 | 10,914 | 10,417 | 0.4% |
| | | | | 10,914 | 10,417 | 0.4% |
| Caleel + Hayden, LLC(14)(31) | Colorado / Personal & Nondurable Consumer Products | Membership Interest | | — | 104 | —% |
| | | Escrow Receivable | | — | 137 | —% |
| | | | | — | 241 | —% |
| Capstone Logistics, LLC | Georgia / Commercial Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.00% with 1.50% LIBOR floor), due 9/16/2016)(4) | 97,291 | 97,291 | 97,291 | 3.7% |

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| | | | | | | |
|----------------------------------|---|--|---------|---------|---------|------|
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 9/16/2016)(3)(4) | 100,000 | 100,000 | 100,000 | 3.8% |
| | | | | 197,291 | 197,291 | 7.5% |
| 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) | 43,977 | 43,977 | 44,417 | 1.7% |
| | | Common Equity (1.6 units) | | 1,639 | 1,860 | 0.1% |
| | | | | 45,616 | 46,277 | 1.8% |
| Cent CLO 17 Limited(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 24,870 | 24,615 | 25,454 | 1.0% |
| | | | | 24,615 | 25,454 | 1.0% |
| CI Holdings(4) | Texas / Software & Computer Services | Senior Secured Term Loan (10.00% (LIBOR + 5.00% with 5.00% LIBOR floor), due 6/11/2019) | 114,713 | 114,713 | 114,713 | 4.3% |
| | | | | 114,713 | 114,713 | 4.3% |
| CIFC Funding 2011-I, Ltd.(4)(22) | Cayman Islands / Diversified Financial Services | Class D Senior Secured Notes (5.32% (LIBOR + 5.00%), due 1/19/2023) | 19,000 | 15,029 | 15,844 | 0.6% |
| | | Class E Subordinated Notes (7.32% (LIBOR + 7.00%), due 1/19/2023) | 15,400 | 12,638 | 12,745 | 0.5% |
| | | | | 27,667 | 28,589 | 1.1% |
| Cinedigm DC Holdings, LLC(4) | New York / Software & Computer Services | Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021) | 70,595 | 70,595 | 70,595 | 2.7% |
| | | | | 70,595 | 70,595 | 2.7% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|--|--|--|----------------------------------|--------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| The Copernicus Group, Inc. | North Carolina / Healthcare | Escrow Receivable | \$— | | \$ 130 | —% |
| | | | — | | 130 | —% |
| Correctional Healthcare Holding Company, Inc. | Colorado / Healthcare | Second Lien Term Loan (11.25%, due 1/11/2020)(3) | \$27,100 | 27,100 | 27,100 | 1.0% |
| | | | | 27,100 | 27,100 | 1.0% |
| Coverall North America, Inc. | Florida / Commercial Services | Senior Secured Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor), due 12/17/2017)(3)(4) | 39,303 | 39,303 | 39,303 | 1.5% |
| | | | | 39,303 | 39,303 | 1.5% |
| CP Well Testing, LLC | Oklahoma / Oil & Gas Production | Senior Secured Term Loan (13.50% (LIBOR + 11.00% with 2.50% LIBOR floor), due 10/03/2017)(4) | 19,125 | 19,125 | 19,125 | 0.7% |
| | | | | 19,125 | 19,125 | 0.7% |
| 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) | 71,106 | 71,106 | 71,106 | 2.7% |
| | | | | 71,106 | 71,106 | 2.7% |
| Deltek, Inc. | Virginia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 10/10/2019)(4) | 12,000 | 11,833 | 12,000 | 0.5% |
| | | | | 11,833 | 12,000 | 0.5% |
| Diamondback Operating, LP | Oklahoma / Oil & Gas Production | Net Profits Interest (15% of Equity Distributions)(7) | — | | — | —% |
| | | | | | — | —% |
| Edmentum, Inc. (f/k/a Archipelago Learning, Inc.)(4) | Minnesota / Consumer Services | Second Lien Term Loan (11.25% (LIBOR + 9.75% with 1.50% LIBOR floor), due 5/17/2019) | 50,000 | 48,218 | 50,000 | 1.9% |
| | | | | 48,218 | 50,000 | 1.9% |
| EIG Investors Corp. | Massachusetts / Software & Computer Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 5/09/2020)(4)(16) | 22,000 | 21,792 | 22,000 | 0.8% |
| | | | | 21,792 | 22,000 | 0.8% |
| Empire Today, LLC | | | 15,700 | 15,332 | 14,650 | 0.6% |

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| | | | | | | |
|---------------------------------------|---|--|--------|--------|--------|------|
| | Illinois / Durable Consumer Products | Senior Secured Note (11.375%, due 2/1/2017) | | 15,332 | 14,650 | 0.6% |
| EXL Acquisition Corp. | South Carolina / Biotechnology | Escrow Receivable | | — | 14 | —% |
| | | | | — | 14 | —% |
| Evanta Ventures, Inc.(11) | Oregon / Commercial Services | Subordinated Unsecured (12.00% plus 1.00% PIK, due 9/28/2018) | 10,479 | 10,479 | 10,479 | 0.4% |
| | | | | 10,479 | 10,479 | 0.4% |
| Fairchild Industrial Products, Co. | North Carolina / Electronics | Escrow Receivable | | — | 149 | —% |
| | | | | — | 149 | —% |
| Fischbein, LLC | North Carolina / Machinery | Escrow Receivable | | — | 225 | —% |
| | | | | — | 225 | —% |
| 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) | 18,000 | 17,731 | 18,000 | 0.7% |
| | | | | 17,731 | 18,000 | 0.7% |
| FPG, LLC | Illinois / Durable Consumer Products | Senior Secured Term Loan (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 1/20/2017)(4) Common Stock (5,638 shares) | 21,401 | 21,401 | 21,401 | 0.8% |
| | | | | 27 | 19 | —% |
| | | | | 21,428 | 21,420 | 0.8% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Value | Cost | Fair Value(2) | % of Net Assets | |
|---|---|--|---|----------|---------------|-----------------|------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | | |
| Galaxy XII CLO, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | \$22,000 | \$20,792 | \$21,657 | 0.8% | |
| | | | | 20,792 | 21,657 | 0.8% | |
| Galaxy XV CLO, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 35,025 | 32,119 | 30,227 | 1.1% | |
| | | | | 32,119 | 30,227 | 1.1% | |
| Grocery Outlet, Inc. | California / Retail | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 6/17/2019)(4) | 14,457 | 14,127 | 14,457 | 0.5% | |
| | | | | 14,127 | 14,457 | 0.5% | |
| Gulf Coast Machine & Supply Company | Texas / Manufacturing | Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 10/12/2017)(3)(4) | 41,213 | 41,213 | 31,972 | 1.2% | |
| | | | | 41,213 | 31,972 | 1.2% | |
| Halcyon Loan Advisors Funding 2012-1 Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 23,188 | 22,279 | 22,724 | 0.9% | |
| | | | | 22,279 | 22,724 | 0.9% | |
| Halcyon Loan Advisors Funding 2013-1 Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 40,400 | 41,085 | 38,291 | 1.4% | |
| | | | | 41,085 | 38,291 | 1.4% | |
| Hoffmaster Group, Inc.(4) | Wisconsin / Personal & Nondurable Consumer Products | Second Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 1/3/2019) | 20,000 | 19,831 | 19,598 | 0.7% | |
| | | | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 1/3/2019) | 1,000 | 991 | 955 | —% |
| | | | | | 20,822 | 20,553 | 0.7% |
| ICON Health & Fitness, Inc. | Utah / Durable Consumer Products | Senior Secured Note (11.875%, due 10/15/2016)(3) | 43,100 | 43,310 | 33,929 | 1.3% | |

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| | | | | | | |
|----------------------------------|--|--|--------|---------|---------|------|
| | | | 43,310 | 33,929 | 1.3% | |
| IDQ Holdings, Inc. | Texas / Automobile | Senior Secured Note (11.50%, due 4/1/2017) | 12,500 | 12,300 | 12,500 | 0.5% |
| | | | | 12,300 | 12,500 | 0.5% |
| ING IM CLO 2012-2, Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 38,070 | 34,904 | 36,848 | 1.4% |
| | | | | 34,904 | 36,848 | 1.4% |
| ING IM CLO 2012-3, Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 46,632 | 44,454 | 46,361 | 1.7% |
| | | | | 44,454 | 46,361 | 1.7% |
| ING IM CLO 2012-4, Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 40,613 | 39,255 | 41,153 | 1.5% |
| | | | | 39,255 | 41,153 | 1.5% |
| Injured Workers Pharmacy, LLC | Massachusetts / Healthcare | Second Lien Term Loan (11.50% (LIBOR + 7.00% with 4.50% LIBOR floor) plus 1.00% PIK, due 5/31/2019)(3)(4) | 22,430 | 22,430 | 22,430 | 0.8% |
| | | | | 22,430 | 22,430 | 0.8% |
| InterDent, Inc.(4) | California / Healthcare | Senior Secured Term Loan A (8.00% (LIBOR + 6.50% with 1.50% LIBOR floor), due 8/3/2017) | 53,475 | 53,475 | 53,475 | 2.0% |
| | | Senior Secured Term Loan B (13.00% (LIBOR + 10.00% with 3.00% LIBOR floor), due 8/3/2017)(3) | 55,000 | 55,000 | 55,000 | 2.1% |
| | | | | 108,475 | 108,475 | 4.1% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 | | Fair Value(2) | % of Net Assets |
|--|---|--|-----------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | | |
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| JHH Holdings, Inc. | Texas / Healthcare | Second Lien Term Loan (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 1.50% PIK, due 6/23/2018)(3)(4) | \$16,119 | \$16,119 | \$16,119 | 0.6% |
| | | | | 16,119 | 16,119 | 0.6% |
| LaserShip, Inc.(4) | Virginia / Transportation | Revolving Line of Credit — \$5,000 Commitment (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 12/21/2014)(25) | — | — | — | —% |
| | | Senior Secured Term Loan (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 12/21/2017)(3) | 37,031 | 37,031 | 37,031 | 1.4% |
| | | | | 37,031 | 37,031 | 1.4% |
| LCM XIV Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 26,500 | 25,838 | 25,838 | 1.0% |
| | | | | 25,838 | 25,838 | 1.0% |
| 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) | — | — | — | —% |
| | | Senior Subordinated Debt (10.50%, due 5/31/2015)(3) | 2,865 | 2,865 | 2,865 | 0.1% |
| | | Common Stock (125 shares) | | 216 | 245 | —% |
| | | | | 3,081 | 3,110 | 0.1% |
| Madison Park Funding IX, Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 31,110 | 26,401 | 26,596 | 1.0% |
| | | | | 26,401 | 26,596 | 1.0% |
| Material Handling Services, LLC(4) | Ohio / Business Services | Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 7/5/2017)(3) | 27,580 | 27,580 | 27,199 | 1.0% |
| | | Senior Secured Term Loan (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 12/21/2017) | 37,959 | 37,959 | 37,035 | 1.4% |
| | | | | 65,539 | 64,234 | 2.4% |

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| | | | | | | |
|---|---|---|--------|--------|--------|------|
| Maverick Healthcare Equity, LLC | Arizona / Healthcare | Preferred Units (1,250,000 units) | | 1,252 | 780 | —% |
| | | Class A Common Units (1,250,000 units) | | — | — | —% |
| | | | | 1,252 | 780 | —% |
| 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) | — | — | — | —% |
| | | First Lien Term Loan (11.25% (LIBOR + 8.75% with 2.50% LIBOR floor), due 2/1/2016)(3) | 13,427 | 13,427 | 13,427 | 0.5% |
| | | | | 13,427 | 13,427 | 0.5% |
| Mountain View CLO 2013-I Ltd.(22) | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest) | 43,650 | 44,235 | 43,192 | 1.6% |
| | | | | 44,235 | 43,192 | 1.6% |
| 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) | 18,683 | 18,683 | 16,883 | 0.6% |
| | | | | 18,683 | 16,883 | 0.6% |
| 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) | 46,170 | 46,170 | 46,170 | 1.7% |
| | | | | 46,170 | 46,170 | 1.7% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Value | Cost | Fair Value(2) | % of Net Assets | |
|--|---|---|--|----------|---------------|-----------------|------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | | |
| 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) | \$45,120 | \$45,120 | \$44,166 | 1.7% | |
| | | | | 45,120 | 44,166 | 1.7% | |
| 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) | 50,274 | 50,274 | 50,274 | 1.9% | |
| | | | | 50,274 | 50,274 | 1.9% | |
| Nixon, Inc. | California / Durable Consumer Products | Senior Secured Term Loan (8.75% plus 2.75% PIK, due 4/16/2018)(16) | 15,509 | 15,252 | 14,992 | 0.6% | |
| | | | | 15,252 | 14,992 | 0.6% | |
| NRG Manufacturing, Inc. | Texas / Manufacturing | Escrow Receivable | | — | 3,618 | 0.1% | |
| | | | | | — | 3,618 | 0.1% |
| Octagon Investment Partners XV, Ltd.(22) | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest) | 26,901 | 26,919 | 25,515 | 1.0% | |
| | | | | 26,919 | 25,515 | 1.0% | |
| Pegasus Business Intelligence, LP(4) | Texas / Diversified Financial Services | Revolving Line of Credit — \$2,500 Commitment (9.00% (LIBOR + 7.75% with 1.25% LIBOR floor), due 4/18/2014)(25) | | — | — | —% | |
| | | | Senior Secured Term Loan A (6.75% (LIBOR + 5.50% with 1.25% LIBOR floor), due 4/18/2018) | 15,938 | 15,938 | 15,938 | 0.6% |
| | | | Senior Secured Term Loan B (13.75% (LIBOR + 12.50% with 1.25% LIBOR floor), due 4/18/2018) | 15,938 | 15,938 | 15,938 | 0.6% |
| | | | | 31,876 | 31,876 | 1.2% | |
| Pelican Products, Inc.(16) | California / Durable Consumer Products | Second Lien Term Loan (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 6/14/2019)(3)(4) | 15,000 | 14,729 | 15,000 | 0.6% | |

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| | | | | | | |
|---|--|--|---------|---------|---------|------|
| | | | | 14,729 | 15,000 | 0.6% |
| The Petroleum Place, Inc. | Colorado / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 5/20/2019)(4) | 22,000 | 21,690 | 22,000 | 0.8% |
| | | | | 21,690 | 22,000 | 0.8% |
| Pinnacle (US) Acquisition Co. Limited(16) | Texas / Software & Computer Services | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 8/3/2020)(4) | 10,000 | 9,815 | 10,000 | 0.4% |
| | | | | 9,815 | 10,000 | 0.4% |
| Pre-Paid Legal Services, Inc.(16) | Oklahoma / Consumer Services | Senior Subordinated Term Loan (11.50% (PRIME + 8.25%), due 12/31/2016)(3)(4) | 5,000 | 5,000 | 5,000 | 0.2% |
| | | | | 5,000 | 5,000 | 0.2% |
| Prince Mineral Holding Corp. | New York / Metal Services & Minerals | Senior Secured Term Loan (11.50%, due 12/15/2019) | 10,000 | 9,888 | 10,000 | 0.4% |
| | | | | 9,888 | 10,000 | 0.4% |
| 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)(3) | 241,033 | 241,033 | 241,033 | 9.1% |
| | | | | 241,033 | 241,033 | 9.1% |
| 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) | 20,000 | 19,719 | 20,000 | 0.8% |
| | | | | 19,719 | 20,000 | 0.8% |
| Royal Adhesives & Sealants, LLC | Indiana / Chemicals | Senior Subordinated Unsecured Term Loan (12.00% plus 2.00% PIK, due 11/29/2016) | 28,364 | 28,364 | 28,648 | 1.1% |
| | | | | 28,364 | 28,648 | 1.1% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|--|--|--|----------------------------------|----------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Ryan, LLC(4) | Texas / Business Services | Subordinated Secured Notes (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 3.00% PIK, due 6/30/2018) | \$70,000 | \$70,000 | \$70,000 | 2.6% |
| | | | | 70,000 | 70,000 | 2.6% |
| Sadow Media, LLC | Florida / Media | Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor) plus 1.50% PIK, due 5/8/2018)(4) | 24,900 | 24,900 | 24,900 | 0.9% |
| | | | | 24,900 | 24,900 | 0.9% |
| Seaton Corp.(3)(4) | Illinois / Business Services | Subordinated Secured (12.50% (LIBOR + 9.00% with 3.50% LIBOR floor) plus 2.00% PIK, due 3/14/2014) | 3,305 | 3,249 | 3,305 | 0.1% |
| | | Subordinated Secured (12.50% (LIBOR + 9.00% with 3.50% LIBOR floor) plus 2.00% PIK, due 3/14/2015) | 10,005 | 10,005 | 10,005 | 0.4% |
| | | | | 13,254 | 13,310 | 0.5% |
| SESAC Holdco II LLC(16) | Tennessee / Media | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 7/12/2019)(4) | 6,000 | 5,914 | 6,000 | 0.2% |
| | | | | 5,914 | 6,000 | 0.2% |
| Skillsoft Public Limited Company(22) | Ireland / Software & Computer Services | Senior Unsecured Notes (11.125%, due 6/1/2018) | 15,000 | 14,927 | 15,000 | 0.6% |
| | | | | 14,927 | 15,000 | 0.6% |
| Snacks Parent Corporation | Minnesota / Food Products | Series A Preferred Stock (4,021.45 shares) | | 56 | 56 | —% |
| | | Series B Preferred Stock (1,866.10 shares) | | 56 | 56 | —% |
| | | Warrant (to purchase 31,196.52 shares of Common Stock, expires 11/12/2020) | | 479 | 484 | —% |
| | | | | 591 | 596 | —% |
| Southern Management Corporation(22)(30) | South Carolina / Consumer Finance | Second Lien Term Loan (12.00% plus 5.00% PIK, due 5/31/2017) | 17,565 | 17,565 | 18,267 | 0.7% |
| | | | | 17,565 | 18,267 | 0.7% |
| Spartan Energy Services, Inc.(3)(4) | Louisiana / Energy | Senior Secured Term Loan (10.50% (LIBOR + 9.00% with 1.50% LIBOR | 29,625 | 29,625 | 29,625 | 1.1% |

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| | | | | | | |
|---|--|---|--------|--------|--------|------|
| | | floor), due 12/28/2017) | | 29,625 | 29,625 | 1.1% |
| Speedy Group Holdings Corp. | Canada / Consumer Finance | Senior Unsecured Notes (12.00%, due 11/15/2017)(22) | 15,000 | 15,000 | 15,000 | 0.6% |
| | | | | 15,000 | 15,000 | 0.6% |
| Sport Helmets Holdings, LLC(14) | New York / Personal & Nondurable Consumer Products | Escrow Receivable | — | — | 389 | —% |
| | | | | — | 389 | —% |
| 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) | 16,594 | 16,594 | 16,594 | 0.6% |
| | | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 5/21/2017) | 10,238 | 10,238 | 10,238 | 0.4% |
| | | | | 26,832 | 26,832 | 1.0% |
| 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 12/1/2011, due 12/1/2015)(4)(25) | 34,738 | 32,711 | — | —% |
| | | Overriding Royalty Interest(18) | — | — | — | —% |
| | | | | 32,711 | — | —% |
| Symphony CLO IX Ltd.(22) | Cayman Islands / Diversified Financial Services | Preference Shares (Residual Interest) | 45,500 | 42,289 | 43,980 | 1.7% |
| | | | | 42,289 | 43,980 | 1.7% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Cost | | Fair Value(2) | % of Net Assets |
|--|--|--|---------------------------------|----------|---------------|-----------------|
| LEVEL 3 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| System One Holdings, LLC(3)(4) | Pennsylvania / Business Services | Senior Secured Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 12/31/2018) | \$32,000 | \$32,000 | \$32,000 | 1.2% |
| | | | | 32,000 | 32,000 | 1.2% |
| 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) | 23,520 | 23,209 | 23,520 | 0.9% |
| | | | | 23,209 | 23,520 | 0.9% |
| TB Corp.(3) | Texas / Hotels, Restaurants & Leisure | Senior Subordinated Note (12.00% plus 1.50% PIK, due 12/18/2018) | 23,361 | 23,361 | 23,361 | 0.9% |
| | | | | 23,361 | 23,361 | 0.9% |
| Therakos, Inc. | New Jersey / Healthcare | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor), due 6/27/2018)(4)(16) | 8,000 | 7,773 | 8,000 | 0.3% |
| | | | | 7,773 | 8,000 | 0.3% |
| Totes Isotoner Corporation | Ohio / Personal & 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 | 39,000 | 1.5% |
| | | | | 39,000 | 39,000 | 1.5% |
| | | Revolving Line of Credit — \$10,000 Commitment (9.00% (LIBOR + 7.00% with 2.00% LIBOR floor), due 6/18/2014)(25) | 6,143 | 6,143 | 6,143 | 0.3% |
| Traeger Pellet Grills LLC(4) | Oregon / Durable Consumer Products | Senior Secured Term Loan A (6.50% (LIBOR + 4.50% with 2.00% LIBOR floor), due 6/18/2018) | 30,000 | 30,000 | 30,000 | 1.1% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 9.50% with 2.00% LIBOR floor), due 6/18/2018) | 30,000 | 30,000 | 30,000 | 1.1% |
| | | | | 66,143 | 66,143 | 2.5% |
| TransFirst Holdings, Inc.(4) | New York / Software & | Second Lien Term Loan (11.00%, (LIBOR + 9.75% with 1.25% | 5,000 | 4,860 | 5,000 | 0.2% |

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| | | | | | | |
|---|--|---|-------------|-------------|---------|--------|
| | Computer Services | LIBOR floor), due 6/27/2018) | | | | |
| | | | 4,860 | 5,000 | | 0.2% |
| 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) | 160,000 | 160,000 | 160,000 | 6.0% |
| | | | 160,000 | 160,000 | | 6.0% |
| Wind River Resources Corporation | 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% of Equity Distributions)(7) | 15,000 | 14,750 | — | —% |
| | | | — | — | — | —% |
| | | | 14,750 | — | — | —% |
| Total Non-Control/Non-Affiliate Investments (Level 3) | | | \$3,376,375 | \$3,318,663 | | 124.9% |
| Total Level 3 Portfolio Investments | | | \$4,255,715 | \$4,172,740 | | 157.1% |

See notes to consolidated financial statements.

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

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2013 Principal Value | Cost | Fair Value(2) | % of Net Assets |
|--|---------------------------|------------------------------|-------------------------------------|------|------------------|--------------------|
| LEVEL 1 PORTFOLIO INVESTMENTS: | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Dover Saddlery, Inc. | Massachusetts / Retail | Common Stock (30,974 shares) | \$63 | | \$112 | —% |
| | | | 63 | | 112 | —% |
| Total Non-Control/Non-Affiliate Investments (Level 1) | | | \$63 | | \$112 | —% |
| Total Non-Control/Non-Affiliate Investments | | | \$3,376,438 | | \$3,318,775 | 124.9% |
| Total Portfolio Investments | | | \$4,255,778 | | \$4,172,852 | 157.1% |

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments

- References herein to "we", "us" or "our" refer to Prospect Capital Corporation ("Prospect") and its subsidiaries unless the context specifically requires otherwise. The securities in which Prospect has invested were acquired in transactions that were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These securities may be resold only in transactions that are exempt from registration under the Securities Act. Fair value is determined by or under the direction of our Board of Directors. As of June 30, 2014 and June 30, 2013, one of our portfolio investments, Dover Saddlery, Inc. was publicly traded and classified as Level 1 within the valuation hierarchy established by ASC 820, Fair Value Measurement ("ASC 820"). As of June 30, 2014 and June 30, 2013, the fair value of our remaining portfolio investments was determined using significant unobservable inputs. ASC 820 classifies such inputs used to measure fair value as Level 3 within the valuation hierarchy. See Notes 2 and 3 within the accompanying notes to consolidated financial statements for further discussion. Security, or a portion thereof, is held by Prospect Capital Funding LLC ("PCF"), our wholly-owned subsidiary and a bankruptcy remote special purpose entity, and is pledged as collateral for the Revolving Credit Facility and such security is not available as collateral to our general creditors (see Note 4). The fair values of these investments held by PCF at June 30, 2014 and June 30, 2013 were \$1,500,897 and \$833,310, respectively; they represent 24.0% and 20.0% of our total investments, respectively.
- (1) Security, or portion thereof, has a floating interest rate which may be subject to a LIBOR or PRIME floor. Stated interest rate was in effect at June 30, 2014 and June 30, 2013.
- (2) Ellett Brothers, LLC, Evans Sports, Inc., Jerry's Sports, Inc., Simmons Gun Specialties, Inc., Bonitz Brothers, Inc., and Outdoor Sports Headquarters, Inc. are joint borrowers on our second lien loan. United Sporting Companies, Inc. is a parent guarantor of this debt investment.
- (3) During the quarter ended December 31, 2009, we created two new entities, Coalbed, Inc. and Coalbed, LLC, to foreclose on the outstanding senior secured loan and assigned rights and interests of Conquest Cherokee, LLC ("Conquest") as a result of the deterioration of Conquest's financial performance and inability to service debt payments. We owned 1,000 shares of common stock in Coalbed, Inc., representing 100% of the issued and outstanding common stock. Coalbed, Inc., in turn, owned 100% of the membership interest in Coalbed, LLC. On October 21, 2009, Coalbed, LLC foreclosed on the loan formerly made to Conquest. On January 19, 2010, as part of the Manx Energy, Inc. ("Manx") rollup, the Coalbed, LLC assets and loan were assigned to Manx, the holding company. On June 30, 2012, Manx contributed our investment in Coalbed, LLC to Wolf Energy Holdings Inc. ("Wolf Energy Holdings"), a newly-formed, separately owned holding company. Our Board of Directors set the fair value at zero for the loan position in Coalbed, LLC investment as of June 30, 2014 and June 30, 2013. As of June 30, 2014, Prospect owns 41% of the equity of Manx.
- (4) In addition to the stated returns, the net profits interest held will be realized upon sale of the borrower or a sale of the interests.
- (5) During the quarter ended December 31, 2011, our ownership of Change Clean Energy Holdings, LLC, Change Clean Energy, LLC, Freedom Marine Services Holdings, LLC ("Freedom Marine"), and Yatesville Coal Holdings, LLC was transferred to Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings, Inc.) ("Energy Solutions") to consolidate all of our energy holdings under one management team. We own 100% of Energy Solutions. On December 28, 2011, we made a \$3,500 debt investment in Vessel Holdings, LLC, a subsidiary of Freedom Marine. On November 25, 2013, we provided \$13,000 in senior secured debt financing for the recapitalization of our investment in Jettco Marine Services, LLC ("Jettco"), a subsidiary of Freedom Marine. The subordinated secured loan to Jettco was replaced with a senior secured note to Vessel Holdings II, LLC, a new subsidiary of Freedom Marine. On December 3, 2013, we made a \$16,000 senior secured investment in Vessel Holdings III, LLC, another new subsidiary of Freedom Marine. In June 2014, Freedom Marine Services Holdings, LLC was renamed Freedom Marine Solutions, LLC; Vessel Holdings, LLC was renamed Vessel Company, LLC;

Vessel Holdings II, LLC was renamed Vessel Company II, LLC; Vessel Holdings III, LLC was renamed Vessel Company III, LLC; Yatesville Coal Holdings, LLC was renamed Yatesville Coal Company, LLC; and Change Clean Energy Holdings, LLC was renamed change Clean Energy Company, LLC. Energy Solutions continues to own 100% of all entities as of June 30, 2014.

(9) We own 100% of the equity of The Healing Staff, Inc. ("THS") and 100% of the equity of Vets Securing America, Inc., which is operated by THS management.

(10) GTP Operations, LLC (f/k/a CI (Transplace) Holdings, LLC), Transplace, LLC, CI (Transplace) International, LLC, Transplace Freight Services, LLC, Transplace Texas, LP, Transplace Stuttgart, LP, Transplace International, Inc., Celtic International, LLC, and Treetop Merger Sub, LLC are joint borrowers on our senior secured investment.

(11) Evanta Ventures, Inc. and Sports Leadership Institute, Inc. are joint borrowers on our investment.

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments (Continued)

- On January 19, 2010, we modified the terms of our senior secured debt in Appalachian Energy Holdings, LLC ("AEH") and Coalbed, LLC ("Coalbed") in conjunction with the formation of Manx, a new entity consisting of the assets of AEH, Coalbed and Kinley Exploration. The assets of the three companies were brought under new common management. We funded \$2,800 at closing to Manx to provide for working capital. A portion of our loans to AEH and Coalbed was exchanged for Manx preferred equity, while our AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring. On June 30, 2012, Manx returned the investments in Coalbed and AEH to us and we contributed these investments to Wolf Energy Holdings, a newly-formed, separately owned holding company. Effective June 6, 2014, Appalachian Energy Holdings LLC was renamed Appalachian Energy LLC. We continue to fully reserve any income accrued for Manx. During the quarter ended June 30, 2013, we determined that the impairment of Manx was other-than-temporary and recorded a realized loss of \$9,397 for the amount that the amortized cost exceeded the fair value. The Board of Directors set the fair value of our investment in Manx at zero and \$346 as of June 30, 2014 and June 30, 2013, respectively.
- (12) On a fully diluted basis represents 10.00% of voting common shares.
- (14) A portion of the positions listed was issued by an affiliate of the portfolio company.
 We own 99.9999% of AGC/PEP, LLC. AGC/PEP, LLC owns 2,037.65 out of a total of 83,818.69 shares
- (15) (including 5,111 vested and unvested management options) of American Gilsonite Holding Company which owns 100% of American Gilsonite Company.
- (16) Syndicated investment which had been originated by another financial institution and broadly distributed. MITY Holdings of Delaware Inc. ("Mity Delaware"), an entity in which we own 100% of the common stock, owns 94.99% of the equity of MITY Enterprises, Inc. ("Mity"). Mity owns 100% of each of MITY-Lite, Inc., Broda Enterprises USA, Inc. and Broda Canada ULC. On June 23, 2014, Prospect made a new \$15,769 debt investment in Mity and Mity distributed proceeds to Mity Delaware as a return of capital. Mity Delaware used this distribution to pay down the senior secured debt of Mity Delaware to Prospect by the same amount. The remaining amount of the senior secured debt due from Mity Delaware to Prospect, \$7,200, was then contributed to the capital of Mity Delaware. As a result of this transaction, Prospect held the \$15,769 Mity note. Effective June 23, 2014, Mity Enterprises, Inc. was renamed MITY, Inc. and Broda Enterprises USA, Inc. was renamed Broda USA, Inc. On June 23, 2014, Prospect also extended a new \$7,500 senior secured revolving facility to Mity, of which none was funded at closing.
- (17) The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower. On December 31, 2009, we sold our investment in Aylward Enterprises, LLC. AWC, LLC is the remaining holding company with zero assets. Our remaining outstanding debt after the sale was written off on December 31, 2009 and no value has been assigned to the equity position as of June 30, 2014 and June 30, 2013.
- Boxercraft Incorporated ("Boxercraft") and BXC Company, Inc. (f/k/a BXC Holding Company) ("BXC") are joint borrowers on our senior secured investments. Effective as of March 28, 2014, we acquired voting control of BXC pursuant to a voting agreement and irrevocable proxy. Effective May 8, 2014, we acquired control of BXC by transferring shares held by the other equity holders of BXC to Prospect pursuant to an assignment agreement entered into with such other equity holders. We own 86.7% of Series A preferred stock, 96.8% of Series B preferred stock, and 83.1% of the fully-diluted common stock of BXC. BXC owns 100% of the common stock of Boxercraft. We own a warrant to purchase 15% of all classes of equity of BXC, which currently consists of 3,755,000 shares of Series A preferred stock, 625,000 shares of Series B preferred stock, and 43,800 shares of voting common stock.
- (20) We owned warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation ("Metal Buildings"), the former holding company of Borga, Inc. Metal Buildings owned 100% of Borga, Inc. On March 8,

2010, we foreclosed on the stock in Borga, Inc. that was held by Metal Buildings, obtaining 100% ownership of Borga, Inc. On January 24, 2014, we contributed our holdings in Borga, Inc. to STI Holding, Inc., a wholly-owned holding company.

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

(23) NCP Finance Limited Partnership, NCP Finance Ohio, LLC and certain affiliates thereof, are joint borrowers on our subordinated secured investment.

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments (Continued)

(24) On May 6, 2011, we made a secured first lien \$24,250 debt investment to NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) ("NMMB"), a \$2,800 secured debt and \$4,400 equity investment to NMMB Holdings, Inc. ("NMMB Holdings"). We owned 100% of the Series A Preferred Stock in NMMB Holdings. NMMB Holdings owned 100% of the Convertible Preferred Stock in NMMB. On December 13, 2013, we provided \$8,086 in preferred equity for the recapitalization of NMMB Holdings. After the restructuring, we received repayment of \$2,800 secured debt outstanding. We own 100% of the equity of NMMB Holdings as of June 30, 2014 and June 30, 2013. NMMB Holdings owns 92.93% and 83.48% of the fully diluted equity of NMMB as of June 30, 2014 and June 30, 2013, respectively. NMMB owns 100% of Refuel Agency, Inc. ("Refuel Agency"), which owns 100% of Armed Forces Communications, Inc. ("Armed Forces"). On June 12, 2014, Prospect made a new \$7,000 senior secured term loan to Armed Forces. Armed Forces distributed this amount to Refuel Agency as a return of capital. Refuel Agency distributed this amount to NMMB as a return of capital, which was used to pay down \$7,000 of NMMB's \$10,714 senior secured term loan to Prospect.

(25) Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 2.00%. As of June 30, 2014 and June 30, 2013, we had \$143,597 and \$202,518, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.

(26) Stated interest rates are based on June 30, 2014 and June 30, 2013 one month or three month Libor rates plus applicable spreads based on the respective credit agreements. Interest rates are subject to change based on actual elections by the borrower for a Libor rate contract or Base Rate contract when drawing on the revolver.

(27) On July 30, 2010, we made a \$30,000 senior secured debt investment in Airmall Inc. (f/k/a AIRMALL USA Holdings, Inc.) ("Airmall"), a \$12,500 secured second lien in AMU Holdings Inc. ("AMU"), and acquired 100% of the Series A preferred stock and common stock of AMU. Our preferred stock in AMU has a 12.0% dividend rate which is paid from the dividends received from its operating subsidiary, Airmall. AMU owns 100% of the common stock in Airmall. On December 4, 2013, we sold a \$972 participation in both debt investments, equal to 2% of the outstanding principal amount of loans on that date. On June 13, 2014, Prospect made a new \$19,993 investment as a senior secured loan to Airmall. Airmall then distributed this amount to AMU as a return of capital, which AMU used to pay down the senior subordinated loan in the same amount. The minority interest held by a third party in AMU was exchanged for common stock of Airmall. As of June 30, 2014, we own 100% of the equity of AMU, which owns 98% of Airmall.

(28) Progrexion Marketing, Inc., Progrexion Teleservices, Inc., Progrexion ASG, Inc. Progrexion IP, Inc. and Efolks, LLC, are joint borrowers on our senior secured investment. Progrexion Holdings, Inc. and eFolks Holdings, Inc. are the guarantors of this debt investment.

(29) First Tower Holdings of Delaware, LLC ("First Tower Delaware"), an entity that we own 100% of the membership interests, owns 80.1% of First Tower Finance Company LLC ("First Tower Finance"), which owns 100% of First Tower, LLC ("First Tower"), the operating company. On June 24, 2014, Prospect made a new \$251,246 second lien term loan to First Tower. First Tower distributed this amount to First Tower Finance, which distributed this amount to First Tower Delaware as a return of capital. First Tower Delaware used the distribution to partially pay down the Senior Secured Revolving Credit Facility. The remaining \$23,712 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests held by Prospect in First Tower Delaware. Southern Management Corporation, Thaxton Investment Corporation, Southern Finance of Tennessee, Inc., Covington Credit of Texas, Inc., Covington Credit, Inc., Covington Credit of Alabama, Inc., Covington Credit of Georgia, Inc., Southern Finance of South Carolina, Inc. and Quick Credit Corporation, are joint borrowers on our senior secured investment. SouthernCo, Inc. is the guarantor of this debt investment.

(31)

We own 2.8% (13,220 shares) of the Mineral Fusion Natural, LLC, a subsidiary of Caleel + Hayden, LLC, common and preferred interest.

(32) APH Property Holdings, LLC ("APH"), an entity that we own 100% of the membership interests, owns 100% of the common equity of American Property REIT Corp. (f/k/a American Property Holdings Corp.) ("APRC"), a qualified REIT which holds investments in several real estate properties. Effective as of April 1, 2014, Prospect made a new \$167,162 senior term loan to APRC. APRC then distributed this amount to APH as a return of capital which was used to pay down the Senior Term Loan from APH by the same amount. See Note 3 for further discussion of the properties held by APRC.

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments (Continued)

(33) CCPI Holdings Inc. ("CCPI Holdings"), an entity that we own 100% of the common stock, owns 94.98% and 95.13% of CCPI Inc. ("CCPI"), the operating company, at June 30, 2014 and June 30, 2013, respectively. On June 13, 2014, Prospect made a new \$8,218 senior secured note to CCPI. CCPI then distributed this amount to CCPI Holdings as a return of capital which was used to pay down the \$8,216 senior secured note from CCPI Holdings to Prospect. The remaining \$2 was distributed to Prospect as a return of capital of Prospect's equity investment in CCPI Holdings.

(34) Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), an entity that we own 100% of the membership interests, owns 74.75% of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) ("Credit Central"), which owns 100% of each of Credit Central, LLC, Credit Central South, LLC, Credit Central of Texas, LLC, and Credit Central of Tennessee, LLC, the operating companies. On June 26, 2014, Prospect made a new \$36,333 second lien term loan to Credit Central. Credit Central then distributed this amount to Credit Central Delaware as a return of capital which was used to pay down the Senior Secured Revolving Credit Facility from Credit Central Delaware by the same amount. The remaining amount of the Senior Secured Revolving Credit Facility, \$3,874, was then converted into additional membership interests in Credit Central Delaware.

(35) Valley Electric Holdings I, Inc. ("Valley Holdings I"), an entity that we own 100% of the common stock, owns 100% of Valley Electric Holdings II, Inc. ("Valley Holdings II"). Valley Holdings II owns 94.99% and 96.3% of Valley Electric Company, Inc. ("Valley Electric"), as of June 30, 2014 and June 30, 2013, respectively. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. ("Valley"). On June 24, 2014, Valley Holdings II and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Prospect made a new \$20,471 senior secured loan to Valley Electric. Valley Electric then distributed this amount to Valley Holdings I, via Valley Holdings II, as a return of capital which was used to pay down the senior secured note of Valley Holdings I by the same amount. The remaining principal amount of the senior secured note, \$16,754, was then contributed to the capital of Valley Holdings I.

(36) Nationwide Acceptance Holdings LLC ("Nationwide Holdings"), an entity that we own 100% of the membership interests, owns 93.79% of Nationwide Acceptance LLC ("Nationwide"), the operating company. On June 18, 2014, Prospect made a new \$14,820 second lien term loan to Nationwide. Nationwide distributed this amount to Nationwide Holdings as a return of capital. Nationwide Holdings used the distribution to pay down the Senior Secured Revolving Credit Facility. The remaining \$9,888 of the Senior Secured Revolving Credit Facility was then converted into additional membership interests in Nationwide Holdings.

(37) On April 15, 2013, assets previously held by H&M Oil & Gas, LLC ("H&M") were assigned to Wolf Energy, LLC ("Wolf Energy") in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826. We received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

(38) CP Holdings of Delaware LLC, an entity that we own 100% of the membership interests, owns 82.9% of CP Energy Services Inc. ("CP Energy"), which owns 100% of several other subsidiaries. CP Energy owns directly or indirectly 100% of each of CP Well Testing Services, LLC ("CP Well Testing"), CP Well Testing, LLC, Fluid Management Services, Inc., Fluid Management Services LLC, Wright Transport, Inc., Wright Foster Disposals,

LLC, Foster Testing Co, Inc., ProHaul Transports, LLC, Artexoma Logistics, LLC, Wright Trucking, Inc. On April 1, 2014, Prospect made new loans to CP Well, ProHaul Transports, LLC and Wright Trucking, Inc. and Foster Testing Co, Inc. as co-borrowers, comprised of two first lien loans in the amount of \$11,035 and \$72,238 and a second lien loan in the amount of \$15,000. The proceeds of these loans were used to repay CP Well Testing's senior secured term loan and CP Energy's senior secured term loan from Prospect. CP Holdings continues to own 82.9% of the equity of CP Energy at June 30, 2014.

- (39) Wind River Resources Corporation and Wind River II Corporation are joint borrowers on our senior secured loan. NPH Property Holdings, LLC ("NPH"), an entity that we own 100% of the membership interests, owns 100% of the common equity of National Property REIT Corp. (f/k/a National Property Holdings Corp.) ("NPRC"), a property REIT which holds investments in several real estate properties, and 100% of the membership interests of NPH Property Holdings II, LLC, a Delaware single member limited liability company structured to enable subsidiaries
- (40) of NPRC to invest in peer-to-peer consumer loans. Effective as of April 1, 2014, Prospect made a new \$104,460 senior term loan to NPRC. NPRC then distributed this amount to NPH as a return of capital which was used to pay down the Senior Term Loan from NPH by the same amount. See Note 3 for further discussion of the properties held by NPRC.

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments (Continued)

(41) UPH Property Holdings, LLC (“UPH”), an entity that we own 100% of the membership interests, owns 100% of the common equity of United Property REIT Corp. (f/k/a United Property Holdings Corp.) (“UPRC”), a property REIT which holds investments in several real estate properties. Effective as of April 1, 2014, Prospect made a new \$19,027 senior term loan to UPRC. UPRC then distributed this amount to UPH as a return of capital which was used to pay down the Senior Term Loan from UPH by the same amount. See Note 3 for further discussion of the properties held by UPRC.

(42) On April 4, 2008, we acquired a controlling equity interest in ARRM Services, Inc (f/k/a ARRM Holdings Inc.) (“ARRM”), which owns 100% of Ajax Rolled Ring & Machine, LLC (“Ajax”), the operating company. As of June 30, 2014, we control 79.53% of the fully-diluted common, 85.76% of the Series A and 100% of the Series B Preferred equity of ARRM and the fair value of our senior secured debt issued to Ajax was \$19,337.

(43) Our wholly-owned subsidiary, Prospect Small Business Lending LLC, purchases a series of small business whole loans on recurring basis, originated by OnDeck Capital, Inc., an online small business lender.

(44) Harbortouch Holdings of Delaware Inc. (“Harbortouch Delaware”), an entity that we own 100% of the common stock, owns 100% of the Class C voting units of Harbortouch Payments, LLC (“Harbortouch”), which provide for a 53.5% residual profits allocation. Harbortouch management owns 100% of the Class B and Class D voting units of Harbortouch, which provide for a 46.5% residual profits allocation. Harbortouch owns 100% of Credit Card Processing USA, LLC. On April 1, 2014, Prospect made a new \$137,226 senior secured term loan to Harbortouch. Harbortouch then distributed this amount to Harbortouch Delaware as a return of capital which was used to pay down the \$123,000 senior secured note from Harbortouch Delaware to Prospect. The remaining \$14,226 was distributed to Prospect as a return of capital of Prospect’s equity investment in Harbortouch Delaware.

(45) Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”), an entity that we own 100% of the common equity, owns 70% of the equity of Arctic Energy Services, LLC (“Arctic Energy”), the operating company.

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments (Continued)

As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than (46)25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2014 with these controlled investments are as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|---|------------|--------------|---------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|
| AMU Holdings Inc. | \$7,600 | \$(593) | \$(972) | \$6,579 | \$12,000 | \$— | \$— | \$(15,694) |
| APH Property Holdings, LLC | 163,747 | (118,186) | ** — | 18,788 | — | 5,946 | — | 3,393 |
| Arctic Oilfield Equipment USA, Inc. | 60,876 | — | — | 1,050 | — | 1,713 | — | 238 |
| ARRM Services, Inc. (f/k/a ARRM Holdings Inc.) | 25,000 | (24,251) | — | (733) | — | 148 | — | (14,957) |
| AWC, LLC | — | — | — | — | — | — | — | — |
| BXC Company, Inc. (f/k/a BXC Holding Company)** | 300 | — | — | — | — | — | — | (3,796) |
| CCPI Holdings Inc. | — | (450) | — | 3,312 | 500 | 71 | — | (1,443) |
| CP Holdings of Delaware LLC | 113,601 | (100) | — | 13,858 | — | 1,864 | — | 16,618 |
| Credit Central Holdings of Delaware, LLC | 2,500 | (159) | — | 7,845 | 4,841 | 521 | — | (2,371) |
| Echelon Aviation LLC | 92,628 | — | — | 2,809 | — | 2,771 | — | — |
| Energy Solutions Holdings Inc. | 16,000 | (8,525) | — | 8,245 | — | 2,480 | — | (2,168) |
| First Tower Holdings of Delaware LLC | 10,000 | — | — | 54,320 | — | 10,560 | — | 17,003 |
| Gulf Coast Machine & Supply Company | 28,450 | (26,213) | — | 1,449 | — | — | — | (777) |
| Harbortouch Holdings of Delaware Inc. | 278,694 | — | — | 6,879 | — | 7,536 | — | 12,620 |
| The Healing Staff, Inc. | — | — | — | — | — | 5,825 | — | — |
| Manx Energy, Inc. | — | (450) | — | — | — | — | — | 104 |
| MITY Holdings of Delaware Inc. | 47,985 | — | — | 4,693 | — | 1,049 | — | 1,127 |
| Nationwide Acceptance Holdings LLC | 4,000 | — | — | 4,429 | 5,000 | 1,854 | — | 772 |
| NMMB Holdings, Inc. | 8,086 | (8,086) | — | 2,051 | — | — | — | (6,852) |
| NPH Property Holdings, LLC | 40,425 | 85,724 | ** — | 5,973 | — | 1,029 | — | (2,088) |
| R-V Industries, Inc. | — | (2,339) | — | 3,188 | 1,100 | — | — | 2,005 |
| STI Holding, Inc. | — | (125) | — | — | 3,246 | — | — | (25) |
| UPH Property Holdings, LLC | 1,405 | 22,562 | ** — | 1,101 | — | 156 | — | 426 |

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|----------------------------------|-----------|-------------|---------|-----------|----------|----------|-----|-------------|
| Valley Electric Holdings I, Inc. | — | (200) | — | 7,471 | — | 148 | — | (23,304) |
| Wolf Energy Holdings Inc. | — | — | — | — | — | — | — | (1,350) |
| Total | \$901,297 | \$(81,391) | \$(972) | \$153,307 | \$26,687 | \$43,671 | \$— | \$(20,519) |

*Purchase amounts do not include payment-in-kind interest. Repayment amounts include impairments.

**These amounts represent the investments transferred from APH to NPH and UPH, respectively.

***During the year ended June 30, 2014, we acquired control of BXC Company, Inc. (f/k/a BXC Holding Company). As such, this investment was a controlled investment for a part of the year and an affiliated investment for part of the year. See Note 14.

As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we (47) own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2014 with these affiliated investments are as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|---|------------|--------------|-------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|
| BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork) | \$— | \$(600) | \$— | \$2,974 | \$— | \$— | \$— | \$(194) |
| BXC Holding Company*** | — | (100) | — | 1,384 | — | 17 | — | (4,163) |
| Smart, LLC | — | — | — | — | — | — | — | (143) |
| Total | \$— | \$(700) | \$— | \$4,358 | \$— | \$17 | \$— | \$(4,500) |

See notes to consolidated financial statements.

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

Endnote Explanations for the Consolidated Schedules of Investments (Continued)

As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than (48)25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2013 with these controlled investments are as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|--|------------|--------------|-------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|
| AMU Holdings Inc. | \$— | \$ (600 |) \$— | \$5,822 | \$— | \$— | \$— | \$7,266 |
| APH Property Holdings, LLC | 151,648 | — | — | 2,898 | — | 4,651 | — | — |
| ARRM Holdings LLC | 23,300 | (19,065 |)— | 5,176 | — | 155 | — | (17,208) |
| AWC, LLC | — | — | — | — | — | — | — | — |
| Borga, Inc. | 150 | — | — | — | — | — | — | (232) |
| CCPI Holdings Inc. | 34,081 | (338 |)— | 1,792 | — | 606 | — | — |
| Credit Central Holdings of Delaware, LLC | 47,663 | — | — | 3,893 | — | 1,680 | — | 2,799 |
| Energy Solutions Holdings Inc. | — | (28,975 |)— | 24,809 | 53,820 | — | — | (71,197) |
| First Tower Holdings of Delaware LLC | 20,000 | — | — | 52,476 | — | 2,426 | — | (9,869) |
| The Healing Staff, Inc. | 975 | (13,092 |)— | 2 | — | — | (12,117 |)12,117 |
| Manx Energy, Inc. | — | (10,528 |)— | — | — | — | (9,397 |)18,865 |
| Nationwide Acceptance Holdings LLC | 25,151 | — | — | 1,787 | — | 884 | — | — |
| NMMB Holdings, Inc. | — | (5,700 |)— | 3,026 | — | — | — | (5,903) |
| R-V Industries, Inc. | 32,750 | — | — | 781 | 24,462 | 143 | — | 1,463 |
| Valley Electric Holdings I, Inc. | 52,098 | (100 |)— | 3,511 | — | 1,325 | — | — |
| Wolf Energy Holdings Inc. | 50 | — | — | 452 | — | 4,951 | 11,826 | (3,092) |
| Total | \$387,866 | \$ (78,398 |) \$— | \$106,425 | \$78,282 | \$16,821 | \$(9,688 |)\$(64,991) |

As defined in the 1940 Act, we are deemed to be an "Affiliated company" of these portfolio companies because we (49)own more than 5% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2013 with these affiliated investments are as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|---|------------|--------------|-------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|
| BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork) | \$30,000 | \$ (26,676 |) \$— | \$3,159 | \$— | \$600 | \$— | \$672 |
| BXC Holding Company Smart, LLC | — | — | — | 3,356 | — | 23 | — | (9,414) |
| | — | — | — | — | 728 | — | — | 108 |
| Total | \$30,000 | \$ (26,676 |) \$— | \$6,515 | \$728 | \$623 | \$— | \$(8,634) |

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

Note 1. Organization

References herein to “we”, “us” or “our” refer to Prospect Capital Corporation (“Prospect”) and its subsidiaries unless the context specifically requires otherwise.

We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As a BDC, we have elected to be treated as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986 (the “Internal Revenue Code”). We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes.

On May 15, 2007, we formed a wholly-owned subsidiary, Prospect Capital Funding LLC (“PCF”), a Delaware limited liability company and a bankruptcy remote special purpose entity, which holds certain of our portfolio loan investments that are used as collateral for the Revolving Credit Facility at PCF. Our wholly-owned subsidiary, Prospect Small Business Lending LLC (“PSBL”), was formed on January 27, 2014 and purchases a series of small business whole loans on recurring basis, which are originated by OnDeck Capital, Inc. (“OnDeck”), an online small business lender.

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) pursuant to the requirements for reporting on Form 10-K, ASC 946, Financial Services—Investment Companies (“ASC 946”), and Articles 6 and 12 of Regulation S-X. The financial results of our portfolio investments are not consolidated in the financial statements.

Reclassifications

Certain reclassifications have been made in the presentation of prior consolidated financial statements and accompanying notes to conform to the presentation as of and for the year ended June 30, 2014.

Use of Estimates

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

Basis of Consolidation

Under the 1940 Act, the regulations pursuant to Article 6 of Regulation S-X and ASC 946, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Our consolidated financial statements include our accounts and the accounts of PCF and PSBL, our wholly-owned, closely-managed subsidiaries that are also investment companies. All intercompany balances and transactions have been eliminated in consolidation.

On May 6, 2014, we announced in our filing on Form 10-Q for the quarter ended March 31, 2014 that the SEC Staff had asserted certain of our wholly-owned holding companies were investment companies, such companies were required to be consolidated in our historical financial results and financial position, and restatement of such financial statements was needed. At that time, we disclosed that we disagreed with the views of the SEC Staff and wished to appeal the conclusion through the Office of the Chief Accountant. On June 10, 2014, based on those discussions with the Office of the Chief Accountant, we concluded the following:

• Our historical non-consolidation of wholly-owned and substantially wholly-owned holding companies did not require restatement of our prior period financial statements.

Upon our adoption of ASU 2013-08 for the fiscal year ended June 30, 2015, we will begin consolidating on a prospective basis certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy.

The following companies will be consolidated: AMU Holdings Inc.; APH Property Holdings, LLC; Arctic Oilfield Equipment USA, Inc.; CCPI Holdings Inc.; CP Holdings of Delaware LLC; Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC; Harbortouch Holdings of Delaware Inc.; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc.; NPH Property Holdings, LLC; STI Holding, Inc.; UPH Property Holdings, LLC; Valley Electric Holdings I, Inc.; Valley Electric Holdings II, Inc.; and Wolf Energy Holdings Inc.

Any operating companies owned by the holding companies will not be consolidated. We do not expect this consolidation to have any material effect on our financial position or results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include funds deposited with financial institutions and short-term, highly-liquid investments in money market funds. Cash and cash equivalents are carried at cost which approximates fair value.

Investment Classification

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

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Amounts for investments recognized or derecognized but not yet settled are reported as receivables for investments sold and payables for investments purchased, respectively, in the Consolidated Statements of Assets and Liabilities.

Investment Risks

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

Market Risk

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

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Prepayment Risk

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making the security less likely to be an income producing instrument.

Investment Valuation

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors;
2. The independent valuation firms conduct independent valuations and make their own independent assessments;
3. The Audit Committee of our Board of Directors reviews and discusses the preliminary valuation of Prospect Capital Management LLC (the "Investment Adviser") and that of the independent valuation firms; and
4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

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

may be derived utilizing an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts.

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

Our investments in CLOs are classified as ASC 820 Level 3 securities and are valued using a discounted cash flow model. The valuations have been accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach has been chosen from alternative approaches to ensure the most accurate valuation for such security. To value a CLO, both the assets and the liabilities of the CLO capital structure are modeled. We use a waterfall engine to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, distribute the cash flows to the liability structure based on the payment priorities, and discount them back using current market discount rates. The main risk factors are: default risk, interest rate risk, downgrade risk, and credit spread risk.

Valuation of Other Financial Assets and Financial Liabilities

The Fair Value Option within ASC 825, Financial Instruments, specifically ASC 825-10-25, permits an entity to elect fair value as the initial and subsequent measurement attribute for eligible assets and liabilities for which the assets and liabilities are measured using another measurement attribute. For our non-investment assets and liabilities, we have elected not to value them at fair value as would be permitted by ASC 825-10-25.

Senior Convertible Notes

We have recorded the Senior Convertible Notes (see Note 5) at their contractual amounts. The Senior Convertible Notes were analyzed for any features that would require their accounting to be bifurcated and such features were determined to be immaterial.

Revenue Recognition

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

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis.

Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Accretion of such purchase discounts or amortization of premiums is calculated by the effective interest method as of the purchase date and adjusted only for material amendments or prepayments. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income. The purchase discount for portfolio investments acquired from Patriot Capital Funding, Inc. ("Patriot") was determined based on the difference between par value and fair value as of December 2, 2009, and continues to accrete until maturity or repayment of the respective loans (see Note 3). As of June 30, 2014, the purchase discount from the assets acquired from Patriot has been fully accreted.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected.

Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment.

Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, are likely to remain current. As of June 30, 2014, approximately 0.1% of our total assets are in non-accrual status.

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

Dividend income is recorded on the ex-dividend date.

Structuring fees and similar fees are recognized as income as earned, usually when paid. Structuring fees, excess deal deposits, net profits interests and overriding royalty interests are included in other income.

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Federal and State Income Taxes

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

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. Based on our tax returns, we had an excise tax liability of \$1,918 for the calendar year ended December 31, 2012 and none for the calendar year ended December 31, 2013. As of June 30, 2014, we had a prepaid excise tax balance of \$2,200 because we have made estimated excise tax payments in excess of our expected excise tax liability for the calendar year ending December 31, 2014.

If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Internal Revenue Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years reduced by an interest charge of 50% of such earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years.

We follow ASC 740, Income Taxes ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of June 30, 2013 and 2014 and for the years then ended, we did not have a liability for any unrecognized tax benefits, respectively. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2010 remain subject to examination by the Internal Revenue Service.

Dividends and Distributions

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

Financing Costs

We record origination expenses related to our Revolving Credit Facility and Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® (collectively, our "Senior Notes"), as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method for our Revolving

Credit Facility and the effective interest method for our Senior Notes over the respective expected life or maturity. We record registration expenses related to shelf filings as prepaid assets. These expenses consist principally of SEC registration fees, legal fees and accounting fees incurred. These prepaid assets are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed.

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Guarantees and Indemnification Agreements

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

Per Share Information

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

Recent Accounting Pronouncements

In June 2013, the FASB issued Accounting Standards Update 2013-08, Financial Services — Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure Requirements (“ASU 2013-08”). The update clarifies the approach to be used for determining whether an entity is an investment company and provides new measurement and disclosure requirements. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier application is prohibited. The adoption of the amended guidance in ASU 2013-08 is not expected to have a significant effect on our consolidated financial statements and disclosures.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The update supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The adoption of the amended guidance in ASU 2014-09 is not expected to have a significant effect on our consolidated financial statements and disclosures.

Note 3. Portfolio Investments

At June 30, 2014, we had investments in 143 long-term portfolio investments, which had an amortized cost of \$6,371,522 and a fair value of \$6,253,739. At June 30, 2013, we had investments in 124 long-term portfolio investments, which had an amortized cost of \$4,255,778 and a fair value of \$4,172,852.

The original cost basis of debt placements and equity securities acquired, including follow-on investments for existing portfolio companies, totaled \$2,952,456 and \$3,103,217 during the year ended June 30, 2014 and June 30, 2013, respectively. Debt repayments and proceeds from sales of equity securities of approximately \$787,069 and \$931,534 were received during the year ended June 30, 2014 and June 30, 2013, respectively.

The following table shows the composition of our investment portfolio as of June 30, 2014 and June 30, 2013:

| | June 30, 2014 | | June 30, 2013 | |
|-------------------------------|---------------|-------------|---------------|-------------|
| | Cost | Fair Value | Cost | Fair Value |
| Revolving Line of Credit | \$3,445 | \$2,786 | \$9,238 | \$8,729 |
| Senior Secured Debt | 3,578,339 | 3,514,198 | 2,262,327 | 2,207,091 |
| Subordinated Secured Debt | 1,272,275 | 1,200,221 | 1,062,386 | 1,024,901 |
| Subordinated Unsecured Debt | 85,531 | 85,531 | 88,470 | 88,827 |
| Small Business Whole Loans(1) | 4,637 | 4,252 | — | — |
| CLO Debt | 28,118 | 33,199 | 27,667 | 28,589 |
| CLO Residual Interest | 1,044,656 | 1,093,985 | 660,619 | 658,086 |
| Equity(2) | 354,521 | 319,567 | 145,071 | 156,629 |
| Total Investments | \$6,371,522 | \$6,253,739 | \$4,255,778 | \$4,172,852 |

- (1) Our wholly-owned subsidiary, PSBL, purchases a series of small business whole loans on recurring basis, which are originated by OnDeck.
- (2) Includes our investments in preferred stock, common stock, membership interests, net profits interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants, unless specifically stated otherwise.

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------|---------|-------------|-------------|
| Revolving Line of Credit | \$— | \$— | \$2,786 | \$2,786 |
| Senior Secured Debt | — | — | 3,514,198 | 3,514,198 |
| Subordinated Secured Debt | — | — | 1,200,221 | 1,200,221 |
| Subordinated Unsecured Debt | — | — | 85,531 | 85,531 |
| Small Business Whole Loans | — | — | 4,252 | 4,252 |
| CLO Debt | — | — | 33,199 | 33,199 |
| CLO Residual Interest | — | — | 1,093,985 | 1,093,985 |
| Equity | 168 | — | 319,399 | 319,567 |
| Total Investments | \$168 | \$— | \$6,253,571 | \$6,253,739 |

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2013:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------|---------|-------------|-------------|
| Revolving Line of Credit | \$— | \$— | \$8,729 | \$8,729 |
| Senior Secured Debt | — | — | 2,207,091 | 2,207,091 |
| Subordinated Secured Debt | — | — | 1,024,901 | 1,024,901 |
| Subordinated Unsecured Debt | — | — | 88,827 | 88,827 |
| CLO Debt | — | — | 28,589 | 28,589 |
| CLO Residual Interest | — | — | 658,086 | 658,086 |
| Equity | 112 | — | 156,517 | 156,629 |
| Total Investments | \$112 | \$— | \$4,172,740 | \$4,172,852 |

The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2014:

| | Fair Value Measurements Using Unobservable Inputs (Level 3) | | | | | | | | |
|--|---|-----------------------|---------------------------------------|-----------------------------|----------------------|----------|-----------------------|-----------|-------------|
| | Control Investments | Affiliate Investments | Non-Control/Non-Affiliate Investments | Total | | | | | |
| Fair value as of June 30, 2013 | \$ 811,634 | \$ 42,443 | \$ 3,318,663 | \$ 4,172,740 | | | | | |
| Total realized loss, net | — | — | (3,346) | (3,346) | | | | | |
| Change in unrealized depreciation | (20,519) | (4,500) | (9,894) | (34,913) | | | | | |
| Net realized and unrealized loss | (20,519) | (4,500) | (13,240) | (38,259) | | | | | |
| Purchases of portfolio investments | 901,297 | — | 2,036,014 | 2,937,311 | | | | | |
| Payment-in-kind interest | 11,796 | 90 | 3,259 | 15,145 | | | | | |
| Accretion (amortization) of discounts and premiums | — | 399 | (46,696) | (46,297) | | | | | |
| Repayments and sales of portfolio investments | (82,363) | (700) | (704,006) | (787,069) | | | | | |
| Transfers within Level 3(1) | 18,609 | (5,611) | (12,998) | — | | | | | |
| Transfers in (out) of Level 3(1) | — | — | — | — | | | | | |
| Fair value as of June 30, 2014 | \$ 1,640,454 | \$ 32,121 | \$ 4,580,996 | \$ 6,253,571 | | | | | |
| | Revolving Line of Credit | Senior Secured Debt | Subordinated Secured Debt | Subordinated Unsecured Debt | Small Business Loans | CLO Debt | CLO Residual Interest | Equity | Total |
| Fair value as of June 30, 2013 | \$8,729 | \$2,207,091 | \$1,024,901 | \$88,827 | \$— | \$28,589 | \$658,086 | \$156,517 | \$4,172,740 |
| Total realized (loss) gain, net | — | (1,593) | (7,558) | — | — | — | 1,183 | 4,622 | (3,346) |
| Change in unrealized (depreciation) appreciation | (150) | (8,907) | (34,566) | (357) | (386) | 4,159 | 51,864 | (46,570) | (34,913) |
| Net realized and unrealized (loss) gain | (150) | (10,500) | (42,124) | (357) | (386) | 4,159 | 53,047 | (41,948) | (38,259) |
| Purchases of portfolio investments | 14,850 | 1,692,384 | 554,973 | — | 6,540 | — | 453,492 | 215,072 | 2,937,311 |
| Payment-in-kind interest | — | 13,850 | 428 | 867 | — | — | — | — | 15,145 |
| Accretion (amortization) of discounts and premiums | — | 683 | 2,065 | 73 | — | 451 | (49,569) | — | (46,297) |
| Repayments and sales of portfolio investments | (20,643) | (389,310) | (270,022) | (73,879) | (1,902) | — | (21,071) | (10,242) | (787,069) |
| Transfers within Level 3(1) | — | — | (70,000) | 70,000 | — | — | — | — | — |
| Transfers in (out) of Level 3(1) | — | — | — | — | — | — | — | — | — |
| | \$2,786 | \$3,514,198 | \$1,200,221 | \$85,531 | \$4,252 | \$33,199 | \$1,093,985 | \$319,399 | \$6,253,571 |

Fair value as of
June 30, 2014

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

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The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2013:

| | Fair Value Measurements Using Unobservable Inputs (Level 3) | | | | | | | | |
|--|---|-----------------------|---------------------------------------|-----------------------------|----------------------|-----------|-----------------------|--------------|--------------|
| | Control Investments | Affiliate Investments | Non-Control/Non-Affiliate Investments | | | | | Total | |
| Fair value as of June 30, 2012 | \$ 564,489 | \$ 46,116 | \$ 1,483,487 | | | | | \$ 2,094,092 | |
| Total realized loss, net | (9,688) |) — | (16,672) | | | | | (26,360) | |
| Change in unrealized depreciation | (64,991) |) (8,634) | (4,192) | | | | | (77,817) | |
| Net realized and unrealized loss | (74,679) |) (8,634) | (20,864) | | | | | (104,177) | |
| Purchases of portfolio investments | 387,866 | 30,000 | 2,674,404 | | | | | 3,092,270 | |
| Payment-in-kind interest | 2,668 | 715 | 7,564 | | | | | 10,947 | |
| Accretion of discounts and premiums | — | 922 | 10,095 | | | | | 11,017 | |
| Repayments and sales of portfolio investments | (68,710) |) (26,676) | (836,023) | | | | | (931,409) | |
| Transfers within Level 3(1) | — | — | — | | | | | — | |
| Transfers in (out) of Level 3(1) | — | — | — | | | | | — | |
| Fair value as of June 30, 2013 | \$ 811,634 | \$ 42,443 | \$ 3,318,663 | | | | | \$ 4,172,740 | |
| | Revolving Line of Credit | Senior Secured Debt | Subordinated Secured Debt | Subordinated Unsecured Debt | Small Business Loans | CLO Debt | CLO Residual Interest | Equity | Total |
| Fair value as of June 30, 2012 | \$ 868 | \$ 1,080,053 | \$ 488,113 | \$ 73,195 | \$ — | \$ 27,717 | \$ 218,009 | \$ 206,137 | \$ 2,094,092 |
| Total realized (loss) gain, net | — | (21,545) | (22,001) | — | — | — | — | 17,186 | (26,360) |
| Change in unrealized (depreciation) appreciation | (232) |) 3,197 | 19,265 | (222) |) — | 464 | (5,981) | (94,308) | (77,817) |
| Net realized and unrealized (loss) gain | (232) | (18,348) | (2,736) | (222) |) — | 464 | (5,981) | (77,122) | (104,177) |
| Purchases of portfolio investments | 21,143 | 1,626,172 | 812,025 | 133,700 | — | — | 440,050 | 59,180 | 3,092,270 |
| Payment-in-kind interest | — | 4,401 | 3,687 | 2,859 | — | — | — | — | 10,947 |
| Accretion of discounts and premiums | — | 1,747 | 2,346 | 508 | — | 408 | 6,008 | — | 11,017 |
| Repayments and sales of portfolio investments | (13,050) | (499,900) | (265,568) | (121,213) | — | — | — | (31,678) | (931,409) |
| Transfers within Level 3(1) | — | 12,966 | (12,966) | — | — | — | — | — | — |
| Transfers in (out) of Level 3(1) | — | — | — | — | — | — | — | — | — |
| Fair value as of June 30, 2013 | \$ 8,729 | \$ 2,207,091 | \$ 1,024,901 | \$ 88,827 | \$ — | \$ 28,589 | \$ 658,086 | \$ 156,517 | \$ 4,172,740 |

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

For the year ended June 30, 2014 and 2013, the net increase in unrealized depreciation on the investments that use Level 3 inputs was \$55,956 and \$77,488 for assets still held as of June 30, 2014 and 2013, respectively.

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The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2014 were as follows:

| Asset Category | Fair Value | Primary Valuation Technique | Unobservable Input | | Weighted Average |
|-----------------------------|-------------|-----------------------------|---------------------|-------------|------------------|
| | | | Input | Range | |
| Senior Secured Debt | \$2,550,073 | Yield Analysis | Market Yield | 5.5%-20.3% | 11.1% |
| Senior Secured Debt | 560,485 | EV Analysis | EBITDA Multiple | 3.5x-9.0x | 7.1x |
| Senior Secured Debt | 110,525 | EV Analysis | N/A | N/A | N/A |
| Senior Secured Debt | 3,822 | Liquidation Analysis | N/A | N/A | N/A |
| Senior Secured Debt | 292,079 | Net Asset Value Analysis | Capitalization Rate | 4.5%-10.0% | 7.4% |
| Subordinated Secured Debt | 832,181 | Yield Analysis | Market Yield | 8.7%-14.7% | 10.9% |
| Subordinated Secured Debt | 353,220 | EV Analysis | EBITDA Multiple | 4.5x-8.2x | 6.2x |
| Subordinated Secured Debt | 14,820 | EV Analysis | Book Value Multiple | 8.4x-8.9x | 8.6x |
| Subordinated Unsecured Debt | 85,531 | Yield Analysis | Market Yield | 7.4%-14.4% | 12.1% |
| Small Business Whole Loans | 4,252 | Yield Analysis | Market Yield | 75.5%-79.5% | 77.5% |
| CLO Debt | 33,199 | Discounted Cash Flow | Discount Rate | 4.2%-5.8% | 4.9% |
| CLO Residual Interest | 1,093,985 | Discounted Cash Flow | Discount Rate | 10.4%-23.7% | 16.8% |
| Equity | 237,162 | EV Analysis | EBITDA Multiple | 0.0x-15.3x | 5.3x |
| Equity | 3,171 | Yield Analysis | Market Yield | 13.7%-16.5% | 15.1% |
| Equity | 63,157 | Net Asset Value Analysis | Capitalization Rate | 4.5%-10.0% | 7.4% |
| Equity | 14,107 | Discounted Cash Flow | Discount Rate | 8.0%-10.0% | 9.0% |
| Net Profits Interest | 213 | Liquidation Analysis | N/A | N/A | N/A |
| Escrow Receivable | 1,589 | Discounted Cash Flow | Discount Rate | 6.6%-7.8% | 7.2% |
| Total Level 3 Investments | \$6,253,571 | | | | |

The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2013 were as follows:

| Asset Category | Fair Value | Primary Valuation Technique | Unobservable Input | | Weighted Average |
|-----------------------------|-------------|-----------------------------|---------------------|-------------|------------------|
| | | | Input | Range | |
| Senior Secured Debt | \$1,616,485 | Yield Analysis | Market Yield | 5.7%-20.8% | 10.8% |
| Senior Secured Debt | 468,082 | EV Analysis | EBITDA Multiple | 3.3x-8.8x | 6.7x |
| Senior Secured Debt | 5,361 | Liquidation Analysis | N/A | N/A | N/A |
| Senior Secured Debt | 125,892 | Net Asset Value Analysis | Capitalization Rate | 5.0%-10.0% | 7.5% |
| Subordinated Secured Debt | 962,702 | Yield Analysis | Market Yield | 7.7%-19.8% | 11.6% |
| Subordinated Secured Debt | 62,199 | EV Analysis | EBITDA Multiple | 3.3x-7.0x | 4.4x |
| Subordinated Unsecured Debt | 69,127 | Yield Analysis | Market Yield | 6.1%-14.6% | 10.7% |
| Subordinated Unsecured Debt | 19,700 | EV Analysis | EBITDA Multiple | 5.5x-6.5x | 6.0x |
| CLO Debt | 28,589 | Discounted Cash Flow | Discount Rate | 12.1%-20.1% | 15.7% |
| CLO Residual Interest | 658,086 | Discounted Cash Flow | Discount Rate | 11.3%-19.8% | 15.3% |
| Equity | 151,855 | EV Analysis | EBITDA Multiple | 0.1x-8.8x | 3.9x |

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| | | | | | |
|------------------------------|-------------|----------------------|---------------|-----------|------|
| Escrow Receivable | 4,662 | Discounted Cash Flow | Discount Rate | 6.5%-7.0% | 6.8% |
| Total Level 3 Investments | \$4,172,740 | | | | |

In determining the range of value for debt instruments except CLOs, management and the independent valuation firm generally estimate corporate and security credit ratings and identify corresponding yields to maturity for each loan from relevant market data. A discounted cash flow analysis was then prepared using the appropriate yield to maturity as the discount rate, to determine range of value. For non-traded equity investments, the enterprise value was determined by applying earnings before income tax, depreciation and amortization (“EBITDA”) multiples for similar guideline public companies and/or similar recent investment transactions. For stressed equity investments, a liquidation analysis was prepared.

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In determining the range of value for our investments in CLOs, management and the independent valuation firm used discounted cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach was chosen from alternative approaches to ensure the most accurate valuation for such security. A waterfall engine is used to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, and distribute the cash flows to the liability structure based on the payment priorities, and discount them back using proper discount rates.

The significant unobservable input used to value our investments based on the yield analysis and discounted cash flow analysis, is the market yield (or applicable discount rate) used to discount the estimated future cash flows expected to be received from the underlying investment, which includes both future principal and interest payments. Significant increases or decreases in the discount rate would result in a decrease or increase, respectively, in the fair value measurement. Included in the consideration and selection of market yields or discount rates are the following factors: risk of default, rating of the investment and comparable company investments, and call provisions.

The significant unobservable inputs used to value our investments based on the EV analysis may include market multiples of specified financial measures such as EBITDA of identified guideline public companies, implied valuation multiples from precedent M&A transactions, and/or discount rates applied in a discounted cash flow analysis. The independent valuation firm identifies a population of publicly traded companies with similar operations and key attributes to that of the portfolio company. Using valuation and operating metrics of these guideline public companies and/or as implied by relevant precedent transactions, a range of multiples of to the latest twelve months EBITDA, or other measure, is typically calculated. The independent valuation firm utilizes the determined multiples to estimate the portfolio company's based on, generally, the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Significant increases or decreases in the multiple may result in an increase or decrease, respectively, in enterprise value, which may increase or decrease the fair value estimate of the debt and/or equity investment, as applicable. In certain instances, a discounted cash flow analysis may be considered in estimating enterprise value, in which case, discount rates based on a weighted average cost of capital and application of the Capital Asset Pricing Model may be utilized.

The significant unobservable input used to value our investments based on the net asset value analysis is the capitalization rate applied to earnings measure of the underlying property. Significant increases or decreases in the discount rate would result in a decrease or increase, respectively, in the fair value measurement.

Changes in market yields, discount rates, capitalization rates or EBITDA multiples, each in isolation, may change the fair value of certain of our investments. Generally, an increase in market yields, discount rates or capitalization rate, or decrease in EBITDA multiples, may result in a decrease in the fair value of certain of our investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which we have recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the valuations currently assigned.

During the year ended June 30, 2014, the valuation methodology for Ajax changed to incorporate a weighted sale value evidenced by a pending transaction into the EV analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Ajax to \$25,536 as of June 30, 2014, a discount of \$21,014 from its amortized cost, compared to the \$6,057 unrealized depreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Gulf Coast changed to incorporate an EV analysis in place of the yield analysis used in previous periods. Management adopted the EV analysis due to a deterioration in operating results and resulting foreclosure culminating in our obtaining majority voting control of the

company. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Gulf Coast to \$14,459 as of June 30, 2014, a discount of \$28,991 from its amortized cost, compared to the \$9,241 unrealized depreciation recorded at June 30, 2013.

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During the year ended June 30, 2014, the valuation methodology for ICON Health & Fitness, Inc. ("ICON") changed to incorporate limited secondary trade data in lieu of weighted broker quotes used previously, in addition to the yield analysis and EV analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in ICON to \$20,889 as of June 30, 2014, a discount of \$1,116 from its amortized cost, compared to the \$9,381 unrealized depreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for New Century Transportation, Inc. ("NCT") changed to incorporate an EV analysis in addition to the yield analysis used in previous periods. Management adopted the EV analysis due to a deterioration in operating results and resulting credit impairment. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in NCT to zero as of June 30, 2014, a discount of \$44,000 from its amortized cost, compared to the \$954 unrealized depreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Sandow Media, LLC ("Sandow") changed to incorporate an EV analysis in addition to the yield analysis used in previous periods. Management adopted the EV analysis due to a deterioration in operating results and resulting credit impairment. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Sandow to \$23,524 as of June 30, 2014, a discount of \$1,557 from its amortized cost, compared to being valued at an amount which was the same as cost as of June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Snacks Parent Corporation ("Snacks") changed to incorporate a weighted sale value evidenced by a pending transaction into the EV analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we increased the fair value of our investment in Snacks to \$1,819 as of June 30, 2014, a premium of \$1,228 from its amortized cost, compared to the \$5 unrealized appreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Targus Group International, Inc. ("Targus") changed to incorporate weighted broker quotes in addition to the yield analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Targus to \$19,949 as of June 30, 2014, a discount of \$1,748 from its amortized cost, compared to the \$311 unrealized appreciation recorded at June 30, 2013.

During the year ended June 30, 2013, we provided \$125,892 and \$26,648 of debt and equity financing, respectively, to APH for the acquisition of various real estate properties. During the year ended June 30, 2014, we provided \$135,350 and \$28,398 of debt and equity financing, respectively, to APH for the acquisition of certain properties. In December 2013, American Property REIT Corp. ("APRC"), a wholly-owned subsidiary of APH, distributed its investments in fourteen properties: eight to National Property REIT Corp. ("NPRC"), a wholly-owned subsidiary of NPH; and six to United Property REIT Corp. ("UPRC"), a wholly-owned subsidiary of UPH, two newly formed REIT holding companies which are discussed below. The investments transferred consisted of \$98,164 and \$20,022 of debt and equity financing, respectively. The eight investments transferred to NPRC from APRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. The six investments transferred to UPRC from APRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no gain or loss realized on these transactions.

As of June 30, 2014, APRC's real estate portfolio was comprised of fourteen multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties:

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|--------------------------|--------------------|------------------|----------------|----------------------|
| 1 | Abbingtion Pointe | Marietta, GA | 12/28/2012 | \$ 23,500 | \$ 15,275 |
| 2 | Amberly Place | Tampa, FL | 1/17/2013 | 63,400 | 39,600 |
| 3 | Lofton Place | Tampa, FL | 4/30/2013 | 26,000 | 16,965 |
| 4 | Vista at Palma Sola | Bradenton, FL | 4/30/2013 | 27,000 | 17,550 |
| 5 | Arlington Park | Marietta, GA | 5/8/2013 | 14,850 | 9,650 |
| 6 | The Resort | Pembroke Pines, FL | 6/24/2013 | 225,000 | 157,500 |
| 7 | Cordova Regency | Pensacola, FL | 11/15/2013 | 13,750 | 9,026 |
| 8 | Crestview at Oakleigh | Pensacola, FL | 11/15/2013 | 17,500 | 11,488 |
| 9 | Inverness Lakes | Mobile, AL | 11/15/2013 | 29,600 | 19,400 |
| 10 | Kings Mill Apartments | Pensacola, FL | 11/15/2013 | 20,750 | 13,622 |
| 11 | Plantations at Pine Lake | Tallahassee, FL | 11/15/2013 | 18,000 | 11,817 |
| 12 | Verandas at Rocky Ridge | Birmingham, AL | 11/15/2013 | 15,600 | 10,205 |
| 13 | Crestview at Cordova | Pensacola, FL | 1/17/2014 | 8,500 | 5,072 |
| 14 | Plantations at Hillcrest | Mobile, AL | 1/17/2014 | 6,930 | 5,094 |
| 15 | Taco Bell, OK | Yukon, OK | 6/4/2014 | 1,719 | — |
| | | | | \$ 512,099 | \$ 342,264 |

(1) These properties comprise the Gulf Coast Portfolio.

(2) These properties comprise the Gulf Coast II Portfolio.

The eight investments transferred to NPRC from APRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. There was no gain or loss realized on these transactions. During the year ended June 30, 2014, we provided \$34,050 and \$6,375 of debt and equity financing, respectively, to NPH for the acquisition of certain properties and to invest in peer-to-peer loans.

As of June 30, 2014, NPRC's real estate portfolio was comprised of nine multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties:

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|--------------------|-----------------------|------------------|----------------|----------------------|
| 1 | 146 Forest Parkway | Forest Park, GA | 10/24/2012 | \$ 7,400 | \$ — |
| 2 | Bexley | Marietta, GA | 11/1/2013 | 30,600 | 22,497 |
| 3 | St. Marin | Coppell, TX | 11/19/2013 | 73,078 | 53,863 |
| 4 | Mission Gate | Plano, TX | 11/19/2013 | 47,621 | 36,148 |
| 5 | Vinings Corner | Smyrna, GA | 11/19/2013 | 35,691 | 26,640 |
| 6 | Central Park | Altamonte Springs, FL | 11/19/2013 | 36,590 | 27,471 |
| 7 | City West | Orlando, FL | 11/19/2013 | 23,562 | 18,533 |
| 8 | Matthews Reserve | Matthews, NC | 11/19/2013 | 22,063 | 17,571 |
| 9 | Indigo | Jacksonville, FL | 12/31/2013 | 38,000 | 28,500 |
| 10 | Island Club | Atlantic Beach, FL | 1/31/2014 | 13,025 | 9,118 |
| | | | | \$ 327,630 | \$ 240,341 |

(1) These properties comprise the Oxford Portfolio.

The six investments transferred to UPRC from APRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no gain or loss realized on these transactions. During the year ended June 30, 2014, we provided \$1,405 of equity financing to UPH for the acquisition of certain properties.

As of June 30, 2014, UPRC's real estate portfolio was comprised of six multi-families properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties:

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|-------------------|------------------|------------------|----------------|----------------------|
| 1 | Eastwood Village | Stockbridge, GA | 12/12/2013 | \$25,957 | \$19,785 |
| 2 | Monterey Village | Jonesboro, GA | 12/12/2013 | 11,501 | 9,193 |
| 3 | Hidden Creek | Morrow, GA | 12/12/2013 | 5,098 | 3,619 |
| 4 | Meadow Springs | College Park, GA | 12/12/2013 | 13,116 | 10,180 |
| 5 | Meadow View | College Park, GA | 12/12/2013 | 14,354 | 11,141 |
| 6 | Peachtree Landing | Fairburn, GA | 12/12/2013 | 17,224 | 13,575 |
| 7 | Taco Bell, MO | Marshall, MO | 6/4/2014 | 1,405 | — |
| | | | | \$88,655 | \$67,493 |

(1) These properties comprise the Stonemark Portfolio.

On January 4, 2012, Energy Solutions sold its gas gathering and processing assets ("Gas Solutions") for a sale price of \$199,805, adjusted for the final working capital settlement, including a potential earnout of \$28,000 that may be paid based on the future performance of Gas Solutions. Through June 30, 2014, we have not accrued income for any portion of the \$28,000 potential payment. After expenses, including structuring fees of \$9,966 paid to us, Energy Solutions received \$158,687 in cash. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, distributions from Energy Solutions to us were required to be recognized as dividend income, in accordance with ASC 946, as cash distributions were received from Energy Solutions, to the extent there are current year earnings and profits sufficient to support such recognition. During the year ended June 30, 2013, we received distributions of \$53,820 from Energy Solutions which were recorded as dividend income. No such dividends were received during the year ended June 30, 2014.

During the year ended June 30, 2014, Energy Solutions repaid the remaining \$8,500 of our subordinated secured debt to us. In addition to the repayment of principal, we received \$4,812 of make-whole fees for early repayment of the outstanding loan receivables, which was recorded as additional interest income during the year ended June 30, 2014. On November 25, 2013, we provided \$13,000 in senior secured debt financing for the recapitalization of our investment in Freedom Marine Services Holdings, LLC ("Freedom Marine"), a subsidiary of Energy Solutions. The subordinated secured loan to Jettco Marine Services, LLC ("Jettco"), a subsidiary of Freedom Marine, was replaced with a senior secured note to Vessel Holdings II, LLC ("Vessel II"), a new subsidiary of Freedom Marine. On December 3, 2013, we made a \$16,000 senior secured investment in Vessel Holdings III, LLC, another new subsidiary of Freedom Marine. Overall the restructuring of our investment in Freedom Marine provided approximately \$16,000 net senior secured debt financing to support the acquisition of two new vessels. We received \$2,480 of structuring fees from Energy Solutions related to the Freedom Marine restructuring which was recognized as other income during the year ended June 30, 2014.

During the three months ended December 31, 2012, we determined that the impairment of Integrated Contract Solutions, Inc. ("ICS") was other-than-temporary and recorded a realized loss of \$12,198 for the amount that the amortized cost exceeded the fair market value. Our remaining investment in THS, an affiliate of ICS, was valued at zero as of June 30, 2014 and continues to provide staffing solutions for health care facilities and security staffing. On November 30, 2012, we made a secured second lien investment of \$9,500 to support the recapitalization of R-V. As part of the recapitalization, we received a dividend of \$11,073 for our investment in R-V's common stock. On March 28, 2013, we sold our investment in New Meatco Provisions, LLC for net proceeds of approximately \$1,965 and realized a loss of \$10,814 on the sale.

On April 30, 2013, we sold our investment in Fischbein, LLC for net proceeds of \$3,168, recognizing a realized gain of \$2,293 on the sale. In addition, there is \$155 being held in escrow which will be recognized as additional gain if and when received.

On April 15, 2013, assets previously held by H&M were assigned to Wolf Energy, LLC in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826. We received \$3,960 of structuring and advisory fees from Wolf during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

In June 2013, we determined that the impairment of Manx was other-than-temporary and recorded a realized loss of \$9,397 for the amount that the amortized cost exceeded the fair market value

On August 6, 2013, we received a distribution of \$3,252 related to our investment in NRG Manufacturing, Inc. ("NRG"), for which we realized a gain of the same amount. This was a partial release of the amount held in escrow. On October 31, 2013, we sold \$18,755 of the National Bankruptcy Services, LLC loan receivable. The loan receivable was sold at a discount and we realized a loss of \$7,853.

During the year ended June 30, 2013, we recognized \$1,481 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the \$1,481 recorded during the year ended June 30, 2013 is \$1,111 of normal accretion and \$370 of accelerated accretion resulting from the repayment of Hudson Products Holdings, Inc. During the year ended June 30, 2014, we recognized \$400 of interest income due to purchase discount accretion from the assets acquired from Patriot. No accelerated accretion was recorded during the year ended June 30, 2014. As of June 30, 2014, there is no more purchase discount from the assets acquired from Patriot that remains to be accreted. As of June 30, 2014, \$4,499,955 of our loans, at fair value, bear interest at floating rates and \$4,466,756 of those loans have Libor floors ranging from 1.25% to 6.00%.

At June 30, 2014, nine loan investments were on non-accrual status: Boxercraft, Borga, THS, Manx, NCT, Stryker, Wind River, Wolf and Yatesville. At June 30, 2013, eight loan investments were on non-accrual status: Borga, Jettco, THS, Manx, Stryker, Wind River, Wolf and Yatesville. Principal balances of these loans amounted to \$163,533 and \$106,395 as of June 30, 2014 and June 30, 2013, respectively. The fair value of these loans amounted to \$6,150 and \$13,810 as of June 30, 2014 and June 30, 2013, respectively. The fair values of these investments represent approximately 0.1% and 0.3% of our total assets as of June 30, 2014 and June 30, 2013, respectively. For the years ended June 30, 2014, 2013 and 2012, the income foregone as a result of not accruing interest on non-accrual debt investments amounted to \$24,040, \$25,965 and \$25,460, respectively.

Undrawn committed revolvers to our portfolio companies incur commitment fees ranging from 0.00% to 2.00%. As of June 30, 2014 and June 30, 2013, we have \$143,597 and \$202,518 of undrawn revolver commitments to our portfolio companies, respectively.

Unconsolidated Significant Subsidiaries (Unaudited)

Our investments are generally in small and mid-sized companies in a variety of industries. In accordance with SEC Regulation S-X Rules 3-09 and 4-08(g), we must determine which of our unconsolidated majority-owned portfolio companies, if any, are considered "significant subsidiaries." In evaluating these investments, there are three tests utilized to determine if any of our investments are considered "significant subsidiaries": the investment test, the asset test and the income test. SEC Regulation S-X 3-09, as interpreted by the SEC, requires separate audited financial statements of an unconsolidated majority-owned subsidiary if any of the three tests exceed 20% and SEC Regulation S-X 4-08(g) requires summarized financial information if any of the three tests exceed 10%.

At June 30, 2014 and June 30, 2013, we had no single investment that represented greater than 10% of our total investment portfolio at fair value. At June 30, 2014 and June 30, 2013, we had no single investment whose assets represented greater than 10% of our total assets. Income, consisting of interest, dividends, fees, other investment income and realization of gains or losses, can fluctuate upon repayment or sale of an investment or the marking to fair value of an investment in any given year can be highly concentrated among several investments. After performing the analysis, we determined that First Tower Holdings of Delaware LLC and Subsidiaries generated more than 10% of our income, but less than 20% of our income, primarily due to the unrealized gain that was recognized on the investment for the year ended June 30, 2014. As such, we provide summarized financial information as follows:

| | June 30, 2014 | June 30, 2013 | |
|---------------------------------|------------------------------|---------------|---------------------------------------|
| Balance Sheet Data | | | |
| Cash and short-term investments | \$ 60,368 | \$ 56,682 | |
| Finance receivables, net | 385,875 | 378,327 | |
| Intangibles, including goodwill | 137,696 | 161,008 | |
| Other assets | 14,066 | 14,303 | |
| Total liabilities | 611,237 | 545,778 | |
| Member's equity/(deficit) | (13,233 |) 64,542 | |
| | Twelve Months Ended June 30, | 2013 | Period June 15, 2012 to June 30, 2012 |
| Summary of Operations | | | |
| Total revenue | \$ 201,725 | \$ 188,672 | \$ 6,947 |
| Total expenses | 237,884 | 211,573 | 11,674 |
| Net loss | \$(36,159 |) \$(22,901 |) \$(4,727 |

Note 4. Revolving Credit Facility

On March 27, 2012, we closed on an expanded five-year \$650,000 revolving credit facility with a syndicate of lenders through PCF (the "2012 Facility"). The lenders have extended commitments of \$857,500 under the 2012 Facility as of June 30, 2014. The 2012 Facility includes an accordion feature which allows commitments to be increased up to \$1,000,000 in the aggregate. The revolving period of the 2012 Facility extends through March 2015, with an additional two year amortization period (with distributions allowed) after the completion of the revolving period. During such two year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two year amortization period, the remaining balance will become due, if required by the lenders.

The 2012 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2012 Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2012 Facility. The 2012 Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2014, we were in compliance with the applicable covenants.

Interest on borrowings under the 2012 Facility is one-month Libor plus 275 basis points with no minimum Libor floor. Additionally, the lenders charge a fee on the unused portion of the 2012 Facility equal to either 50 basis points, if at least half of the credit facility is drawn, or 100 basis points otherwise. The 2012 Facility requires us to pledge assets as collateral in order to borrow under the credit facility. As of June 30, 2014 and 2013, we had \$780,620 and \$473,508, respectively, available to us for borrowing under the 2012 Facility, of which the amount outstanding was \$92,000 and \$124,000, respectively. As additional eligible investments are transferred to PCF and pledged under the 2012 Facility, PCF will generate additional availability up to the current commitment amount of \$877,500. As of June 30, 2014, the investments used as collateral for the 2012 Facility had an aggregate fair value of \$1,535,476, which represents 24.1% of our total investments, including cash and cash equivalents. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and as such, these investments are not available to our general creditors. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the 2012 Facility, we incurred \$14,154 of fees, including \$1,319 of fees carried over from the previous facility, which are being amortized over the term of the facility in accordance with ASC 470-50, Debt Modifications and Extinguishments, of which \$4,883 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$12,216, \$9,082 and \$14,883, respectively, of interest costs, unused fees and amortization of financing costs on the 2012 Facility as interest expense.

Note 5. Senior Convertible Notes

On December 21, 2010, we issued \$150,000 aggregate principal amount of senior convertible notes that mature on December 15, 2015 (the “2015 Notes”), unless previously converted or repurchased in accordance with their terms. The 2015 Notes bear interest at a rate of 6.25% per year, payable semi-annually on June 15 and December 15 of each year, beginning June 15, 2011. Total proceeds from the issuance of the 2015 Notes, net of underwriting discounts and offering costs, were \$145,200.

On February 18, 2011, we issued \$172,500 aggregate principal amount of senior convertible notes that mature on August 15, 2016 (the “2016 Notes”), unless previously converted or repurchased in accordance with their terms. The 2016 Notes bear interest at a rate of 5.50% per year, payable semi-annually on February 15 and August 15 of each year, beginning August 15, 2011. Total proceeds from the issuance of the 2016 Notes, net of underwriting discounts and offering costs, were \$167,325. Between January 30, 2012 and February 2, 2012, we repurchased \$5,000 of the 2016 Notes at a price of 97.5, including commissions. The transactions resulted in our recognizing \$10 of loss in the year ended June 30, 2012.

On April 16, 2012, we issued \$130,000 aggregate principal amount of senior convertible notes that mature on October 15, 2017 (the “2017 Notes”), unless previously converted or repurchased in accordance with their terms. The 2017 Notes bear interest at a rate of 5.375% per year, payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2012. Total proceeds from the issuance of the 2017 Notes, net of underwriting discounts and offering costs, were \$126,035.

On August 14, 2012, we issued \$200,000 aggregate principal amount of senior convertible notes that mature on March 15, 2018 (the “2018 Notes”), unless previously converted or repurchased in accordance with their terms. The 2018 Notes bear interest at a rate of 5.75% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2013. Total proceeds from the issuance of the 2018 Notes, net of underwriting discounts and offering costs, were \$193,600.

On December 21, 2012, we issued \$200,000 aggregate principal amount of senior convertible notes that mature on January 15, 2019 (the “2019 Notes”), unless previously converted or repurchased in accordance with their terms. The 2019 Notes bear interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were \$193,600.

On April 11, 2014, we issued \$400,000 aggregate principal amount of senior convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were \$387,500.

Certain key terms related to the convertible features for the 2015 Notes, the 2016 Notes, the 2017 Notes, the 2018 Notes, the 2019 Notes and the 2020 Notes (collectively, the “Senior Convertible Notes”) are listed below.

| | 2015 Notes | 2016 Notes | 2017 Notes | 2018 Notes | 2019 Notes | 2020 Notes |
|---|------------|------------|------------|------------|------------|------------|
| Initial conversion rate(1) | 88.0902 | 78.3699 | 85.8442 | 82.3451 | 79.7766 | 80.6647 |
| Initial conversion price | \$ 11.35 | \$ 12.76 | \$ 11.65 | \$ 12.14 | \$ 12.54 | \$ 12.40 |
| Conversion rate at June 30, 2014(1)(2) | 89.0157 | 79.3176 | 86.9426 | 82.8631 | 79.7865 | 80.6647 |
| Conversion price at June 30, 2014(2)(3) | \$ 11.23 | \$ 12.61 | \$ 11.50 | \$ 12.07 | \$ 12.53 | \$ 12.40 |
| Last conversion price calculation date | 12/21/2013 | 2/18/2014 | 4/16/2014 | 8/14/2013 | 12/21/2013 | 4/11/2014 |

Dividend threshold amount (per share)(4) \$ 0.101125 \$ 0.101150 \$ 0.101500 \$ 0.101600 \$ 0.110025 \$ 0.110525

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

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

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The conversion price in effect at June 30, 2014 was calculated on the last anniversary of the issuance and will be (3) adjusted again on the next anniversary, unless the exercise price shall have changed by more than 1% before the anniversary.

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment.

In no event will the total number of shares of common stock issuable upon conversion exceed 96.8992 per \$1 principal amount of the 2015 Notes (the “conversion rate cap”), except that, to the extent we receive written guidance or a no-action letter from the staff of the Securities and Exchange Commission (the “Guidance”) permitting us to adjust the conversion rate in certain instances without regard to the conversion rate cap and to make the 2015 Notes convertible into certain reference property in accordance with certain reclassifications, business combinations, asset sales and corporate events by us without regard to the conversion rate cap, we will make such adjustments without regard to the conversion rate cap and will also, to the extent that we make any such adjustment without regard to the conversion rate cap pursuant to the Guidance, adjust the conversion rate cap accordingly. We will use our commercially reasonable efforts to obtain such Guidance as promptly as practicable.

Prior to obtaining the Guidance, we will not engage in certain transactions that would result in an adjustment to the conversion rate increasing the conversion rate beyond what it would have been in the absence of such transaction unless we have engaged in a reverse stock split or share combination transaction such that in our reasonable best estimation, the conversion rate following the adjustment for such transaction will not be any closer to the conversion rate cap than it would have been in the absence of such transaction.

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

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

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

In connection with the issuance of the Senior Convertible Notes, we incurred \$39,558 of fees which are being amortized over the terms of the notes, of which \$27,824 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$58,042, \$45,880 and \$22,197, respectively, of interest costs and amortization of financing costs on the Senior Convertible Notes as interest expense.

Note 6. Senior Unsecured Notes

On May 1, 2012, we issued \$100,000 aggregate principal amount of senior unsecured notes that mature on November 15, 2022 (the “2022 Notes”). The 2022 Notes bear interest at a rate of 6.95% per year, payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning August 15, 2012. Total proceeds from the issuance of the 2022 Notes, net of underwriting discounts and offering costs, were \$97,000.

On March 15, 2013, we issued \$250,000 aggregate principal amount of senior unsecured notes that mature on March 15, 2023 (the “2023 Notes”). The 2023 Notes bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2013. Total proceeds from the issuance of the 2023 Notes, net of underwriting discounts and offering costs, were \$245,885.

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On April 7, 2014, we issued \$300,000 aggregate principal amount of senior unsecured notes that mature on July 15, 2019 (the “5.00% 2019 Notes”). Included in the issuance is \$45,000 of Prospect Capital InterNotes® that was converted into the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were \$250,775.

The 2022 Notes, the 2023 Notes and the 5.00% 2019 Notes (collectively, the “Senior Unsecured Notes”) are direct unsecured obligations and rank equally with all of our unsecured senior indebtedness from time to time outstanding. In connection with the issuance of the Senior Unsecured Notes, we incurred \$11,358 of fees which are being amortized over the term of the notes, of which \$10,297 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$25,988, \$11,672 and \$1,178, respectively, of interest costs and amortization of financing costs on the Senior Unsecured Notes as interest expense.

Note 7. Prospect Capital InterNotes®

On February 16, 2012, we entered into a Selling Agent Agreement (the “Selling Agent Agreement”) with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to \$500,000 of Prospect Capital InterNotes® (the “InterNotes® Offering”), which was increased to \$1,500,000 in May 2014. Additional agents may be appointed by us from time to time in connection with the InterNotes® Offering and become parties to the Selling Agent Agreement.

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

During the year ended June 30, 2014, we issued \$473,762 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$465,314. These notes were issued with stated interest rates ranging from 3.75% to 6.75% with a weighted average interest rate of 5.12%. These notes mature between October 15, 2016 and October 15, 2043. Below is a summary of the Prospect Capital InterNotes® issued during the year ended June 30, 2014:

| 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 | 45,751 | 3.75%–4.00% | 3.92 | % November 15, 2017 – May 15, 2018 |
| 5 | 217,915 | 4.25%–5.00% | 4.91 | % July 15, 2018 – August 15, 2019 |
| 5.5 | 43,820 | 4.75%–5.00% | 4.77 | % February 15, 2019 – August 15, 2019 |
| 6.5 | 1,800 | 5.50% | 5.50 | % February 15, 2020 |
| 7 | 62,409 | 5.25%–5.75% | 5.44 | % July 15, 2020 – May 15, 2021 |
| 7.5 | 1,996 | 5.75% | 5.75 | % February 15, 2021 |
| 10 | 23,850 | 5.75%–6.50% | 5.91 | % January 15, 2024 – May 15, 2024 |
| 12 | 2,978 | 6.00% | 6.00 | % November 15, 2025 – December 15, 2025 |
| 15 | 2,495 | 6.00% | 6.00 | % August 15, 2028 – November 15, 2028 |
| 18 | 4,062 | 6.00%–6.25% | 6.21 | % July 15, 2031 – August 15, 2031 |
| 20 | 2,791 | 6.00% | 6.00 | % September 15, 2033 – October 15, 2033 |
| 25 | 34,886 | 6.25%–6.50% | 6.39 | % August 15, 2038 – May 15, 2039 |
| 30 | 20,150 | 6.50%–6.75% | 6.60 | % July 15, 2043 – October 15, 2043 |
| | \$473,762 | | | |

During the year ended June 30, 2013, we issued \$343,139 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$334,244. These notes were issued with stated interest rates ranging from 3.28% to 6.625% with a weighted average interest rate of 5.59%. These notes mature between July 15, 2019 and June 15, 2043. Below is a summary of the Prospect Capital InterNotes® issued during the year ended June 30, 2013:

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---------------------------------|------------------|---------------------|--------------------------------|---|
| 7 | \$ 190,937 | 4.00%–6.45% | 5.35 | % July 15, 2019 – June 15, 2020 |
| 10 | 1,489 | 3.28%–3.78% | 3.37 | % March 15, 2023 – April 15, 2023 |
| 15 | 15,000 | 5.00% | 5.00 | % May 15, 2028 – June 15, 2028 |
| 18 | 22,157 | 4.125%–6.00% | 5.34 | % December 15, 2030 – June 15, 2031 |
| 20 | 3,106 | 5.625%–5.75% | 5.70 | % November 15, 2032 – December 15, 2032 |
| 30 | 110,450 | 5.50%–6.625% | 6.15 | % November 15, 2042 – June 15, 2043 |
| | \$ 343,139 | | | |

In connection with the issuance of the 5.00% 2019 Notes, \$45,000 of previously-issued Prospect Capital InterNotes® were exchanged for the 5.00% 2019 Notes. During the year ended June 30, 2014, we repaid \$6,869 aggregate principal amount of our Prospect Capital InterNotes® in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. Below are the Prospect Capital InterNotes® outstanding as of June 30, 2014:

| 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 | 45,751 | 3.75%–4.00% | 3.92 | % November 15, 2017 – May 15, 2018 |
| 5 | 212,915 | 4.25%–5.00% | 4.92 | % July 15, 2018 – August 15, 2019 |
| 5.5 | 3,820 | 5.00% | 5.00 | % February 15, 2019 |
| 6.5 | 1,800 | 5.50% | 5.50 | % February 15, 2020 |
| 7 | 256,903 | 4.00%–6.55% | 5.39 | % June 15, 2019 – May 15, 2021 |
| 7.5 | 1,996 | 5.75% | 5.75 | % February 15, 2021 |
| 10 | 41,952 | 3.23%–7.00% | 6.18 | % March 15, 2022 – May 15, 2024 |
| 12 | 2,978 | 6.00% | 6.00 | % November 15, 2025 – December 15, 2025 |
| 15 | 17,465 | 5.00%–6.00% | 5.14 | % May 15, 2028 – November 15, 2028 |
| 18 | 25,435 | 4.125%–6.25% | 5.49 | % December 15, 2030 – August 15, 2031 |
| 20 | 5,847 | 5.625%–6.00% | 5.85 | % November 15, 2032 – October 15, 2033 |
| 25 | 34,886 | 6.25%–6.50% | 6.39 | % August 15, 2038 – May 15, 2039 |
| 30 | 125,063 | 5.50%–6.75% | 6.22 | % November 15, 2042 – October 15, 2043 |
| | \$ 785,670 | | | |

Below are the Prospect Capital InterNotes® outstanding as of June 30, 2013:

| Tenor at Origination (in years) | Principal Amount | Interest Rate Range | Weighted Average Interest Rate | Maturity Date Range |
|---------------------------------|------------------|---------------------|--------------------------------|---|
| 7 | \$ 194,937 | 4.00%–6.55% | 5.37 | % June 15, 2019 – June 15, 2020 |
| 10 | 18,127 | 3.28%–7.00% | 6.56 | % March 15, 2022 – April 15, 2023 |
| 15 | 15,000 | 5.00% | 5.00 | % May 15, 2028 – June 15, 2028 |
| 18 | 22,157 | 4.125%–6.00% | 5.34 | % December 15, 2030 – June 15, 2031 |
| 20 | 3,106 | 5.625%–5.75% | 5.70 | % November 15, 2032 – December 15, 2032 |
| 30 | 110,450 | 5.50%–6.625% | 6.15 | % November 15, 2042 – June 15, 2043 |
| | \$ 363,777 | | | |

In connection with the issuance of the Prospect Capital InterNotes®, we incurred \$20,235 of fees which are being amortized over the term of the notes, of which \$18,889 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$33,857, \$9,707 and \$276, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Note 8. Fair Value and Maturity of Debt Outstanding

The following table shows the Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® maximum draw amounts and outstanding borrowings as of June 30, 2014 and June 30, 2013:

| | June 30, 2014 | | June 30, 2013 | |
|------------------------------|---------------------|--------------------|---------------------|--------------------|
| | Maximum Draw Amount | Amount Outstanding | Maximum Draw Amount | Amount Outstanding |
| Revolving Credit Facility | \$857,500 | \$92,000 | \$552,500 | \$124,000 |
| Senior Convertible Notes | 1,247,500 | 1,247,500 | 847,500 | 847,500 |
| Senior Unsecured Notes | 647,881 | 647,881 | 347,725 | 347,725 |
| Prospect Capital InterNotes® | 785,670 | 785,670 | 363,777 | 363,777 |
| Total | \$3,538,551 | \$2,773,051 | \$2,111,502 | \$1,683,002 |

The following table shows the contractual maturities of our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® as of June 30, 2014:

| | Payments Due by Period | | | | |
|-------------------------------|------------------------|------------------|-------------|-------------|---------------|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | \$92,000 | \$— | \$92,000 | \$— | \$— |
| Senior Convertible Notes | 1,247,500 | — | 317,500 | 530,000 | 400,000 |
| Senior Unsecured Notes | 647,881 | — | — | — | 647,881 |
| Prospect Capital InterNotes® | 785,670 | — | 8,859 | 261,456 | 515,355 |
| Total Contractual Obligations | \$2,773,051 | \$— | \$418,359 | \$791,456 | \$1,563,236 |

The following table shows the contractual maturities of our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® as of June 30, 2013:

| | Payments Due by Period | | | | |
|-------------------------------|------------------------|------------------|-------------|-------------|---------------|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | After 5 Years |
| Revolving Credit Facility | \$ 124,000 | \$— | \$— | \$ 124,000 | \$— |
| Senior Convertible Notes | 847,500 | — | 150,000 | 297,500 | 400,000 |
| Senior Unsecured Notes | 347,725 | — | — | — | 347,725 |
| Prospect Capital InterNotes® | 363,777 | — | — | — | 363,777 |
| Total Contractual Obligations | \$ 1,683,002 | \$— | \$ 150,000 | \$ 421,500 | \$ 1,111,502 |

The fair values of our financial liabilities disclosed, but not carried, at fair value as of June 30, 2014 disaggregated into the three levels of the ASC 820 valuation hierarchy are as follows:

| | Fair Value Hierarchy | | | | Total |
|---------------------------------|----------------------|--------------|---------|--|--------------|
| | Level 1 | Level 2 | Level 3 | | |
| Revolving Credit Facility(1) | \$— | \$92,000 | \$— | | \$92,000 |
| Senior Convertible Notes(2) | — | 1,293,495 | — | | 1,293,495 |
| Senior Unsecured Notes(2) | — | 679,816 | — | | 679,816 |
| Prospect Capital InterNotes®(3) | — | 766,660 | — | | 766,660 |
| Total | \$— | \$ 2,831,971 | \$— | | \$ 2,831,971 |

(1) The carrying value of our Revolving Credit Facility approximates the fair value.

(2) We use available market quotes to estimate the fair value of the Senior Convertible Notes and Senior Unsecured Notes.

(3) The fair value of our Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates.

The fair values of our financial liabilities disclosed, but not carried, at fair value as of June 30, 2013 disaggregated into the three levels of the ASC 820 valuation hierarchy are as follows:

| | Fair Value Hierarchy | | | | Total |
|---------------------------------|----------------------|--------------|---------|--|--------------|
| | Level 1 | Level 2 | Level 3 | | |
| Revolving Credit Facility(1) | \$— | \$ 124,000 | \$— | | \$ 124,000 |
| Senior Convertible Notes(2) | — | 886,210 | — | | 886,210 |
| Senior Unsecured Notes(2) | — | 343,813 | — | | 343,813 |
| Prospect Capital InterNotes®(3) | — | 336,055 | — | | 336,055 |
| Total | \$— | \$ 1,690,078 | \$— | | \$ 1,690,078 |

(1) The carrying value of our Revolving Credit Facility approximates the fair value.

(2) We use available market quotes to estimate the fair value of the Senior Convertible Notes and Senior Unsecured Notes.

(3) The fair value of our Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates.

Note 9. Equity Offerings, Offering Expenses, and Distributions

Excluding dividend reinvestments, we issued 93,381,602 and 106,752,517 shares of our common stock during the years ended June 30, 2014 and 2013, respectively. The proceeds raised, the related underwriting fees, the offering expenses and the prices at

which these shares were issued are as follows:

| Issuances of Common Stock | Number of Shares Issued | Gross Proceeds | Underwriting Fees | Offering Expenses | Average Offering Price |
|---|-------------------------|----------------|-------------------|-------------------|------------------------|
| During the year ended June 30, 2014: | | | | | |
| July 5, 2013 – August 21, 2013(1) | 9,818,907 | \$107,725 | \$902 | \$169 | \$10.97 |
| August 2, 2013(2) | 1,918,342 | 21,006 | — | — | \$10.95 |
| August 29, 2013 – November 4, 2013(1) | 24,127,242 | 272,114 | 2,703 | 414 | \$11.28 |
| November 12, 2013 – February 5, 2014(1) | 27,301,889 | 307,045 | 3,069 | 436 | \$11.25 |
| February 10, 2014 – April 9, 2014(1) | 21,592,715 | 239,305 | 2,233 | 168 | \$11.08 |
| March 31, 2014(2) | 2,306,294 | 24,908 | — | — | \$10.80 |
| April 15, 2014 – May 2, 2014(1) | 5,213,900 | 56,995 | 445 | 193 | \$10.93 |
| May 5, 2014(2) | 1,102,313 | 11,916 | — | — | \$10.81 |
| During the year ended June 30, 2013: | | | | | |
| July 2, 2012 – July 12, 2012(1) | 2,247,275 | 26,040 | 260 | — | \$11.59 |
| July 16, 2012 | 21,000,000 | 234,150 | 2,100 | 62 | \$11.15 |
| July 27, 2012 | 3,150,000 | 35,123 | 315 | — | \$11.15 |
| September 13, 2012 – October 9, 2012(1) | 8,010,357 | 94,610 | 946 | 638 | \$11.81 |
| November 7, 2012 | 35,000,000 | 388,500 | 4,550 | 814 | \$11.10 |
| December 13, 2012(2) | 467,928 | 5,021 | — | — | \$10.73 |
| December 28, 2012(2) | 897,906 | 9,581 | — | — | \$10.67 |
| December 31, 2012(2) | 4,141,547 | 44,649 | — | — | \$10.78 |
| January 7, 2013 – February 5, 2013(1) | 10,248,051 | 115,315 | 1,153 | — | \$11.25 |
| February 14, 2013 – May 3, 2013(1) | 17,230,253 | 191,893 | 1,788 | 56 | \$11.14 |
| May 14, 2013 – May 31, 2013(1) | 4,359,200 | 47,528 | 399 | 245 | \$10.90 |

(1) Shares were issued in connection with our at-the-market offering program which we enter into from time to time with various counterparties.

(2) On December 13, 2012, December 28, 2012, December 31, 2012, August 2, 2013, March 31, 2014 and May 5, 2014, we issued 467,928, 897,906, 4,141,547, 1,918,342, 2,306,294 and 1,102,313 shares of our common stock, respectively, in conjunction with investments in CCPI, Credit Central, Valley Electric, CP Holdings, Harbortouch and Arctic Energy, which are controlled portfolio companies.

Our shareholders' equity accounts as of June 30, 2014 and 2013 reflect cumulative shares issued as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters and our dividend reinvestment plan. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

On August 24, 2011, our Board of Directors approved a share repurchase plan under which we may repurchase up to \$100,000 of our common stock at prices below our net asset value. We have not made any purchases of our common stock during the period from August 24, 2011 to June 30, 2014 pursuant to this plan. Prior to any repurchase, we are required to notify shareholders of our intention to purchase our common stock. This notice lasts for six months after notice is given. Our last notice was delivered with our annual proxy mailing on September 10, 2013.

Our Board of Directors, pursuant to the Maryland General Corporation Law, executed Articles of Amendment to increase the number of shares authorized for issuance from 500,000,000 to 1,000,000,000 in the aggregate. The amendment became effective May 6, 2014.

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 \$3,691,792 of additional debt and equity securities in the public market as of June 30, 2014.

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During the years ended June 30, 2014 and 2013, we distributed approximately \$403,188 and \$271,507, respectively, to our stockholders. The following table summarizes our distributions declared and payable for 2013 and 2014:

| Declaration Date | Record Date | Payment Date | Amount Per Share | Amount Distributed (in thousands) |
|-------------------------------------|-------------|--------------|------------------|-----------------------------------|
| 5/7/2012 | 7/31/2012 | 8/24/2012 | \$ 0.101575 | \$ 16,886 |
| 5/7/2012 | 8/31/2012 | 9/21/2012 | 0.101600 | 16,897 |
| 8/21/2012 | 9/28/2012 | 10/24/2012 | 0.101625 | 17,597 |
| 8/21/2012 | 10/31/2012 | 11/22/2012 | 0.101650 | 17,736 |
| 11/7/2012 | 11/30/2012 | 12/20/2012 | 0.101675 | 21,308 |
| 12/7/2012 | 12/31/2012 | 1/23/2013 | 0.110000 | 23,669 |
| 12/7/2012 | 1/31/2013 | 2/20/2013 | 0.110025 | 24,641 |
| 2/7/2013 | 2/28/2013 | 3/21/2013 | 0.110050 | 25,307 |
| 2/7/2013 | 3/29/2013 | 4/18/2013 | 0.110075 | 26,267 |
| 2/7/2013 | 4/30/2013 | 5/23/2013 | 0.110100 | 26,620 |
| 5/6/2013 | 5/31/2013 | 6/20/2013 | 0.110125 | 27,280 |
| 5/6/2013 | 6/28/2013 | 7/18/2013 | 0.110150 | 27,299 |
| Total declared and payable for 2013 | | | | \$ 271,507 |
| 5/6/2013 | 7/31/2013 | 8/22/2013 | \$ 0.110175 | \$ 28,001 |
| 5/6/2013 | 8/30/2013 | 9/19/2013 | 0.110200 | 28,759 |
| 6/17/2013 | 9/30/2013 | 10/24/2013 | 0.110225 | 29,915 |
| 6/17/2013 | 10/31/2013 | 11/21/2013 | 0.110250 | 31,224 |
| 6/17/2013 | 11/29/2013 | 12/19/2013 | 0.110275 | 32,189 |
| 6/17/2013 | 12/31/2013 | 1/23/2014 | 0.110300 | 33,229 |
| 8/21/2013 | 1/31/2014 | 2/20/2014 | 0.110325 | 34,239 |
| 8/21/2013 | 2/28/2014 | 3/20/2014 | 0.110350 | 35,508 |
| 8/21/2013 | 3/31/2014 | 4/17/2014 | 0.110375 | 36,810 |
| 11/4/2013 | 4/30/2014 | 5/22/2014 | 0.110400 | 37,649 |
| 11/4/2013 | 5/30/2014 | 6/19/2014 | 0.110425 | 37,822 |
| 11/4/2013 | 6/30/2014 | 7/24/2014 | 0.110450 | 37,843 |
| Total declared and payable for 2014 | | | | \$ 403,188 |

Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during the years ended June 30, 2014 and 2013. It does not include distributions previously declared to stockholders of record on any future dates, as those amounts are not yet determinable. The following dividends were previously declared and will be payable subsequent to June 30, 2014:

\$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.

\$0.110550 per share for October 2014 to holders of record on October 31, 2014 with a payment date of November 20, 2014;

\$0.110575 per share for November 2014 to holders of record on November 28, 2014 with a payment date of December 18, 2014; and

\$0.110600 per share for December 2014 to holders of record on December 31, 2014 with a payment date of January 22, 2015.

During the years ended June 30, 2014 and 2013, we issued 1,408,070 and 1,450,578 shares of our common stock, respectively, in connection with the dividend reinvestment plan.

As of June 30, 2014, we have reserved 103,055,710 shares of our common stock for issuance upon conversion of the Senior Convertible Notes (see Note 5).

Note 10. Other Income

Other income consists of structuring fees, overriding royalty interests, revenue receipts related to net profit interests/net revenue interests, deal deposits, administrative agent fees, and other miscellaneous and sundry cash receipts. Income from such sources for the years ended June 30, 2014, 2013 and 2012 were as follows:

| Income Source | Year Ended June 30, | | |
|--|---------------------|----------|----------|
| | 2014 | 2013 | 2012 |
| Structuring, advisory and amendment fees (refer to Note 3) | \$59,527 | \$53,708 | \$35,976 |
| Recovery of legal costs from prior periods from legal settlement | 5,825 | — | — |
| Royalty interests | 5,893 | 4,122 | 224 |
| Administrative agent fees | 468 | 346 | 293 |
| Total Other Income | \$71,713 | \$58,176 | \$36,493 |

Note 11. Net Increase in Net Assets per Share

The following information sets forth the computation of net increase in net assets resulting from operations per share for the years ended June 30, 2014, 2013 and 2012.

| | Year Ended June 30, | | |
|--|---------------------|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Net increase in net assets resulting from operations | \$319,020 | \$220,856 | \$190,904 |
| Weighted average common shares outstanding | 300,283,941 | 207,069,971 | 114,394,554 |
| Net increase in net assets resulting from operations per share | \$1.06 | \$1.07 | \$1.67 |

Note 12. Income Taxes

While our fiscal year end for financial reporting purposes is June 30 of each year, our tax year end is August 31 of each year. The information presented in this footnote is based on our tax year end for each period presented, unless otherwise specified.

For income tax purposes, dividends paid and distributions made to shareholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The tax character of dividends paid to shareholders during the tax years ended August 31, 2013, 2012 and 2011 were as follows:

| | Tax Year Ended August 31, | | |
|--------------------------------------|---------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Ordinary income | \$282,621 | \$147,204 | \$76,680 |
| Capital gain | — | — | — |
| Return of capital | — | — | 33,218 |
| Total dividends paid to shareholders | \$282,621 | \$147,204 | \$109,898 |

For the tax year ending August 31, 2014, the tax character of dividends paid to shareholders through June 30, 2014 is expected to be ordinary income. Because of the difference between our fiscal and tax year ends, the final determination of the tax character of dividends will not be made until we file our tax return for the tax year ending August 31, 2014.

Taxable income generally differs from net increase in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized gains or

losses, as unrealized gains or losses are generally not included in taxable income until they are realized. The following reconciles the net increase in net assets resulting from operations to taxable income for the tax years ended August 31, 2013, 2012 and 2011:

| | Tax Year Ended August 31, | | |
|---|---------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Net increase in net assets resulting from operations | \$ 238,721 | \$ 208,331 | \$ 119,281 |
| Net realized loss (gain) on investments | 24,632 | (38,363) | (16,465) |
| Net unrealized depreciation (appreciation) on investments | 77,835 | 32,367 | (7,552) |
| Other temporary book-to-tax differences | (4,357) | (1,078) | 1,417 |
| Permanent differences | 5,939 | (6,103) | (20,000) |
| Taxable income before deductions for distributions | \$ 342,770 | \$ 195,154 | \$ 76,681 |

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. The Regulated Investment Company Modernization Act (the "RIC Modernization Act") was enacted on December 22, 2010. Under the RIC Modernization Act, capital losses incurred by taxpayers in taxable years beginning after the date of enactment will be allowed to be carried forward indefinitely and are allowed to retain their character as either short-term or long-term losses. As such, the capital loss carryforwards generated by us after the August 31, 2011 tax year will not be subject to expiration. Any losses incurred in post-enactment tax years will be required to be utilized prior to the losses incurred in pre-enactment tax years. As of August 31, 2013, we had capital loss carryforwards of approximately \$84,470 available for use in later tax years. Of the amount available as of August 31, 2013, \$582, \$33,096 and \$34,471 will expire on August 31, 2016, 2017 and 2018, respectively, and \$16,321 is not subject to expiration. The unused balance each year will be carried forward and utilized as gains are realized, subject to limitations. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, substantially all of the Company's capital loss carryforwards may become permanently unavailable due to limitations by the Code.

Under current tax law, capital losses and specific ordinary losses realized after October 31st and December 31st, respectively, may be deferred and treated as occurring on the first business day of the following tax year. As of August 31, 2013, we had deferred \$10,793 long-term capital losses, which will be treated as arising on the first day of the tax year ending August 31, 2014.

For the tax year ended August 31, 2013, we had taxable income in excess of the distributions made from such taxable income during the year, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ending August 31, 2014. The amount carried forward to 2014 was approximately \$108,099. For the tax year ended August 31, 2012, we had taxable income in excess of the distributions made from such taxable income during the year, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ended August 31, 2013. The amount carried forward to 2013 was approximately \$47,950. For the tax year ended August 31, 2011, we did not have taxable income in excess of distributions made from such taxable income during the year, and therefore, there was no excess available for us to carry forward for distribution to shareholders in the tax year ended August 31, 2012.

As of June 30, 2014, the cost basis of investments for tax purposes was \$6,354,811 resulting in estimated gross unrealized appreciation and depreciation of \$146,820 and \$247,891, respectively. As of June 30, 2013, the cost basis of investments for tax purposes was \$4,247,038 resulting in estimated gross unrealized appreciation and depreciation of \$76,112 and \$150,298, respectively. Due to the difference between our fiscal year end and tax year end, the cost basis of our investments for tax purposes as of June 30, 2014 and 2013 was calculated based on the book cost of investments as of June 30, 2014 and 2013, respectively, with cumulative book-to-tax adjustments for investments through August 31, 2013 and 2012, respectively.

In general, we may make certain adjustments to the classification of net assets as a result of permanent book-to-tax differences, which may include merger-related items, differences in the book and tax basis of certain assets and liabilities, and nondeductible federal taxes, among other items. During the tax year ended August 31, 2013, we increased accumulated undistributed net investment income by \$5,939, increased accumulated net realized loss on investments by \$2,621 and decreased capital in excess of par value by \$3,318. During the tax year ended August 31, 2012, we increased accumulated undistributed net investment income by \$5,028, increased accumulated net realized

loss on investments by \$37,355 and increased capital in excess of par value by \$32,327. Due to the difference between our fiscal and tax year end, the reclassifications for the taxable years ended August 31, 2013 and 2012 were recorded in the fiscal years ended June 30, 2014 and 2013, respectively.

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Note 13. Related Party Agreements and Transactions

Investment Advisory Agreement

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

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

The total base management fee incurred to the favor of the Investment Adviser was \$108,990, \$69,800 and \$35,836 for the years ended June 30, 2014, 2013 and 2012, respectively.

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

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

- No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and

- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

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

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate

unrealized capital depreciation, as applicable, with respect to each investment that has been in its portfolio. For the purpose of this calculation, an “investment” is defined as the total of all rights and claims which maybe asserted against a portfolio company arising from our participation in the debt, equity, and other

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financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

The total income incentive fee incurred was \$89,306, \$81,231 and \$46,671 for the years ended June 30, 2014, 2013 and 2012, respectively. No capital gains incentive fee was incurred for the years ended June 30, 2014, 2013 and 2012.

Administration Agreement

We have also entered into an Administration Agreement with Prospect Administration LLC ("Prospect Administration") under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and his staff. For the years ended June 30, 2014, 2013 and 2012, the reimbursement was approximately \$14,373, \$8,737 and \$6,848, respectively. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see "Managerial Assistance" below). The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a subsidiary of the Investment Adviser.

During the years ended June 30, 2014, 2013 and 2012, Prospect Administration received payments of \$7,582, \$1,394 and \$1,092 directly from our controlled portfolio companies for legal, tax and portfolio level accounting services. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by these amounts.

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

Managerial Assistance

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. "Making available significant managerial assistance" refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us will vary according to the particular needs of each portfolio company. Examples of such activities

include advice on marketing, operations, fulfillment and overall strategy, capital budgeting, managing relationships with financing sources, recruiting management personnel, evaluating acquisition and divestiture opportunities, participating in board and management meetings, consulting with and advising officers of portfolio companies, and providing other organizational and financial guidance.

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Prospect Administration, through a managerial assistance agreement executed with each portfolio company to which we provide managerial assistance, provides such managerial assistance on our behalf. In doing so, Prospect Administration utilizes personnel of our Investment Adviser, Prospect Capital Management. We, on behalf of Prospect Administration, invoice portfolio companies receiving and paying for managerial assistance, and we remit to Prospect Administration its allocated cost of providing such services, including payments to Prospect Capital Management for personnel it utilizes for that purpose. Our payments to Prospect Administration are periodically reviewed by our Board of Directors.

During the years ended June 30, 2014, 2013 and 2012, we received payments of \$7,472, \$5,414 and \$1,849, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration.

Co-Investments

On February 10, 2014, we received an exemptive order from the SEC (the "Order") that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Senior Secured Income Fund, Inc. and Pathway Energy Infrastructure Fund, Inc., subject to the conditions included therein. In certain situations where co-investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested.

As of June 30, 2014, we had co-investments in the following: Cent CLO 21 Limited, Galaxy XVII CLO, Ltd., Halcyon Loan Advisors Funding 2014-2 Ltd., Symphony CLO XIV Ltd., Voya CLO 2014-1, Ltd. (f/k/a ING IM CLO 2014-1, Ltd.), and Washington Mill CLO Ltd.

Note 14. Transactions with Controlled Companies

The descriptions below detail the transactions which Prospect Capital Corporation ("Prospect") has entered into with each of our controlled companies.

AMU Holdings Inc.

Prospect owns 100% of the equity of AMU Holdings Inc. ("AMU"). AMU owns 98% of Airmall Inc. ("Airmall"). Airmall is a developer and manager of airport retail operations.

On July 30, 2010, Prospect made a \$22,420 investment in AMU, of which \$12,500 was a senior subordinated note and \$9,920 was used to purchase 100% of the preferred and common equity of AMU. AMU used its combined debt and equity proceeds of \$22,420 to purchase 100% of Airmall's common stock for \$18,000, to pay \$1,573 of structuring fees from AMU to Prospect (which was recognized by Prospect as structuring fee income), \$836 of third party expenses, \$11 of legal services provided by attorneys at Prospect Administration, and \$2,000 of withholding tax. Prospect then purchased for \$30,000 two loans of Airmall payable to unrealized third parties, one for \$10,000 and the other \$20,000. Prospect and Airmall subsequently refinanced the two loans into a single \$30,000 loan from Airmall to Prospect.

On October 1, 2013, Prospect made an additional \$2,600 investment in the senior subordinated note, of which \$575 was utilized by AMU to pay interest due to Prospect and \$2,025 was retained by AMU for working capital. On December 4, 2013, Prospect sold 2% of the outstanding principal balance of the senior secured term loan to Airmall and 2% of the outstanding principal balance of the senior subordinated note to AMU for \$972. On November 25, 2013, Prospect funded an additional \$5,000 to the senior subordinated note, which was utilized by AMU to pay a \$5,000 of dividend to Prospect.

On June 13, 2014, Prospect made a new \$19,993 investment as a senior secured loan to Airmall. Airmall then distributed this amount to AMU as a return of capital, which AMU used to pay down the senior subordinated loan in the same amount. The minority interest held by a third party in AMU was exchanged for common stock of Airmall.

The following dividends were declared and paid from Airmall to AMU and recorded as dividend income by AMU:

| | |
|-------------------------------|-------|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 7,000 |

The following dividends were declared and paid from AMU to Prospect and recorded as dividend income by Prospect:

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 12,000 |

All dividends were paid from earnings and profits of Airmall and AMU.

The following cash payments from Airmall to Prospect were recorded as a repayment of loan receivable from Airmall:

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 650 |
| July 1, 2012 to June 30, 2013 | 550 |
| July 1, 2013 to June 30, 2014 | 644 |

The following interest payments were accrued and subsequently paid to Prospect from Airmall for interest due and recognized by Prospect as interest income:

| | |
|-------------------------------|---------|
| July 1, 2011 to June 30, 2012 | \$3,617 |
| July 1, 2012 to June 30, 2013 | 3,536 |
| July 1, 2013 to June 30, 2014 | 3,420 |

At June 30, 2013, \$2 of interest recognized above had not yet been paid by Airmall to Prospect and was included by Prospect within interest receivable.

The following interest payments were paid from AMU to Prospect and recognized by Prospect as interest income:

| | |
|-------------------------------|---------|
| July 1, 2011 to June 30, 2012 | \$2,282 |
| July 1, 2012 to June 30, 2013 | 2,286 |
| July 1, 2013 to June 30, 2014 | 3,159 |

The following payment-in-kind interest was capitalized in the senior secured note to AMU and recognized as interest income by Prospect:

| | |
|-------------------------------|-----|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 295 |

The following managerial assistance payments were paid from AMU to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 375 |
| July 1, 2012 to June 30, 2013 | 225 |
| July 1, 2013 to June 30, 2014 | 300 |

At June 30, 2013 and 2014, \$45 and \$45 of managerial assistance recognized above had not yet been paid by Airmall to Prospect and was included by Prospect within other receivables due from Airmall and other liabilities due to Prospect Administration, respectively.

The following payments were paid from AMU to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to AMU (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-------------------------------|-----|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2011 to June 30, 2012 | 8 |
| July 1, 2013 to June 30, 2014 | — |

At June 30, 2013 and 2014, Prospect had a \$5 and \$11 payable to AMU for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of AMU, respectively.

APH Property Holdings, LLC

Prospect owns 100% of the equity of APH Property Holdings, LLC (“APH”). APH owns 100% of the common equity of American Property Holdings Corp. (“APRC”). APRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, APRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of APRC.

APRC was formed to acquire, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. APRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties.

On October 24, 2012, Prospect initially made a \$7,808 investment in APH, of which \$6,000 was a Senior Term Loan and \$1,808 was used to purchase the membership interests of APH. The proceeds were utilized by APH to purchase APRC common equity for \$7,806, with \$2 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 100% ownership interest in 146 Forest Parkway, LLC for \$7,326, with \$480 retained by APRC for working capital. 146 Forest Parkway, LLC was purchased by APRC for \$7,400. The remaining proceeds were used to pay \$222 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$178 of third party expenses and \$5 of legal services provided by attorneys at Prospect Administration. The investment was subsequently contributed to NPRC.

On December 28, 2012, Prospect made a \$9,593 investment in APH, of which \$6,400 was a Senior Term Loan and \$3,193 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$9,594, with \$1 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 92.7% ownership interest in 1557 Terrell Mill Road, LLC for \$9,548, with \$46 retained by APRC for other expenses. 1557 Terrell Mill Road, LLC was purchased by APRC for \$23,500 which included debt financing and minority interest of \$15,275 and \$757, respectively. The remaining proceeds were used to pay \$286 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income) and \$1,652 of third party expenses, with \$142 retained by APRC for working capital.

On January 17, 2013, Prospect made a \$30,348 investment in APH, of which \$27,600 was a Senior Term Loan and \$2,748 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$29,348, with \$1,000 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 97.7% ownership interest in 5100 Live Oaks Blvd, LLC for \$29,348. 5100 Live Oaks Blvd, LLC was purchased by APRC for \$63,400 which included debt financing and minority interest of \$39,600 and \$686, respectively. The remaining proceeds were used to pay \$880 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$4,265 of third party expenses, \$14 of legal services provided by attorneys at Prospect Administration, and \$1,030 of pre-paid assets, with \$45 retained by APRC for working capital.

On April 30, 2013, Prospect made a \$10,383 investment in APH, of which \$9,000 was a Senior Term Loan and \$1,383 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$10,233, with \$150 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 93.2% ownership interest in Lofton Place, LLC for \$10,233. Lofton Place, LLC was purchased by APRC for \$26,000 which included debt financing and minority interest of \$16,965 and \$745, respectively. The remaining proceeds were used to pay \$306 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,223 of third party expenses, \$5 of legal services provided by attorneys at

Prospect Administration, and \$364 of pre-paid assets, with \$45 retained by APRC for working capital. On April 30, 2013, Prospect made a \$10,863 investment in APH, of which \$9,000 was a Senior Term Loan and \$1,863 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common

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equity for \$10,708, with \$155 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 93.2% ownership interest in Vista Palma Sola, LLC for \$10,708. Vista Palma Sola, LLC was purchased by APRC for \$27,000 which included debt financing and minority interest of \$17,550 and \$785, respectively. The remaining proceeds were used to pay \$321 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,272 of third party expenses, \$4 of legal services provided by attorneys at Prospect Administration, and \$401 of pre-paid assets with \$45 retained by APRC for working capital.

On May 8, 2013, Prospect made a \$6,118 investment in APH, of which \$4,000 was a Senior Term Loan and \$2,118 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$6,028, with \$90 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 93.3% ownership interest in Arlington Park Marietta, LLC for \$6,028. Arlington Park Marietta, LLC was purchased by APRC for \$14,850 which included debt financing and minority interest of \$9,650 and \$437, respectively. The remaining proceeds were used to pay \$181 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$911 of third party expenses and \$128 of pre-paid assets with \$45 retained by APRC for working capital.

On June 24, 2013, Prospect made a \$76,533 investment in APH, of which \$63,000 was a Senior Term Loan and \$13,533 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$75,233, with \$1,300 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 95.0% ownership interest in APH Carroll Resort, LLC for \$74,398 and \$835 was used to pay structuring fees (which was recognized by Prospect as structuring fee income). APH Carroll Resort, LLC was purchased by APRC for \$225,000 which included debt financing and minority interest of \$157,500 and \$3,916, respectively. The remaining proceeds were used to pay \$1,436 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$7,687 of third party expenses, \$8 of legal services provided by attorneys at Prospect Administration and \$1,683 of pre-paid assets.

Between October 29, 2013 and December 4, 2013, Prospect made an \$11,000 investment in APH, of which \$9,350 was a Senior Term Loan and \$1,650 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase consumer loans from a third party. The investment was subsequently contributed to NPRC.

On November 1, 2013, Prospect made a \$9,869 investment in APH, of which \$8,200 was a Senior Term Loan and \$1,669 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$9,869. The proceeds were utilized by APRC to purchase a 94.0% ownership interest in APH Carroll 41, LLC for \$9,548 and to pay \$102 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$219 retained by APRC for working capital. APH Carroll 41, LLC was purchased by APRC for \$30,600 which included debt financing and minority interest of \$22,497 and \$609, respectively. The remaining proceeds were used to pay structuring fees of \$190 to Prospect (which was recognized by Prospect as structuring fee income), \$1,589 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$270 of pre-paid assets. The investment was subsequently contributed to NPRC.

On November 15, 2013, Prospect made a \$45,900 investment in APH, of which \$38,500 was a Senior Term Loan and \$7,400 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$45,900. The proceeds were utilized by APRC to purchase a 99.3% ownership interest in APH Gulf Coast Holdings, LLC for \$45,024 and to pay \$364 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$511 retained by APRC for working capital. APH Gulf Coast Holdings, LLC was purchased by APRC for \$115,200 which included debt financing and minority interest of \$75,558 and \$337, respectively. The remaining proceeds were used to pay \$1,013 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,590 of third party expenses, \$23 of legal services provided by attorneys at Prospect Administration, and \$2,023 of pre-paid assets, with \$70 retained by APRC for working capital.

On November 19, 2013, Prospect made a \$66,188 investment in APH, of which \$55,000 was a Senior Term Loan and \$11,188 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$66,188. The proceeds were utilized by APRC to purchase a 90.0% ownership interest in NPH McDowell, LLC for \$64,392 and to pay \$695 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$1,101 retained by APRC for working capital. NPH

McDowell, LLC was purchased by APRC for \$238,605 which included debt financing and minority interest of \$180,226 and \$7,155, respectively. The remaining proceeds were used to pay \$1,290 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$9,205 of third party expenses, \$23 of legal services provided by attorneys at Prospect Administration, and \$1,160 of pre-paid assets, with \$1,490 retained by APRC for working capital. The investment was subsequently contributed to NPRC.

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On December 12, 2013, Prospect made a \$22,507 investment in APH, of which \$18,800 was a Senior Term Loan and \$3,707 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$22,507. The proceeds were utilized by APRC to purchase a 92.6% ownership interest in South Atlanta Portfolio Holding Company, LLC for \$21,874 and to pay \$238 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$395 retained by APRC for working capital. South Atlanta Portfolio Holding Company, LLC was purchased by APRC for \$87,250 which included debt financing and minority interest of \$67,493 and \$1,756, respectively. The remaining proceeds were used to pay \$437 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,920 of third party expenses, and \$116 of pre-paid assets, with \$400 retained by APRC for working capital. The investment was subsequently contributed to UPH.

On December 31, 2013, APRC distributed its majority interests in five joint ventures (“JVs”) holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH Property Holdings, LLC and the remainder to UPH Property Holdings, LLC (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to NPRC and UPRC, respectively. The total investments in the JVs transferred consisted of \$98,164 and \$20,022 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

On January 17, 2014, Prospect made a \$6,565 investment in APH, of which \$5,500 was a Senior Term Loan and \$1,064 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$6,565. The proceeds were utilized by APRC to purchase a 99.3% ownership interest in APH Gulf Coast Holdings, LLC for \$6,336 and to pay \$216 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$13 retained by APRC for working capital and other expenses. APH Gulf Coast Holdings, LLC was purchased by APRC for \$15,430 which included debt financing and minority interest of \$10,167 and \$48, respectively. The remaining proceeds were used to pay \$143 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$627 of third party expenses, \$4 of legal services provided by attorneys at Prospect Administration, and \$312 of pre-paid assets, with \$35 retained by APRC for working capital.

Effective as of April 1, 2014, Prospect made a new \$167,162 senior term loan to APRC. APRC then distributed this amount to APH as a return of capital which was used to pay down the Senior Term Loan from APH by the same amount. Effective April 1, 2014, American Property Holdings Corp. was renamed American Property REIT Corp. (continues as “APRC”). APH continues to own 100% of the common equity of APRC at June 30, 2014.

On June 4, 2014, Prospect made a \$1,719 investment in APH to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$1,719. The proceeds were utilized by APRC to acquire the real property located at 975 South Cornwell, Yukon, OK (“Taco Bell, OK”) for \$1,719. The following cash distributions were declared and paid from APRC to APH and recorded as a return of capital by APH:

| | |
|-----------------------------------|----------|
| October 24, 2012 to June 30, 2013 | \$ 1,676 |
| July 1, 2013 to June 30, 2014 | 175,972 |

The following interest income was accrued and subsequently paid from APH to Prospect and recognized by Prospect as interest income:

| | |
|-----------------------------------|----------|
| October 24, 2012 to June 30, 2013 | \$ 2,006 |
| July 1, 2013 to June 30, 2014 | 9,844 |

At June 30, 2013 and June 30, 2014, \$121 and \$53 of interest recognized above had not yet been paid by APH to Prospect and was included by Prospect within interest receivable, respectively.

At June 30, 2013 and June 30, 2014, \$892 and \$4,084 of interest from APH was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis, respectively.

The following interest income was accrued and subsequently paid from APRC to Prospect and recognized by Prospect as interest income:

| | |
|-----------------------------------|-------|
| October 24, 2012 to June 30, 2013 | \$ — |
| July 1, 2013 to June 30, 2014 | 4,279 |

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At June 30, 2014, \$53 of interest recognized above had not yet been paid by APRC to Prospect and was included by Prospect within interest receivable.

At June 30, 2014, \$581 of interest from APRC was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis.

The following royalty payments were paid from APH to Prospect and recognized by Prospect as other income:

| | |
|-----------------------------------|-------|
| October 24, 2012 to June 30, 2013 | \$ 78 |
| July 1, 2013 to June 30, 2014 | 999 |

The following royalty payments were paid from APRC to Prospect and recognized by Prospect as other income:

| | |
|-----------------------------------|-----|
| October 24, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 419 |

The following managerial assistance payments were paid from APRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-----------------------------------|--------|
| October 24, 2012 to June 30, 2013 | \$ 148 |
| July 1, 2013 to June 30, 2014 | 784 |

The following amounts were due from Prospect to Prospect Administration for managerial assistance payments (no direct income was recognized by Prospect):

| | |
|---------------|-------|
| June 30, 2013 | \$ 76 |
| June 30, 2014 | 148 |

The following amounts were due from APH to Prospect for reimbursement of expenses paid by Prospect on behalf of APH and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|-------|
| June 30, 2013 | \$ 13 |
| June 30, 2014 | 202 |

The following amounts were due to APH from Prospect for reimbursement of expenses paid by APH on behalf of Prospect and included by Prospect within other liabilities on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|-----|
| June 30, 2013 | \$— |
| June 30, 2014 | 148 |

Arctic Oilfield Equipment USA, Inc.

Prospect owns 100% of the equity of Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”). Arctic Equipment owns 70% of the equity of Arctic Energy Services, LLC (“Arctic Energy”), with Ailport Holdings, LLC (“Ailport”) (100% owned and controlled by Arctic Energy management) owning the remaining 30% of the equity of Arctic Energy.

Arctic Energy provides oilfield service personnel, well testing flowback equipment, frac support systems and other services to exploration and development companies in the Rocky Mountains.

On May 5, 2014, Prospect initially purchased 100% of the common shares of Arctic Equipment for \$9,006. Proceeds were utilized by Arctic Equipment to purchase 70% of Arctic Energy as described in the following paragraph.

On May 5, 2014, Prospect made an additional \$51,870 investment (including in exchange for 1,102,313 common shares of Prospect at fair value of \$11,916) in Arctic Energy in exchange for a \$31,640 senior secured loan and a \$20,230 subordinated loan. Total proceeds received by Arctic Energy of \$60,876 were used to purchase 70% of the equity interests in Arctic Energy from Ailport for \$47,516, pay \$875 of third-party expenses, \$1,713 of structuring fees to Prospect (which was recognized as structuring fee income), \$445 of legal services provided by attorneys at Prospect Administration and \$10,327 was retained as working capital.

The following interest income was accrued and subsequently paid from Arctic Energy to Prospect for interest due and recognized by Prospect as interest income:

| | |
|------------------------------|----------|
| May 5, 2014 to June 30, 2014 | \$ 1,050 |
|------------------------------|----------|

At June 30, 2014, \$18 of interest recognized above had not yet been paid by Arctic Energy to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from Arctic Energy to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|------------------------------|-------|
| May 5, 2014 to June 30, 2014 | \$ 15 |
|------------------------------|-------|

The following amounts were due from Arctic Energy to Prospect for reimbursement of expenses paid by Prospect on behalf of Arctic Energy and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect).

| | |
|---------------|------|
| June 30, 2014 | \$ 6 |
|---------------|------|

ARRM Services, Inc.

Prospect owns 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100.00% of the Series B Preferred equity of ARRM Holdings, Inc. ("ARRM"). ARRM owns 100% of the equity of Ajax Rolled Ring & Machine, LLC ("Ajax LLC"). Ajax forges large seamless steel rings on two forging mills in the company's York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

As of July 1, 2011, the cost basis of Prospect's total debt and equity investment in Ajax, Inc., including capitalized payment-in-kind interest of \$3,535, was \$41,699, consisting of \$20,607 for senior secured term loans, \$15,035 for subordinated secured term debt and \$6,057 for common equity. The equity of Ajax Inc. was exchanged for equity in ARRM on October 4, 2011, and Ajax Inc. was converted to a limited liability company and became Ajax LLC. On December 28, 2012, Prospect funded \$3,600 of unsecured debt to ARRM.

On April 1, 2013, Prospect refinanced the existing \$19,837 and \$18,635 senior loans to Ajax LLC and ARRM, respectively, increasing the total size of the debt investment to \$38,537. Concurrent with the refinancing, Prospect received repayment of the \$18,635 loans that Prospect previously outstanding. On October 11, 2013, Prospect provided \$25,000 in preferred equity for the recapitalization of ARRM. After the financing, Prospect received repayment of the \$20,009 subordinated unsecured loan previously outstanding.

On June 12, 2014, ARRM was renamed to ARRM Services, Inc.

The following cash payments from Ajax Inc. to Prospect were recorded as a repayment of loan receivable by Prospect:

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 440 |
|-------------------------------|--------|

| | |
|-------------------------------|-----|
| July 1, 2012 to June 30, 2013 | 357 |
|-------------------------------|-----|

| | |
|-------------------------------|-----|
| July 1, 2013 to June 30, 2014 | 400 |
|-------------------------------|-----|

The following interest income was accrued and subsequently paid from ARRM to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-------------------------------|----------|
| July 1, 2011 to June 30, 2012 | \$ 2,003 |
|-------------------------------|----------|

| | |
|-------------------------------|-------|
| July 1, 2012 to June 30, 2013 | 3,052 |
|-------------------------------|-------|

| | |
|-------------------------------|-----|
| July 1, 2013 to June 30, 2014 | 929 |
|-------------------------------|-----|

At June 30, 2013, \$29 of interest recognized above had not yet been paid by ARRM to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and subsequently paid from Ajax LLC to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-------------------------------|---------|
| July 1, 2011 to June 30, 2012 | \$2,847 |
| July 1, 2012 to June 30, 2013 | 2,124 |
| July 1, 2013 to June 30, 2014 | 1,873 |

At June 30, 2013 and June 30, 2014, \$20 and \$6 of interest recognized above had not yet been paid by Ajax LLC to Prospect and was included by Prospect within interest receivable, respectively.

The following payment-in-kind interest was capitalized in the senior secured note to Ajax LLC and recorded as interest income by Prospect:

| | |
|------------------------------------|-----|
| December 13, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 309 |

As of June 30, 2014, due to a pending sale transaction, we reversed \$3,844 of previously recognized payment-in-kind interest of which we do not expect to receive.

The following managerial assistance payments were paid from Ajax LLC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------|-------|
| July 1, 2011 to June 30, 2012 | \$315 |
| July 1, 2012 to June 30, 2013 | 90 |
| July 1, 2013 to June 30, 2014 | 80 |

The following payments were paid from ARRM to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to ARRM no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-------------------------------|-----|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 49 |
| July 1, 2013 to June 30, 2014 | 14 |

BXC Company, Inc.

Prospect owns 86.7% of Series A Preferred Stock, 96.8% of Series B Preferred Stock, and 83.1% of fully diluted common stock of BXC Company, Inc. ("BXC"). BXC owns 100% of the common stock of Boxercraft Incorporated ("Boxercraft").

As of July 1, 2011, the cost basis of Prospect's total debt and equity investment in Boxercraft, including capitalized payment-in-kind interest of \$763, was \$12,931. On September 28, 2012 and April 18, 2014, Prospect issued additional debt to BXC in the amount of \$2,293 and \$300, respectively. From inception to date, Prospect received a total of \$4,684 in repayments of the combined debt and capitalized a total of \$1,674 of paid-in-kind interest.

Effective as of March 28, 2014, Prospect acquired voting control of BXC pursuant to a voting agreement and irrevocable proxy. Effective May 8, 2014, Prospect acquired control of BXC by transferring shares held by the other equity holders of BXC to Prospect pursuant to an assignment agreement entered into with such other equity holders. There was no income recognized by Prospect from the time BXC became a controlled company through June 30, 2014 due to the non-accrual status.

CCPI Holdings Inc.

Prospect owns 100% of the equity of CCPI Holdings Inc. ("CCPI Holdings"). CCPI Holdings owns 94.98% of the equity of CCPI Inc. ("CCPI"), with CCPI management owning the remaining 5.02% of the equity. CCPI owns 100% of each of CCPI Europe Ltd., and MEFEC B.V., and 45% of Gulf Temperature Sensors W.L.L.

On December 13, 2012, Prospect initially made a \$15,921 investment (including 467,928 common shares of Prospect at fair value of \$5,021) in CCPI Holdings, \$7,500 senior secured note and \$8,443 equity interest. The proceeds received by CCPI Holdings were partially utilized to purchase 95.13% of CCPI common stock for \$14,878. The remaining proceeds were used to pay \$395 of structuring fees from CCPI Holdings to Prospect (which were recognized by Prospect as structuring fee income), \$215 for legal services provided by attorneys at Prospect Administration, \$137 for third party expenses and \$318 was retained by CCPI Holdings for working capital. On December 13, 2012, Prospect made an additional investment of \$18,000 in CCPI senior secured debt. The proceeds of the Prospect loan along with \$14,878 of equity financing from CCPI Holdings, Inc. (mentioned above) were used to purchase 95.13% of CCPI equity from the sellers for \$31,829, provide \$120 of debt financing to CCPI management (to partially fund a purchase by management of CCPI stock), fund \$180 of structuring fees from CCPI to Prospect (which were recognized by Prospect as structuring fee income), pay \$548 of third-party expenses, reimburse \$12 for reimbursement of expenses paid by Prospect on behalf of CCPI (no income was recognized by Prospect) and \$189 was retained by CCPI as working capital.

On June 13, 2014, Prospect made a new \$8,218 senior secured note to CCPI. CCPI then distributed this amount to CCPI Holdings as a return of capital which was used to pay down the \$8,216 senior secured note from CCPI Holdings to Prospect. The remaining \$2 was distributed to Prospect as a return of capital of Prospect's equity investment in CCPI Holdings. CCPI continues to own 94.98% of the common stock of CCPI Holdings at June 30, 2014.

The following dividends were declared and paid from CCPI to CCPI Holdings and recorded as dividend income by CCPI Holdings:

| | |
|------------------------------------|-----|
| December 13, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 500 |

The following cash distributions were declared and paid from CCPI to CCPI Holdings and recorded as a return of capital by CCPI Holdings:

| | |
|------------------------------------|--------|
| December 13, 2012 to June 30, 2013 | \$ 795 |
| July 1, 2013 to June 30, 2014 | 1,265 |

The following dividends were paid from CCPI Holdings to Prospect and recognized by Prospect as dividend income:

| | |
|------------------------------------|-----|
| December 13, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 500 |

All amounts recorded as dividends were paid from earnings and profits of the company paying the dividend.

The following interest income was accrued and subsequently paid from CCPI Holdings to Prospect for interest due and recognized by Prospect as interest income:

| | |
|------------------------------------|--------|
| December 13, 2012 to June 30, 2013 | \$ 642 |
| July 1, 2013 to June 30, 2014 | 906 |

At June 30, 2013 and June 30, 2014, \$135 and \$4 of interest recognized above had not yet been paid by CCPI Holdings to Prospect and was included by Prospect within interest receivable, respectively.

The following payment-in-kind interest was capitalized in the senior secured note to CCPI Holdings and recorded as interest income by Prospect:

| | |
|------------------------------------|--------|
| December 13, 2012 to June 30, 2013 | \$ 159 |
| July 1, 2013 to June 30, 2014 | 557 |

The following interest income was accrued and subsequently paid from CCPI to Prospect for interest due and recognized by Prospect as interest income:

| | |
|------------------------------------|--------|
| December 13, 2012 to June 30, 2013 | \$ 991 |
| July 1, 2013 to June 30, 2014 | 1,822 |

The following payment-in-kind interest was capitalized in the senior secured note to CCPI and recorded as interest income by Prospect:

| | |
|-------------------------------|------|
| July 1, 2013 to June 30, 2014 | \$27 |
|-------------------------------|------|

The following royalty payments were paid from CCPI Holdings to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|------|
| December 13, 2012 to June 30, 2013 | \$32 |
| July 1, 2013 to June 30, 2014 | 71 |

The following cash payments from CCPI to Prospect were recorded as repayments of loans receivable by Prospect:

| | |
|------------------------------------|-------|
| December 13, 2012 to June 30, 2013 | \$225 |
| July 1, 2013 to June 30, 2014 | 562 |

The following managerial assistance payments were paid from CCPI to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|------------------------------------|-------|
| December 13, 2012 to June 30, 2013 | \$132 |
| July 1, 2013 to June 30, 2014 | 240 |

At June 30, 2013 and June 30, 2014, \$60 and \$60 of managerial assistance had been received by Prospect from CCPI Holdings and had not yet been paid to Prospect Administration, respectively. These amounts were included by Prospect in Due to Prospect Administration on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect).

The following payments were paid from CCPI Holdings to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to CCPI Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable to Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

| | |
|------------------------------------|-------|
| December 13, 2012 to June 30, 2013 | \$215 |
| July 1, 2013 to June 30, 2014 | 249 |

The following amounts were due from CCPI Holdings to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

| | |
|---------------|-----|
| June 30, 2013 | \$— |
| June 30, 2014 | 10 |

At June 30, 2013, Prospect had a \$119 payable to CCPI Holdings for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of CCPI Holdings.

CP Holdings of Delaware LLC

Prospect owns 100% of the equity of CP Holdings of Delaware LLC. (“CP Holdings”). CP Holdings owns 82.9% of the equity of CP Energy Services Inc. (“CP Energy”), and the remaining 17.1% of the equity is owned by CP Energy management. CP Energy owns directly or indirectly 100% of each of CP Well Testing Services, LLC (“CP Well Testing”), CP Well Testing, LLC (“CP Well”), Fluid Management Services, Inc., Fluid Management Services LLC, Wright Transport, Inc., Wright Foster Disposals, LLC, Foster Testing Co, Inc., ProHaul Transports, LLC, Artexoma Logistics, LLC, Wright Trucking, Inc. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On October 3, 2012, Prospect initially made a \$21,500 senior secured debt investment in CP Well. As part of the transaction, Prospect received \$430 of structuring fees from CP Well (which was recognized by Prospect as structuring fee income) and \$7 was paid by CP Well to Prospect Administration for legal services provided by attorneys at Prospect Administration.

On August 2, 2013, Prospect invested \$94,014 (including 1,918,342 unregistered shares of Prospect common stock at a fair value of \$21,006) to support the recapitalization of CP Energy where Prospect acquired a controlling interest in CP Energy.

On August 2, 2013, Prospect invested \$12,741 into CP Holdings to purchase 100% of the common stock in CP Holdings. The proceeds were used by CP Holdings to purchase 82.9% of the common stock in CP Energy for \$12,135 and pay \$606 of legal services provided by attorneys at Prospect Administration.

On August 2, 2013, Prospect made a senior secured debt investment of \$22,500 in CP Well Testing. Proceeds were used by CP Well Testing to partially fund the recapitalization of CP Energy and pay \$450 of structuring fees from CP Well Testing to Prospect (which was recognized by Prospect as structuring fee income).

On August 2, 2013, Prospect made an additional senior secured debt investment of \$58,773 in CP Energy. CP Energy also received \$2,505 management co-investment in exchange for 17.1% of CP Energy common stock. Total proceeds received at CP Well Testing and CP Energy of \$95,913 (including the \$12,135 of equity financing from CP Holdings mentioned above) were used to purchase 100% of the equity interests in CP Well Testing Holding Company, LLC and Fluid Management Holdings, Inc. (subsequently renamed CP Well Testing and Fluid Management Services, LLC) for a combined \$70,423, to repay the principal, interest and fees of \$19,803 on the loan previously outstanding from Prospect to CP Well, pay \$1,414 of structuring fees from CP Energy to Prospect (which was recognized by Prospect as structuring fee income), \$823 of third-party expenses and \$3,000 was retained by CP Energy as working capital.

On October 11, 2013, Prospect made a \$746 follow-on investment in CP Holdings to fund equity into CP Energy and made an additional senior secured loan to CP Energy of \$5,100. Management invested an additional \$154 of equity in CP Energy, and the percentage ownership of CP Energy did not change. Total proceeds of \$6,000 were used to purchase flowback equipment and expand the CP Well operations in West Texas.

On December 26, 2013, Prospect made an additional \$1,741 follow-on investment in CP Holdings to fund equity into CP Energy and made an additional senior secured loan to CP Energy of \$11,900. Management invested an additional \$359 of equity in CP Energy, and the percentage ownership of CP Energy did not change. Total proceeds of \$14,000 were used to purchase additional equipment.

On April 1, 2014, Prospect made new loans to CP Well, ProHaul Transports, LLC Wright Trucking, Inc. and Foster Testing Co, Inc. as co-borrowers, two first lien loans in the amount of \$11,035 and \$72,238 and a second lien loan in the amount of \$15,000. The proceeds of these loans were used to repay CP Well Testing's senior secured term loan and CP Energy's senior secured term loan from Prospect. CP Holdings continues to own 82.9% of the equity of CP Energy at June 30, 2014.

The following interest income was accrued and subsequently paid from CP Energy to Prospect and recognized by Prospect as interest income:

| | |
|---------------------------------|----------|
| August 2, 2013 to June 30, 2014 | \$ 8,083 |
|---------------------------------|----------|

The following interest income was accrued and subsequently paid from CP Well Testing to Prospect and recognized by Prospect as interest income:

| | |
|---------------------------------|----------|
| August 2, 2013 to June 30, 2014 | \$ 1,657 |
|---------------------------------|----------|

The following interest income was accrued and subsequently paid from CP Well to Prospect and recognized by Prospect as interest income:

| | |
|--------------------------------|----------|
| April 1, 2014 to June 30, 2014 | \$ 4,118 |
|--------------------------------|----------|

At June 30, 2014, \$45 of interest recognized above had not yet been paid by CP Well to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from CP Energy to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------|--------|
| July 1, 2013 to June 30, 2014 | \$ 275 |
|-------------------------------|--------|

The following amounts were due from Prospect to Prospect Administration for managerial assistance for CP Well for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

| | |
|---------------|-------|
| June 30, 2014 | \$ 75 |
|---------------|-------|

The following payments were paid from CP Holdings to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to CP Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable to Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

| | |
|-------------------------------|--------|
| July 1, 2013 to June 30, 2014 | \$ 609 |
|-------------------------------|--------|

Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Holdings of Delaware, LLC (“Credit Central Delaware”). Credit Central Delaware owns 74.75% of the equity of Credit Central Holdings, LLC (“Credit Central”), with entities owned by Credit Central management owning the remaining 25.25% of the equity. Credit Central owns 100% of each of Credit Central, LLC, Credit Central South, LLC, Credit Central of Texas, LLC, and Credit Central of Tennessee, LLC. Credit Central is a branch-based provider of installment loans.

On December 28, 2012, Prospect initially made a \$47,663 investment (including the fair value of 897,906 common shares of Prospect for \$9,581 on that date, which were included in the purchase cost paid to acquire Credit Central) in Credit Central Delaware, of which \$38,082 was a Senior Secured Revolving Credit Facility and \$9,581 to purchase the membership interests of Credit Central Delaware. The proceeds were partially utilized to purchase 74.75% of Credit Central’s membership interests for \$43,293. The remaining proceeds were used to pay \$1,440 of structuring fees from Credit Central Delaware to Prospect (which was recognized by Prospect as structuring fee income), \$638 for third party expenses, \$292 for legal services provided by attorneys at Prospect Administration and \$2,000 was retained by Credit Central Delaware for working capital. On March 28, 2014, Prospect funded an additional \$2,500 (\$2,125 to the Senior Secured Revolving Credit Facility and \$375 to purchase additional membership interests of Credit Central Delaware) which was utilized by Credit Central Delaware to pay a \$2,000 dividend to Prospect and \$500 was retained by Credit Central Delaware for working capital.

On June 26, 2014, Prospect made a new \$36,333 second lien term loan to Credit Central. Credit Central then distributed this amount to Credit Central Delaware as a return of capital which was used to pay down the Senior Secured Revolving Credit Facility from Credit Central Delaware by the same amount. The remaining amount of the Senior Secured Revolving Credit Facility, \$3,874, was then converted to additional membership interests in Credit Central Delaware. Effective June 26, 2014, Credit Central Holdings, LLC was renamed Credit Central Loan Company, LLC (continues as “Credit Central”). Credit Central Delaware continues to own 74.75% of the equity of Credit Central at June 30, 2014.

The following dividends were declared and paid from Credit Central to Credit Central Delaware and recorded as dividend income by Credit Central Delaware:

| | |
|------------------------------------|---------|
| December 28, 2012 to June 30, 2013 | \$4,796 |
|------------------------------------|---------|

| | |
|-------------------------------|--------|
| July 1, 2013 to June 30, 2014 | 10,431 |
|-------------------------------|--------|

The following cash distributions were declared and paid from Credit Central to Credit Central Delaware and recorded as a return of capital by Credit Central Delaware:

| | |
|-------------------------------|----------|
| July 1, 2013 to June 30, 2014 | \$36,333 |
|-------------------------------|----------|

The following interest payments were paid from Credit Central Delaware to Prospect and recognized by Prospect as interest income:

| | |
|------------------------------------|---------|
| December 28, 2012 to June 30, 2013 | \$3,893 |
|------------------------------------|---------|

| | |
|-------------------------------|-------|
| July 1, 2013 to June 30, 2014 | 7,845 |
|-------------------------------|-------|

The following royalty payments were paid from Credit Central Delaware to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|-------|
| December 28, 2012 to June 30, 2013 | \$240 |
|------------------------------------|-------|

| | |
|-------------------------------|-----|
| July 1, 2013 to June 30, 2014 | 521 |
|-------------------------------|-----|

The following dividends were paid from Credit Central Delaware to Prospect and recognized by Prospect as dividend income:

| | |
|-------------------------------|---------|
| July 1, 2013 to June 30, 2014 | \$4,841 |
|-------------------------------|---------|

All dividends were paid from earnings and profits of the company paying the dividend.

The following managerial assistance payments were paid from Credit Central to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|------------------------------------|--------|
| December 28, 2012 to June 30, 2013 | \$ 350 |
| July 1, 2013 to June 30, 2014 | 700 |

The following payments were paid from Credit Central Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Credit Central Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the expenses of Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

| | |
|------------------------------------|--------|
| December 28, 2012 to June 30, 2013 | \$ 292 |
| July 1, 2013 to June 30, 2014 | 131 |

The following amounts were due from Credit Central Delaware to Prospect for interest and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|------|
| June 30, 2013 | \$ — |
| June 30, 2014 | 20 |

The following amounts were due from Credit Central Delaware to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|-------|
| June 30, 2013 | \$ 17 |
| June 30, 2014 | — |

The following amounts were due to Credit Central Delaware from Prospect for reimbursement of expenses and included by Prospect within other liabilities on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|------|
| June 30, 2013 | \$ — |
| June 30, 2014 | 38 |

The following amounts were due from Prospect to Prospect Administration for reimbursement for legal, tax and portfolio level accounting services provided directly to Credit Central Delaware for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the expenses of Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

| | |
|---------------|--------|
| June 30, 2013 | \$ 175 |
| June 30, 2014 | 175 |

Echelon Aviation LLC

Prospect owns 100% of the membership interests of Echelon Aviation, LLC (“Echelon”). Echelon owns 60.7% of the equity of AerLift Leasing Limited (“AerLift”).

On March 31, 2014, Prospect initially made a \$92,628 investment in Echelon, of which \$78,521 was a Senior Secured Revolving Credit Facility and \$14,107 to purchase the membership interests of Echelon. The proceeds were partially utilized to purchase 60.7% of AerLift’s membership interests for \$83,657. The remaining proceeds were used to pay \$2,771 of structuring fees from Echelon to Prospect (which was recognized by Prospect as structuring fee income), \$540 for third party expenses, \$664 for legal and tax services provided by Prospect Administration and \$4,996 was retained by Echelon for working capital.

The following interest income was accrued and subsequently paid from Echelon to Prospect for interest due from Echelon and recognized by Prospect as interest income and included by Prospect within interest receivable:

| | |
|---------------------------------|----------|
| March 31, 2014 to June 30, 2014 | \$ 2,809 |
|---------------------------------|----------|

The following amounts were due from Echelon to Prospect for reimbursement of expenses paid by Prospect on behalf of Echelon and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2014 \$ 78

The following payments were paid from Echelon to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Echelon (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the expenses of Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

March 31, 2014 to June 30, 2014 \$ 664

Energy Solutions Holdings Inc.

As of June 30, 2014, Prospect owns 100% of the equity of Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings Inc.) (“Energy Solutions”). Energy Solutions owns 100% of each of Change Clean Energy Holdings, LLC (“Change Clean”), Freedom Marine Solutions Holdings, LLC (“Freedom Marine”) and Yatesville Coal, LLC (“Yatesville”). Freedom Marine owns 100% of each of Vessel Holdings, LLC (“Vessel”), Vessel Holdings II, LLC (“Vessel II”) and Vessel Holdings III, LLC (“Vessel III”). Yatesville owns 100% of North Fork Collieries, LLC. Change Clean owns 100% of Change Clean Energy, LLC, Down East Power Company, LLC and 50.1% of BioChips LLC. Energy Solutions owns interests in companies operating in the energy sector. These include companies operating offshore supply vessels, ownership of a non-operating biomass electrical generation plant and several coal mines. Energy Solutions subsidiaries formerly owned interests in gathering and processing business in east Texas. As of July 1, 2011, the cost basis of our investment in Energy Solutions, including debt and equity, was \$42,003.

In December 2011, Prospect completed a reorganization of Gas Solutions Holdings Inc. renaming the company Energy Solutions and transferring ownership of other operating companies owned by Prospect and operating within the energy industry. As part of the reorganization, Prospect transferred our debt and equity interests with cost basis of \$2,540 in Change Clean Energy Holdings, Inc., Change Clean Energy, Inc., \$12,504 in Freedom Marine Holdings, Inc. and \$1,449 of Yatesville Coal Holdings, Inc. to Change Clean, Freedom Marine, and Yatesville, respectively. Each of these entities is wholly owned (directly or indirectly) by Energy Solutions.

On December 28, 2011, Prospect made a follow-on \$1,250 equity investment in Energy Solutions and a \$3,500 debt investment in Vessel, a subsidiary of Freedom Marine. On November 25, 2013, Prospect restructured our investment in Freedom Marine. The \$12,504 subordinated secured loan to Jettco Marine Services, LLC, a subsidiary of Freedom Marine, was replaced with a senior secured note to Vessel II, a new subsidiary of Freedom Marine. On December 3, 2013, Prospect made a \$16,000 senior secured investment in Vessel III, a new subsidiary of Freedom Marine. Overall, the restructuring of our investment in Freedom Marine provided approximately \$16,000 net new senior secured debt financing to support the acquisition of two new vessels. Prospect received \$2,480 of structuring fees from Energy Solutions related to the Freedom Marine restructuring which was recognized as other income.

On November 28, 2012 and January 1, 2014, Prospect received \$475 and \$25 of litigation settlement proceeds related to Change Clean and recorded a reduction in our equity investment cost basis for Energy Solutions, respectively.

On January 4, 2012, Energy Solutions sold its gas gathering and processing assets held in Gas Solutions Ltd. (“Gas Solutions”) for a sale price of \$199,805, adjusted for the final working capital settlement, including a potential earnout of \$28,000 that may be paid based on the future performance of Gas Solutions. Through June 30, 2014, Prospect has not accrued income for any portion of the \$28,000 potential payment. After expenses, including structuring fees of \$9,966 paid to us, and \$3,152 of third-party expenses, Gas Solutions LP LLC and Gas Solutions GP LLC, subsidiaries of Gas Solutions, received \$157,100 and \$1,587 in cash, respectively, subsequently distributed these amounts, \$158,687 in total, to Energy Solutions. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, 2012 distributions from Energy Solutions to us were required to be recognized as dividend income, in accordance with ASC 946, as there were current year earnings and profits sufficient to support such recognition.

In June, 2014, Freedom Marine Services Holdings, LLC was renamed Freedom Marine Solutions, LLC (continues as “Freedom Marine”), Vessel Holdings, LLC was renamed Vessel Company, LLC (continues as “Vessel”), Vessel Holdings II, LLC was renamed Vessel Company II, LLC (continues as “Vessel II”), Vessel Holdings III, LLC was renamed Vessel Company III, LLC (continues as “Vessel III”), Yatesville Coal Holdings, LLC was renamed Yatesville Coal

Company, LLC (continues as “Yatesville”) and

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Change Clean Energy Holdings, LLC was renamed change Clean Energy Company, LLC (continues as “Change Clean”). Energy Solutions continues to own 100% of all entities as of June 30, 2014.

The following dividends were declared and paid from Energy Solutions to Prospect and recorded as dividend income by Prospect:

| | |
|-------------------------------|----------|
| July 1, 2011 to June 30, 2012 | \$47,850 |
| July 1, 2012 to June 30, 2013 | 53,820 |
| July 1, 2013 to June 30, 2014 | — |

All dividends were paid from earnings and profits of Energy Solutions.

The following cash payments from Energy Solutions to Prospect were recorded as a repayment of loan receivable by Prospect:

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 28,500 |
| July 1, 2013 to June 30, 2014 | 8,500 |

The following interest income, including prepayment penalty fees, was accrued and subsequently paid from Energy Solutions to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-------------------------------|---------|
| July 1, 2011 to June 30, 2012 | \$6,771 |
| July 1, 2012 to June 30, 2013 | 24,172 |
| July 1, 2013 to June 30, 2014 | 5,368 |

At June 30, 2013, \$23 of interest recognized above had not yet been paid by Energy Solutions to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and subsequently paid from Vessel to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-------------------------------|-------|
| July 1, 2011 to June 30, 2012 | \$326 |
| July 1, 2012 to June 30, 2013 | 637 |
| July 1, 2013 to June 30, 2014 | 641 |

At June 30, 2014, \$2 of interest recognized above had not yet been paid by Vessel to Prospect and was included by Prospect within interest receivable.

The following interest payments were paid from Vessel II to Prospect and recognized by Prospect as interest income:

| | |
|-------------------------------|-------|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 1,023 |

At June 30, 2014, \$5 of interest recognized above had not yet been paid by Vessel II to Prospect and was included by Prospect within interest receivable.

The following interest payments were paid from Vessel III to Prospect and recognized by Prospect as interest income:

| | |
|-------------------------------|-------|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 1,213 |

At June 30, 2014, \$6 of interest recognized above had not yet been paid by Vessel III to Prospect and was included by Prospect within interest receivable.

The following amounts were due from Energy Solutions to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

| | |
|---------------|------|
| June 30, 2012 | \$45 |
| June 30, 2013 | — |
| June 30, 2014 | — |

The following managerial assistance payments were paid from Energy Solutions to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 180 |
| July 1, 2012 to June 30, 2013 | 180 |
| July 1, 2013 to June 30, 2014 | 180 |

The following amounts were due from Prospect to Prospect Administration for reimbursement of managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

| | |
|---------------|-----|
| June 30, 2012 | \$— |
| June 30, 2013 | 45 |
| June 30, 2014 | 45 |

The following payments were paid from Energy Solutions to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Energy Solutions (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-------------------------------|-----|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 119 |
| July 1, 2013 to June 30, 2014 | 38 |

First Tower Finance Company LLC

Prospect owns 100% of the equity of First Tower Holdings of Delaware, LLC (“First Tower Delaware”). First Tower Delaware owns 80.1% of First Tower Finance Company LLC (“First Tower Finance”). First Tower Finance owns 100% of First Tower, LLC (“First Tower”), a multiline specialty finance company.

On June 15, 2012, Prospect made a \$287,953 investment (including 14,518,207 common shares of Prospect at a fair value of \$160,571) in First Tower Delaware, of which \$244,760 was a Senior Secured Revolving Credit Facility and \$43,193 of membership interest in First Tower Delaware. \$282,968 of the proceeds were utilized by First Tower Delaware to purchase 80.1% of the membership interests in First Tower Finance. The remaining proceeds at First Tower Delaware were used to pay \$4,038 of structuring fees from First Tower Delaware to Prospect (which was recognized by Prospect as structuring fee income), \$940 of legal services provided by attorneys at Prospect Administration, and \$7 of third party expenses. Prospect received an additional \$4,038 of structuring fees from First Tower (which was recognized by Prospect as structuring fee income). Management purchased the additional 19.9% of First Tower Finance common stock for \$70,300. The combined proceeds received by First Tower Finance of \$353,268 (\$282,968 equity financing from First Tower Delaware mentioned above and \$70,300 equity financing from management) were used to purchase 100% of the common stock of First Tower for \$338,042, pay \$11,188 of third-party expenses and \$4,038 of structuring fees from First Tower mentioned above (which was recognized by Prospect as structuring fee income).

On October 18, 2012, Prospect made an additional \$20,000 investment through the Senior Secured Revolving Credit Facility, \$12,008 of which was invested by First Tower Delaware in First Tower Finance as equity and \$7,992 of which was retained by First Tower Delaware as working capital. On December 30, 2013, Prospect funded an additional \$10,000 into First Tower Delaware, \$8,500 through the Senior Secured Revolving Credit Facility and \$1,500 through the purchase of additional membership interests in First Tower Delaware. \$8,000 of the proceeds were utilized by First Tower Delaware to pay structuring fees to Prospect for the renegotiation and expansion of First Tower’s third-party revolver, and \$2,000 of the proceeds were retained by First Tower Delaware for working capital. On June 24, 2014, Prospect made a new \$251,246 second lien term loan to First Tower. First Tower distributed this amount to First Tower Finance, which distributed this amount to First Tower Delaware as a return of capital. First

Tower Delaware used the

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distribution to partially pay down the Senior Secured Revolving Credit Facility. The remaining \$23,712 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests held by Prospect in First Tower Delaware.

The following dividends were declared and paid from First Tower Finance to First Tower Delaware and recognized as dividend income by First Tower Delaware:

| | |
|--------------------------------|--------|
| June 15, 2012 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 48,520 |
| July 1, 2013 to June 30, 2014 | 50,976 |

All dividends were paid from earnings and profits of First Tower Finance.

The following cash distributions were declared and paid from First Tower Finance to First Tower Delaware and recognized as a return of capital by First Tower Delaware:

| | |
|--------------------------------|-------|
| June 15, 2012 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 7,614 |
| July 1, 2013 to June 30, 2014 | — |

The following interest income was accrued and paid from First Tower Delaware to Prospect for interest due and recognized by Prospect as interest income:

| | |
|--------------------------------|---------|
| June 15, 2012 to June 30, 2012 | \$2,312 |
| July 1, 2012 to June 30, 2013 | 52,476 |
| July 1, 2013 to June 30, 2014 | 51,791 |

At June 30, 2013, \$147 of interest recognized above had not yet been paid by First Tower Delaware to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and paid from First Tower to Prospect for interest due and recognized by Prospect as interest income:

| | |
|--------------------------------|-----|
| June 15, 2012 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 831 |

At June 30, 2014, \$119 of interest recognized above had not yet been paid by First Tower to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the Senior Secured Revolving Credit Facility to First Tower Delaware and recognized as interest income by Prospect:

| | |
|------------------------------------|-------|
| December 13, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 1,698 |

The following royalty payments were paid from First Tower Delaware to Prospect and recognized by Prospect as other income:

| | |
|--------------------------------|-------|
| June 15, 2012 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 2,416 |
| July 1, 2013 to June 30, 2014 | 2,560 |

The following managerial assistance payments were paid from First Tower Finance to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|--------------------------------|-------|
| June 15, 2012 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 1,920 |
| July 1, 2013 to June 30, 2014 | 3,000 |

At June 30, 2013 and 2014, \$600 and \$600 of managerial assistance recognized above had not yet been paid by First Tower Finance to Prospect and was included by Prospect within Due to Prospect Administration, respectively. The following payments were paid from First Tower Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to First Tower Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|--------------------------------|--------|
| June 15, 2012 to June 30, 2012 | \$ 940 |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 243 |

The following amounts were due from First Tower Delaware to Prospect for reimbursement of expenses paid by Prospect on behalf of First Tower Delaware and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|------|
| June 30, 2013 | \$42 |
| June 30, 2014 | 37 |

Gulf Coast Machine & Supply Company

Prospect owns 100% of the preferred equity of Gulf Coast Machine & Supply Company (“Gulf Coast”). Gulf Coast is a provider of value-added forging solutions to energy and industrial end markets.

On October 12, 2012, Prospect initially made a \$42,000 first lien term loan to Gulf Coast, of which \$840 was used to pay structuring fees from Gulf Coast to Prospect (which was recognized by Prospect as structuring fee income).

On November 8, 2013, Gulf Coast issued \$25,950 of convertible preferred stock to Prospect (representing 99.9% of the voting securities of Gulf Coast) in exchange for crediting the same amount to the first lien term loan previously outstanding, leaving a first lien loan balance of \$15,000. On November 29, 2013 and December 16, 2013, Prospect provided an additional \$1,000 and \$1,500, respectively, to fund working capital needs, increasing the first lien loan balance to \$17,500.

The following interest income was accrued and subsequently paid from Gulf Coast to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-----------------------------------|----------|
| November 8, 2013 to June 30, 2014 | \$ 1,449 |
|-----------------------------------|----------|

At June 30, 2014, \$6 of interest recognized above had not yet been paid by Gulf Coast to Prospect and was included by Prospect within interest receivable.

The following amounts were due from Gulf Coast to Prospect for reimbursement of expenses paid by Prospect on behalf of Gulf Coast and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income recognized by Prospect):

| | |
|-----------------------------------|--------|
| November 8, 2013 to June 30, 2014 | \$ 342 |
|-----------------------------------|--------|

The following payments were paid from Gulf Coast to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Gulf Coast (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-----------------------------------|------|
| November 8, 2013 to June 30, 2014 | \$ 4 |
|-----------------------------------|------|

Harbortouch Holdings of Delaware Inc.

Prospect owns 100% of the equity of Harbortouch Holdings of Delaware Inc. (“Harbortouch Delaware”). Harbortouch Delaware owns 100% of the Class C voting units of Harbortouch Payments, LLC (“Harbortouch”), which provide for a 53.5% residual profits allocation. Harbortouch management owns 100% of the Class B and D voting units of Harbortouch, which provide for a 46.5% residual profits allocation. Harbortouch owns 100% of Credit Card Processing USA, LLC. Harbortouch is a provider of transaction processing services and point-of sale equipment used by merchants across the United States.

On March 31, 2014, Prospect made a \$147,898 investment (including 2,306,294 common shares of Prospect at a fair value of \$24,908) in Harbortouch Delaware. Of this amount, \$123,000 was loaned in exchanged for a subordinated note and \$24,898 was an equity contribution. Harbortouch Delaware utilized \$137,972 to purchase 100% of the Harbortouch Class A voting preferred units which provided an 11% preferred return and a 53.5% interest in the residual profits. Harbortouch Delaware used the remaining proceeds to pay \$4,920 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,761 for legal services provided by attorneys at Prospect Administration and \$3,245 was retained by Harbortouch Delaware for working capital. Additionally, on March 31, 2014, Prospect provided Harbortouch a senior secured loan of \$130,796. Prospect received a structuring fee of \$2,616 from Harbortouch (which was recognized by Prospect as structuring fee income).

On April 1, 2014, Prospect made a new \$137,226 senior secured term loan to Harbortouch. Harbortouch then distributed this amount to Harbortouch Delaware as a return of capital which was used to pay down the \$123,000 senior secured note from Harbortouch Delaware to Prospect. The remaining \$14,226 was distributed to Prospect as a return of capital of Prospect’s equity investment in Harbortouch Delaware. Harbortouch Delaware continues to own 100% of Harbortouch’s Class C voting units, which provide for a 53.5% residual profits allocation from Harbortouch at June 30, 2014.

The following interest income was accrued and subsequently paid from Harbortouch Delaware to Prospect for interest due and recognized by Prospect as interest income:

| | |
|---------------------------------|-------|
| March 31, 2014 to June 30, 2014 | \$ 55 |
|---------------------------------|-------|

The following interest income was accrued and subsequently paid from Harbortouch to Prospect for interest due and recognized by Prospect as interest income:

| | |
|---------------------------------|----------|
| March 31, 2014 to June 30, 2014 | \$ 6,825 |
|---------------------------------|----------|

At June 30, 2014, \$1,962 of interest recognized above had not yet been paid by Harbortouch Delaware to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from Harbortouch to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|---------------------------------|--------|
| March 31, 2014 to June 30, 2014 | \$ 125 |
|---------------------------------|--------|

At June 30, 2014, this amount was included by Prospect in Due to Prospect Administration on the respective Consolidated Statement of Assets and Liabilities.

The following payments were paid from Harbortouch Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Harbortouch Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|---------------------------------|----------|
| March 31, 2014 to June 30, 2014 | \$ 1,761 |
|---------------------------------|----------|

The Healing Staff, Inc.

Prospect owns 100% of the equity of The Healing Staff, Inc. (“THS”). Prospect owns 100% of the equity of Vets Securing America, Inc. (“VSA”), which is operated by THS management. VSA provides out-sourced security guards staffing.

As of July 1, 2011, the cost basis of Prospect’s investment in THS and VSA, including debt and equity, was \$18,220. During the year ended June 30, 2012, Prospect made follow-on secured debt investments of \$773 in THS to support the ongoing operations of THS and VSA. In October 2011, Prospect sold a previously acquired building from ESA for \$894. In early May 2012, Prospect made short-term secured debt investments of \$118 and \$42 to support the operations of THS and VSA, respectively, which was

repaid in early June 2012. In January 2012, Prospect received \$2,250 towards a litigation settlement. The proceeds from both of these transactions were used to reduce the outstanding loan by \$3,144.

In May 2012, in connection with the implementation of accounts receivable based funding programs for THS and VSA with a third party provider, Prospect agreed to subordinate Prospect's first priority security interest in all of the accounts receivable and other assets of THS and VSA to the third party provider of that accounts receivable based funding.

During the three months ended December 31, 2012, Prospect determined that the impairment of THS and VSA was other-than-temporary and decreased Prospect's cost basis by \$12,834 and recorded a realized loss of \$12,117 for the amount that the amortized cost exceeded the fair market value.

Manx Energy, Inc.

As of June 30, 2014, Prospect owns 41% of the equity of Manx Energy Inc. ("Manx"). Manx was formed on January 19, 2010 for the purpose of rolling up the assets of existing Prospect portfolio companies, Coalbed, LLC ("Coalbed"), Appalachian Energy, LLC ("AEH") and Kinley Exploration LLC. The three companies were combined under new common management.

On January 19, 2010, Prospect made a \$2,800 investment at closing to Manx to provide for working capital. On the same date, Prospect exchanged \$2,100 and \$4,500 of the loans to AEH and Coalbed, respectively, for Manx preferred equity, and Prospect's AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring, and Prospect continued to fully reserve any income accrued for Manx. On October 15, 2010 and May 26, 2011, Prospect increased its loan to Manx in the amount of \$500 and \$250, respectively, to provide additional working capital. As of June 30, 2011, the cost basis of Prospect's investment in Manx, including debt and equity, was \$19,019.

On June 30, 2012, AEH and Coalbed loans held by Manx with a cost basis of \$7,991 were removed from Manx and contributed by Prospect to Wolf Energy Holdings Inc., a separate holding company wholly owned by Prospect. On June 30, 2013, Prospect determined the remaining debt and equity investment in Manx was other-than-temporarily impaired and wrote-off \$10,528 of the investment cost basis, leaving a cost basis in the remaining debt balance of \$500.

The following principal payments were paid from Manx to Prospect and recorded by Prospect as return of capital (no income was recognized by Prospect):

| | |
|-------------------------------|------|
| July 1, 2011 to June 30, 2012 | \$ — |
| July 1, 2012 to June 30, 2013 | — |
| July 1, 2013 to June 30, 2014 | 450 |

MITY Holdings of Delaware Inc.

Prospect owns 100% of the equity of Mity Holdings of Delaware, Inc. ("Mity Delaware"). Mity Delaware holds 94.99% of the equity of Mity Enterprises, Inc. ("Mity"), with management of Mity owning the remaining 5.01% of the equity of Mity. Mity owns 100% of each of Mity-Lite, Inc. ("Mity-Lite"), Broda Enterprises USA, Inc. ("Broda USA") and Broda Canada ULC ("Broda Canada"). Mity is a designer, manufacturer and seller of multipurpose room furniture and specialty healthcare seating products.

On September 19, 2013, Prospect made a \$29,735 investment in Mity Delaware, of which \$22,792 was a senior secured debt to Mity Delaware and \$6,943 was a capital contribution to the equity of Mity Delaware. The proceeds were partially utilized to purchase 97.7% of Mity common stock for \$21,027. The remaining proceeds were used to issue a \$7,200 note from Broda Canada to Mity Delaware, pay \$684 of structuring fees from Mity Delaware to Prospect (which was recognized by Prospect as structuring fee income), \$311 for legal services provided by attorneys employed by Prospect Administration and \$513 was retained by Mity Delaware for working capital.

On September 19, 2013, Prospect made an additional \$18,250 senior secured debt investment in Mity. The proceeds were used to repay existing third-party indebtedness, pay \$365 of structuring fees from Mity to Prospect (which was recognized by Prospect as structuring fee income), \$1,143 of third party expenses and \$2,580 was retained by Mity for working capital. Members of management of Mity purchased additional shares of common stock of Mity, reducing Mity Delaware's ownership to 94.99%. Mity, Mity-Lite and Broda USA are joint borrowers on the senior secured debt of Mity.

On June 23, 2014, Prospect made a new \$15,769 debt investment in Mity and Mity distributed proceeds to Mity Delaware as a return of capital. Mity Delaware used this distribution to pay down the senior secured debt of Mity Delaware to Prospect by the same amount. The remaining amount of the senior secured debt due from Mity Delaware to Prospect, \$7,200, was then contributed

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to the capital of Mity Delaware. As a result of this transaction, Prospect held the \$15,769 Mity note. Effective June 23, 2014, Mity Enterprises, Inc. was renamed Mity, Inc. (continues as "Mity") and Broda Enterprises USA, Inc. was renamed Broda USA, Inc. (continues as "Broda"). Management shareholders of Mity made additional purchases of Mity stock such that Mity Delaware owns 94.99% of the equity of Mity at June 30, 2014.

On June 23, 2014, Prospect also extended a new \$7,500 senior secured revolving facility to Mity, of which none was funded at closing.

The following dividends were declared and paid from Mity to Mity Delaware and recorded as dividend income by Mity Delaware:

| | |
|-------------------------------------|----------|
| September 19, 2013 to June 30, 2014 | \$ 1,628 |
|-------------------------------------|----------|

All dividends were paid from earnings and profits of Mity.

The following interest payments were paid from Broda to Mity Delaware and recognized by Mity Delaware as interest income:

| | |
|-------------------------------------|--------|
| September 19, 2013 to June 30, 2014 | \$ 455 |
|-------------------------------------|--------|

The following interest income was accrued by Prospect for interest due from Mity Delaware and recognized by Prospect as interest income:

| | |
|-------------------------------------|----------|
| September 19, 2013 to June 30, 2014 | \$ 3,001 |
|-------------------------------------|----------|

At June 30, 2014, \$10 of interest recognized above had not yet been paid by Mity Delaware to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the senior secured note to Mity Delaware and recorded as interest income by Prospect:

| | |
|-------------------------------------|--------|
| September 19, 2013 to June 30, 2014 | \$ 177 |
|-------------------------------------|--------|

The following interest income was accrued by Prospect for interest due from Mity and recognized by Prospect as interest income:

| | |
|-------------------------------------|----------|
| September 19, 2013 to June 30, 2014 | \$ 1,515 |
|-------------------------------------|----------|

The following managerial assistance payments were paid from Mity to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------------|--------|
| September 19, 2013 to June 30, 2014 | \$ 150 |
|-------------------------------------|--------|

The following payments were paid from Mity Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Mity Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-------------------------------------|--------|
| September 19, 2013 to June 30, 2014 | \$ 495 |
|-------------------------------------|--------|

The following amounts were due from Prospect to Prospect Administration for reimbursement for legal, tax and portfolio level accounting services provided directly to Mity Delaware for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|---------------|-------|
| June 30, 2014 | \$ 75 |
|---------------|-------|

The following amounts were due from Mity Delaware to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

| | |
|---------------|------|
| June 30, 2014 | \$ 3 |
|---------------|------|

At June 30, 2014, Prospect had a \$8 payable to Mity Delaware for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of Mity Delaware.

Nationwide Acceptance Holdings LLC

Prospect owns 100% of the membership interests of Nationwide Acceptance Holdings, LLC (“Nationwide Holdings”). Nationwide Holdings owns 93.79% of the equity of Nationwide Acceptance, LLC (“Nationwide”), with members of Nationwide management owning the remaining 6.21% of the equity.

On January 31, 2013, Prospect initially made a \$25,151 investment in Nationwide Holdings, of which \$21,308 was a Senior Secured Revolving Credit Facility and \$3,843 was in the form of membership interests in Nationwide Holdings. \$21,885 of the proceeds were utilized to purchase 93.79% of the membership interests in Nationwide. Proceeds were also used to pay \$753 of structuring fees from Nationwide Holdings to Prospect (which was recognized by Prospect as structuring fee income), \$350 of third party expenses and \$163 of legal services provided by attorneys at Prospect Administration. The remaining \$2,000 was retained by Nationwide Holdings as working capital. On March 28, 2014, Prospect funded an additional \$4,000 to Nationwide Holdings (\$3,400 through the Senior Secured Revolving Credit Facility and \$600 to purchase additional membership interests in Nationwide Holdings). The additional funding along with cash on hand was utilized by Nationwide Holdings to fund a \$5,000 dividend to Prospect.

On June 18, 2014, Prospect made a new \$14,820 second lien term loan to Nationwide. Nationwide distributed this amount to Nationwide Holdings as a return of capital. Nationwide Holdings used the distribution to pay down the Senior Secured Revolving Credit Facility. The remaining \$9,888 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests in Nationwide Holdings.

The following dividends were declared and paid from Nationwide to Nationwide Holdings and recorded as dividend income by Nationwide Holdings:

| | |
|-----------------------------------|---------|
| January 31, 2013 to June 30, 2013 | \$2,615 |
| July 1, 2013 to June 30, 2014 | 7,074 |

The following dividends were paid from Nationwide Holdings to Prospect and recognized by Prospect as dividend income:

| | |
|-----------------------------------|-------|
| January 31, 2013 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 5,000 |

All dividends were paid from earnings and profits of the company paying the dividend.

The following interest income was accrued and subsequently paid from Nationwide Holdings to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-----------------------------------|---------|
| January 31, 2013 to June 30, 2013 | \$1,788 |
| July 1, 2013 to June 30, 2014 | 4,322 |

At June 30, 2013, \$12 of interest recognized above had not yet been paid by Nationwide Holdings to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and subsequently paid from Nationwide to Prospect for interest due and recognized by Prospect as interest income:

| | |
|-----------------------------------|-----|
| January 31, 2013 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 107 |

At June 30, 2014, \$8 of interest recognized above had not yet been paid by Nationwide to Prospect and was included by Prospect within interest receivable.

The following royalty payments were paid from Nationwide Holdings to Prospect and recognized by Prospect as other income:

| | |
|-----------------------------------|--------|
| January 31, 2013 to June 30, 2013 | \$ 131 |
| July 1, 2013 to June 30, 2014 | 354 |

The following managerial assistance payments were paid from Nationwide to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-----------------------------------|--------|
| January 31, 2013 to June 30, 2013 | \$ 167 |
| July 1, 2013 to June 30, 2014 | 400 |

At June 30, 2013 and June 30, 2014, \$100 and \$100 of managerial assistance had been received by Prospect from Nationwide and had not yet been paid to Prospect Administration, respectively. These amounts were included by Prospect in Due to Prospect Administration on the respective Consolidated Statement of Assets and Liabilities.

The following payments were paid from Prospect to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Nationwide Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-----------------------------------|--------|
| January 31, 2013 to June 30, 2013 | \$ 163 |
| July 1, 2013 to June 30, 2014 | — |

The following payments were paid from Nationwide to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Nationwide Holdings no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-----------------------------------|------|
| January 31, 2013 to June 30, 2013 | \$ — |
| July 1, 2013 to June 30, 2014 | 234 |

The following amounts were due from Nationwide Holdings to Prospect for reimbursement of expenses paid by Prospect and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

| | |
|---------------|------|
| June 30, 2013 | \$ — |
| June 30, 2014 | 2 |

The following amounts were due to Nationwide Holdings from Prospect for reimbursement of expenses and included by Prospect within other liabilities on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

| | |
|---------------|------|
| June 30, 2013 | \$ 7 |
| June 30, 2014 | — |

NMMB Holdings, Inc.

Prospect owns 100% of the equity of NMMB Holdings, Inc. (“NMMB Holdings”). NMMB Holdings owns 92.93% of the fully-diluted equity of NMMB, Inc. (“NMMB,” previously NMMB Acquisition, Inc.), with NMMB management owning the remaining 7.07% of the equity. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”). Refuel Agency owns 100% of Armed Forces Communications, Inc. (“Armed Forces”). NMMB is an advertising media buying business.

On May 6, 2011, Prospect initially made a \$34,450 investment (of which \$31,750 was funded at closing) in NMMB Holdings and NMMB, of which \$24,250 was a senior secured term loan to NMMB, \$3,000 was a senior secured revolver to NMMB (of which \$300 was funded at closing), \$2,800 was a senior subordinated term loan to NMMB Holdings and \$4,400 to purchase 100% of the Series A Preferred Stock of NMMB Holdings. The proceeds received by NMMB were used to purchase 100% of the equity of Refuel Agency and assets related to the business for \$30,069, pay \$1,035 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), pay \$396 for third party expenses and \$250 was retained by NMMB for working capital. On May 31, 2011, NMMB repaid the \$300 senior secured revolver.

During the year ended June 30, 2012, NMMB repaid \$2,550 of the senior secured term loan. During the year ended June 30, 2013, NMMB repaid \$5,700 of the senior secured term loan due.

On December 13, 2013, Prospect invested \$8,086 for preferred equity to recapitalize NMMB Holdings. The proceeds were used by NMMB Holdings to repay in full the \$2,800 outstanding under the subordinated term loan and the remaining \$5,286 of proceeds from Prospect were used by NMMB Holdings to purchase preferred equity in NMMB. NMMB used the proceeds from the preferred equity issuance to pay down the senior term loan.

On June 12, 2014, Prospect made a new \$7,000 senior secured term loan to Armed Forces. Armed Forces distributed this amount to Refuel Agency as a return of capital. Refuel Agency distributed this amount to NMMB as a return of capital, which was used to pay down \$7,000 of NMMB's \$10,714 senior secured term loan to Prospect. As of June 30, 2014, Prospect held \$3,714 of senior secured term loan NMMB and \$7,000 senior secured term loan of Armed Forces. Effective June 12, 2014, NMMB Acquisition, Inc. was renamed NMMB, Inc. (continues as "NMMB"). NMMB Holdings continues to own 92.93% of the fully-diluted equity of NMMB as of June 30, 2014.

The following interest income was accrued and subsequently paid to Prospect for interest due from NMMB Holdings and recognized by Prospect as interest income:

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 428 |
| July 1, 2012 to June 30, 2013 | 426 |
| July 1, 2013 to June 30, 2014 | 192 |

At June 30, 2013, \$3 of interest recognized above had not yet been paid by NMMB Holdings to Prospect and was included by Prospect within interest receivable. There was no such outstanding interest due to Prospect from NMMB Holdings as of June 30, 2014.

The following interest income was accrued by Prospect for interest due from NMMB and recognized by Prospect as interest income:

| | |
|-------------------------------|----------|
| July 1, 2011 to June 30, 2012 | \$ 3,255 |
| July 1, 2012 to June 30, 2013 | 2,600 |
| July 1, 2013 to June 30, 2014 | 1,859 |

At June 30, 2013 and 2014, \$20 and \$4 of interest recognized above had not yet been paid by NMMB to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from NMMB Holdings to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 361 |
| July 1, 2012 to June 30, 2013 | 500 |
| July 1, 2013 to June 30, 2014 | 100 |

At June 30, 2014, \$300 of managerial assistance due had not yet been paid by NMMB Holdings to Prospect and was included by Prospect within other receivables.

The following amounts were due from Prospect to Prospect Administration for reimbursement of managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

| | |
|---------------|--------|
| June 30, 2013 | \$ 100 |
| June 30, 2014 | 300 |

The following payments were paid from NMMB Holdings to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to NMMB Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-------------------------------|------|
| July 1, 2011 to June 30, 2012 | \$ — |
| July 1, 2012 to June 30, 2013 | 12 |
| July 1, 2013 to June 30, 2014 | — |

NPH Property Holdings, LLC

Prospect owns 100% of the equity of NPH Property Holdings, LLC (“NPH”). NPH owns 100% of the common equity of National Property Holdings Corp. (“NPRC”). NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, NPRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of NPRC.

NPRC was formed to acquire, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties.

On December 31, 2013, APRC distributed its majority interests in five JVs holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH and the remainder to UPH (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to NPRC and UPRC, respectively. The total investments in the JVs transferred to NPH and from NPH to NPRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

On December 31, 2013, Prospect made a \$10,620 investment in NPH, of which \$8,800 was a Senior Term Loan and \$1,820 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$10,620. The proceeds were utilized by NPRC to purchase a 93.0% ownership interest in APH Carroll Bartram Park, LLC for \$10,288 and to pay \$113 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$219 retained by NPRC for working capital. APH Carroll Bartram Park, LLC was purchased by NPRC for \$38,000 which included debt financing and minority interest of \$28,500 and \$774, respectively. The remaining proceeds were used to pay \$206 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,038 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$304 of pre-paid assets, with \$9 retained by NPRC for working capital. Between January 7, 2014 and March 13, 2014, Prospect made a \$14,000 investment in NPH, of which \$11,900 was a Senior Term Loan and \$2,100 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase consumer loans from a third party.

On January 31, 2014, Prospect made a \$4,805 investment in NPH, of which \$4,000 was a Senior Term Loan and \$805 used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$4,805. The proceeds were utilized by NPRC to purchase a 93.0% ownership interest in APH Carroll Atlantic Beach, LLC for \$4,603 and to pay \$52 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$150 retained by NPRC for working capital. APH Carroll Atlantic Beach, LLC was purchased by NPRC for \$13,025 which included debt financing and minority interest of \$9,118 and \$346, respectively. The remaining proceeds were used to pay \$92 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$681 of third party expenses, \$7 of legal services provided by attorneys at Prospect Administration, and \$182 of pre-paid assets, with \$80 retained by NPRC for working capital.

Effective as of April 1, 2014, Prospect made a new \$104,460 senior term loan to NPRC. NPRC then distributed this amount to NPH as a return of capital which was used to pay down the Senior Term Loan from NPH by the same amount. Effective April 1, 2014, National Property Holdings Corp. was renamed National Property REIT Corp. (continues as “NPRC”). NPH continues to own 100% of the common equity of NPRC at June 30, 2014.

Between April 3, 2014 and May 21, 2014, Prospect made an \$11,000 investment in NPH and NPRC, of which \$9,350 was a Senior Term Loan to NPRC and \$1,650 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$1,650. The proceeds were utilized by NPRC to purchase consumer loans from a third party.

The following cash distributions were declared and paid from NPRC to NPH and recorded as a return of capital by NPH:

| | |
|------------------------------------|------------|
| December 31, 2013 to June 30, 2014 | \$ 106,810 |
|------------------------------------|------------|

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The following cash distributions were declared and paid from NPRC to Prospect and recorded as a return of capital by Prospect:

| | |
|------------------------------------|---------|
| December 31, 2013 to June 30, 2014 | \$9,900 |
|------------------------------------|---------|

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The following interest income was accrued and subsequently paid by NPH to Prospect and recognized by Prospect as interest income:

| | |
|------------------------------------|---------|
| December 31, 2013 to June 30, 2014 | \$2,406 |
|------------------------------------|---------|

The following interest income was accrued and subsequently paid by NPRC to Prospect and recognized by Prospect as interest income:

| | |
|------------------------------------|---------|
| December 31, 2013 to June 30, 2014 | \$3,117 |
|------------------------------------|---------|

At June 30, 2014, \$432 and \$18 of interest from NPH and NPRC was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis, respectively.

The following royalty payments were paid from NPH to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|-------|
| December 31, 2013 to June 30, 2014 | \$278 |
|------------------------------------|-------|

The following royalty payments were paid from NPRC to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|-------|
| December 31, 2013 to June 30, 2014 | \$288 |
|------------------------------------|-------|

The following managerial assistance payments were paid from NPRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|------------------------------------|-------|
| December 31, 2013 to June 30, 2014 | \$255 |
|------------------------------------|-------|

The following amounts were due from Prospect to Prospect Administration for managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

| | |
|---------------|-------|
| June 30, 2014 | \$128 |
|---------------|-------|

The following amounts were due from NPH to Prospect for reimbursement of expenses paid by Prospect on behalf of NPH and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|-----|
| June 30, 2014 | \$7 |
|---------------|-----|

R-V Industries, Inc.

As of July 1, 2011 and continuing through June 30, 2014, Prospect owns 88.27% of the fully-diluted equity of R-V Industries, Inc. ("R-V"), with R-V management owning the remaining 11.73% of the equity. As of June 30, 2011, Prospect's equity investment cost basis was \$1,682 and \$5,087 for warrants and common stock, respectively.

On November 30, 2012, Prospect made a \$9,500 second lien term loan to R-V and R-V received an additional \$4,000 of senior secured financing from a third-party lender. The combined \$13,500 of proceeds was partially utilized by R-V to pay a dividend to its common stockholders in an aggregate amount equal to \$13,288 (including \$11,073 to Prospect recognized by Prospect as a dividend). The remaining proceeds were used by R-V to pay \$142 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$47 for third party expenses and \$23 for legal services provided by attorneys at Prospect Administration.

On June 12, 2013, Prospect provided an additional \$23,250 to the second lien term loan to R-V. The proceeds were partially utilized by R-V to pay a dividend to the common stockholders in an aggregate amount equal to \$15,000 (including \$13,240 dividend to Prospect). The remaining proceeds were used to pay off \$7,835 of outstanding debt due from R-V to a third-party, \$11 for legal services provided by attorneys at Prospect Administration and \$404 was retained by R-V for working capital. On February 28, 2014, R-V repaid \$2,339 of the second lien term loan due to Prospect.

The following dividends were paid from R-V to Prospect and recognized by Prospect as dividend income:

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$283 |
| July 1, 2012 to June 30, 2013 | 24,462 |
| July 1, 2013 to June 30, 2014 | 1,100 |

All dividends were paid from earnings and profits of R-V.

The following income was accrued and subsequently paid from R-V to Prospect and recognized by Prospect as interest income:

| | |
|-------------------------------|-------|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 781 |
| July 1, 2013 to June 30, 2014 | 3,188 |

The following amounts were due from R-V to Prospect for interest and included by Prospect within interest receivable on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|-----|
| June 30, 2012 | \$— |
| June 30, 2013 | 27 |
| June 30, 2014 | — |

The following managerial assistance payments were paid from R-V to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|-------------------------------|--------|
| July 1, 2011 to June 30, 2012 | \$ 174 |
| July 1, 2012 to June 30, 2013 | 180 |
| July 1, 2013 to June 30, 2014 | 180 |

The following amounts were due from Prospect to Prospect Administration for reimbursement of managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

| | |
|---------------|------|
| June 30, 2012 | \$45 |
| June 30, 2013 | 15 |
| June 30, 2014 | 45 |

The following payments were paid from R-V to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to R-V (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

| | |
|-------------------------------|-----|
| July 1, 2011 to June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 37 |
| July 1, 2013 to June 30, 2014 | — |

STI Holding, Inc.

Prospect owns 100% of the equity of STI Holding, Inc. (“STI”), which owns 100% of the equity of Borga, Inc. (“Borga”). Borga manufactures pre-engineered metal buildings and components for the agricultural and light industrial markets. On May 6, 2005, Patriot Capital Funding, Inc. (previously acquired by Prospect) provided \$14,000 in senior secured debt to Borga. The debt was comprised of \$1,000 Senior Secured Revolver, \$3,500 Senior Secured Term Loan A, \$2,500 Senior Secured Term Loan B and \$7,000 Senior Secured Term Loan C. On March 31, 2009, Borga made its final amortization payment on the Senior Secured Term Loan A. The other loans remained outstanding. Prospect owned warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation (“Metal Buildings”), the former holding company of Borga. Metal Buildings owned 100% of Borga, Inc.

On March 8, 2010, Prospect acquired the remaining common stock of Borga.

On January 24, 2014, Prospect contributed its holdings in Borga to STI. STI also holds \$3,371 of proceeds from the sale of a minority equity interest in SMART LLC (“Smart”). Prospect initially acquired membership interests in SMART indirectly as part of the Patriot acquisition on December 2, 2009 recording a zero cost basis for the equity investment. The \$3,371 was distributed to Prospect on May 29, 2014, of which \$3,246 was paid from earnings and profits of STI and was recognized as dividend income by Prospect. The remaining \$125 was recognized as return of capital by Prospect.

UPH Property Holdings, LLC

Prospect owns 100% of the equity of UPH Property Holdings, LLC (“UPH”). UPH owns 100% of the common equity of United Property Holdings Corp. (“UPRC”). UPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, UPRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of UPRC.

UPRC was formed to acquire, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. UPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties.

On December 31, 2013, UPRC distributed its majority interests in five JVs holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH and the remainder to UPH (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to UPRC and UPRC, respectively. The total investments in the JVs transferred to UPH and from UPH to UPRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

Effective as of April 1, 2014, Prospect made a new \$19,027 senior term loan to UPRC. UPRC then distributed this amount to UPH as a return of capital which was used to pay down the Senior Term Loan from UPH by the same amount. Effective April 1, 2014, United Property Holdings Corp. was renamed United Property REIT Corp. (continues as “UPRC”). UPH continues to own 100% of the common equity of UPRC at June 30, 2014.

On June 4, 2014, Prospect made a \$1,405 investment in UPH to purchase additional membership interests of UPH. The proceeds were utilized by UPH to purchase additional UPRC common equity for \$1,405. The proceeds were utilized by UPRC to acquire the real property located at 1201 West College, Marshall, MO (“Taco Bell, MO”) for \$1,405.

The following cash distributions were declared and paid from UPRC to UPH and recorded as a return of capital by UPH:

| | |
|------------------------------------|----------|
| December 31, 2013 to June 30, 2014 | \$20,086 |
|------------------------------------|----------|

The following interest income was accrued and subsequently paid by UPH to Prospect and recognized by Prospect as interest income:

| | |
|------------------------------------|-------|
| December 31, 2013 to June 30, 2014 | \$375 |
|------------------------------------|-------|

The following interest income was accrued and subsequently paid by UPRC to Prospect and recognized by Prospect as interest income:

| | |
|------------------------------------|-------|
| December 31, 2013 to June 30, 2014 | \$553 |
|------------------------------------|-------|

At June 30, 2014, \$6 of interest recognized above had not yet been paid by UPRC to Prospect and was included by Prospect within interest receivable.

At June 30, 2014, \$173 of interest from UPH was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis.

The following royalty payments were paid from UPH to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|------|
| December 31, 2013 to June 30, 2014 | \$69 |
|------------------------------------|------|

The following royalty payments were paid from UPRC to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|------|
| December 31, 2013 to June 30, 2014 | \$87 |
|------------------------------------|------|

The following managerial assistance payments were paid from UPRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|------------------------------------|--------|
| December 31, 2013 to June 30, 2014 | \$ 100 |
|------------------------------------|--------|

Valley Electric Holdings I, Inc.

As of June 30, 2014, Prospect owns 100% of the common stock of Valley Electric Holdings I, Inc. (“Valley Holdings I”). Valley Holdings I owns 100% of Valley Electric Holdings II, Inc. (“Valley Holdings II”). Valley Holdings II owns 94.99% of Valley Electric Company, Inc. (“Valley Electric”), with Valley Electric management owning the remaining 5.01% of the equity. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. (“Valley”), a leading provider of specialty electrical services in the state of Washington and among the top 50 electrical contractors in the U.S.

On December 31, 2012, Prospect initially invested \$52,098 (including 4,141,547 common shares of Prospect at a fair value of \$44,650) in exchange for \$32,572 was in the form of a senior secured note of Valley Holdings I, a \$10,000 senior secured note of Valley Electric (discussed below) and \$9,526 to purchase the common stock of Valley Holdings I. The proceeds were partially utilized by Valley Holdings I to purchase 100% of Valley Holdings II common stock for \$40,528. The remaining proceeds at Valley Holdings I were used to pay \$977 of structuring fees from Valley Holdings I to Prospect (which were recognized by Prospect as structuring fee income), \$345 for legal services provided by attorneys at Prospect Administration and \$248 was retained by Valley Holdings I as working capital. The \$40,528 of proceeds received by Valley Holdings II were subsequently used to purchase 96.3% of Valley Electric’s common stock. The \$40,528 proceeds received by Valley Electric, in addition to \$1,500 co-invest from management, were used to fund an equity investment in Valley.

On December 31, 2012, Prospect invested \$10,000 (as mentioned above) into Valley in the form of senior secured debt. Total proceeds of \$52,028 received by Valley (including \$42,028 equity investment mentioned above) were used to purchase the equity of Valley from third-party sellers for \$45,650, pay \$4,628 of third-party transaction expenses (including bonuses to Valley’s management of \$2,320), pay \$250 from Valley to Prospect (which were recognized by Prospect as structuring fee income) and \$1,500 was retained by Valley for working capital.

On June 24, 2014, Valley Holdings II and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Prospect made a new \$20,471 senior secured loan to Valley Electric. Valley Electric then distributed this amount to Valley Holdings I, via Valley Holdings II, as a return of capital which was used to pay down the senior secured note of Valley Holdings I by the same amount. The remaining principal amount of the senior secured note, \$16,754, was then contributed to the capital of Valley Holdings I. At June 30, 2014, Prospect holds \$30,581 of senior secured debt issued by Valley.

The following dividends were declared and paid from Valley to Valley Holdings II, which were subsequently distributed to and recognized as dividend income by Valley Holdings I:

| | |
|------------------------------------|----------|
| December 31, 2012 to June 30, 2013 | \$ 1,865 |
|------------------------------------|----------|

| | |
|-------------------------------|-------|
| July 1, 2013 to June 30, 2014 | 2,953 |
|-------------------------------|-------|

All dividends were paid from earnings and profits of Valley and Valley Holdings II.

The following cash payments from Valley Holdings I to Prospect were recorded as a repayment of loan receivable by Prospect:

| | |
|------------------------------------|------|
| December 31, 2012 to June 30, 2013 | \$ — |
|------------------------------------|------|

| | |
|-------------------------------|--------|
| July 1, 2013 to June 30, 2014 | 20,471 |
|-------------------------------|--------|

The following cash payments from Valley to Prospect were recorded as a repayment of loan receivable by Prospect:

| | |
|------------------------------------|--------|
| December 31, 2012 to June 30, 2013 | \$ 100 |
|------------------------------------|--------|

| | |
|-------------------------------|-----|
| July 1, 2013 to June 30, 2014 | 200 |
|-------------------------------|-----|

The following interest income was accrued and subsequently paid from Valley Holdings I to Prospect and recognized by Prospect as interest income:

| | |
|------------------------------------|----------|
| December 31, 2012 to June 30, 2013 | \$ 1,489 |
| July 1, 2013 to June 30, 2014 | 3,161 |

The following payment-in-kind interest was capitalized in the senior secured note to Valley Holdings I and recognized as interest income by Prospect:

| | |
|------------------------------------|----------|
| December 31, 2012 to June 30, 2013 | \$ 1,489 |
| July 1, 2013 to June 30, 2014 | 3,161 |

The following interest income was accrued by Prospect for interest due from Valley and recognized by Prospect as interest income:

| | |
|------------------------------------|--------|
| December 31, 2012 to June 30, 2013 | \$ 408 |
| July 1, 2013 to June 30, 2014 | 820 |

At June 30, 2014, \$3 of interest recognized above had not yet been paid by Valley to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the senior secured note to Valley and recognized as interest income by Prospect:

| | |
|------------------------------------|--------|
| December 31, 2012 to June 30, 2013 | \$ 125 |
| July 1, 2013 to June 30, 2014 | 255 |

The following interest income was accrued and subsequently paid from Valley Electric to Prospect for interest due and recognized by Prospect as interest income:

| | |
|------------------------------------|-----|
| December 31, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 74 |

At June 30, 2014, \$45 of interest recognized above had not yet been paid by Valley Electric to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the senior secured note to Valley Electric and recognized as interest income by Prospect:

| | |
|------------------------------------|-----|
| December 31, 2012 to June 30, 2013 | \$— |
| July 1, 2013 to June 30, 2014 | 29 |

The following royalty payments were paid from Valley Holdings I to Prospect and recognized by Prospect as other income:

| | |
|------------------------------------|-------|
| December 31, 2012 to June 30, 2013 | \$ 98 |
| July 1, 2013 to June 30, 2014 | 148 |

The following managerial assistance payments were paid from Valley to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

| | |
|------------------------------------|--------|
| December 31, 2012 to June 30, 2013 | \$ 150 |
| July 1, 2013 to June 30, 2014 | 300 |

The following payments were paid from Valley Holdings I to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Valley Holdings I (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable to Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

| | |
|------------------------------------|-------|
| December 31, 2012 to June 30, 2013 | \$345 |
| July 1, 2013 to June 30, 2014 | 91 |

The following amounts were due from Valley Holdings I to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

| | |
|---------------|------|
| June 30, 2013 | \$27 |
| June 30, 2014 | — |

At June 30, 2014, Prospect had a \$6 payable to Valley Holdings I for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of Valley Holdings I.

Wolf Energy Holdings Inc.

Prospect owns 100% of the equity of Wolf Energy Holdings Inc. (“Wolf Energy Holdings”). Wolf Energy Holdings owns 100% of each of Appalachian Energy Holdings LLC (“AEH”), Coalbed, LLC (“Coalbed”) and Wolf Energy, LLC (“Wolf Energy”). AEH owns 100% of C&S Operating, LLC and Coalbed owns 100% of Coalbed Operator, LLC.

Wolf Energy Holdings is a holding company formed to hold 100% of the outstanding membership interests of each of AEH and Coalbed. The membership interests and associated operating company debt of AEH and Coalbed, which were previously owned by Manx Energy, Inc. (“Manx”), were assigned to Wolf Energy Holdings effective June 30, 2012. The purpose of assignment was to remove those activities from Manx deemed non-core by the Manx convertible debt investors who were not interested in funding those operations. In addition, effective June 29, 2012, C&J Cladding Holding Company, Inc. (“C&J Holdings”) merged with and into Wolf Energy Holdings, with Wolf Energy Holdings as the surviving entity. At the time of the merger, C&J Holdings held the remaining undistributed proceeds in cash from the sale of its membership interests in C&J Cladding, LLC (“C&J”) (discussed below). The merger was effectuated in connection with the broader simplification of Prospect’s energy investment holdings.

On June 1, 2012, Prospect sold the membership interests in C&J for \$5,500. Proceeds from the sale were used to pay a \$3,000 distribution to Prospect (\$580 reduction in cost basis and \$2,420 realized gain recognized by Prospect), an advisory fee of \$1,500 from C&J to Prospect (which was recognized by Prospect as other income) and \$978 was retained by C&J as working capital to pay \$22 of legal services provided by attorneys at Prospect Administration and third-party expenses.

On June 30, 2012, AEH and Coalbed loans with a cost basis of \$7,991 were assigned by Prospect to Wolf Energy Holdings Inc. from Manx Energy, Inc.

On February 27, 2013, Prospect made a \$50 senior secured debt investment senior secured to East Cumberland, L.L.C. (“East Cumberland”), a former wholly-owned subsidiary of AEH with AEH as guarantor. Proceeds were used to pay off vendors.

On April 15, 2013, Prospect foreclosed on the assets of H&M Oil & Glass, LLC (“H&M”). At the time of foreclosure, H&M was in default on loans receivables due to Prospect with a cost basis of \$64,449. The assets previously held by H&M were assigned by Prospect to Wolf Energy in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826 offsetting the previously recognized loss. Prospect received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

Effective June 6, 2014, Appalachian Energy Holdings LLC was renamed Appalachian Energy LLC (continues as “AEH”).

The following interest income was paid to Prospect for interest due from Wolf Energy and recognized by Prospect as interest income:

| | |
|-------------------------------|-----|
| June 30, 2012 | \$— |
| July 1, 2012 to June 30, 2013 | 452 |
| July 1, 2013 to June 30, 2014 | — |

Note 15. Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. During the year ended June 30, 2014, we received \$5,825 of legal cost reimbursement from a litigation settlement, which had been expensed in prior quarters, and is recognized as other income on our consolidated financial statements. We are not aware of any other material litigation as of the date of this report.

Note 16. Financial Highlights

The following is a schedule of financial highlights for each of the five years in the period ended June 30, 2014:

| | Year Ended June 30, | | | | | |
|--|---------------------|-------------|-------------|-------------|------------|----|
| | 2014 | 2013 | 2012 | 2011 | 2010 | |
| Per Share Data | | | | | | |
| Net asset value at beginning of year | \$10.72 | \$10.83 | \$10.36 | \$10.30 | \$12.40 | |
| Net investment income(1) | 1.19 | 1.57 | 1.63 | 1.10 | 1.13 | |
| Net realized (loss) gain on investments(1) | (0.01) | (0.13) | 0.32 | 0.19 | (0.87) | |
| Net change in unrealized (depreciation) appreciation on investments(1) | (0.12) | (0.37) | (0.28) | 0.09 | 0.07 | |
| Dividends to shareholders | (1.32) | (1.28) | (1.22) | (1.21) | (1.33) | |
| Common stock transactions(2) | 0.10 | 0.10 | 0.02 | (0.11) | (1.22) | |
| Fair value of equity issued for Patriot acquisition | — | — | — | — | 0.12 | |
| Net asset value at end of year | \$10.56 | \$10.72 | \$10.83 | \$10.36 | \$10.30 | |
| | | | | | | |
| Per share market value at end of year | \$10.63 | \$10.80 | \$11.39 | \$10.11 | \$9.65 | |
| Total return based on market value(3) | 10.88 | % 6.24 | % 27.21 | % 17.22 | % 17.66 | % |
| Total return based on net asset value(3) | 10.97 | % 10.91 | % 18.03 | % 12.54 | % (6.82 | %) |
| Shares of common stock outstanding at end of year | 342,626,637 | 247,836,965 | 139,633,870 | 107,606,690 | 69,086,862 | |
| Weighted average shares of common stock outstanding | 300,283,941 | 207,069,971 | 114,394,554 | 85,978,757 | 59,429,222 | |
| | | | | | | |
| Ratios/Supplemental Data | | | | | | |
| Net assets at end of year | \$3,618,182 | \$2,656,494 | \$1,511,974 | \$1,114,357 | \$711,424 | |
| Portfolio turnover rate | 15.21 | % 29.24 | % 29.06 | % 27.63 | % 21.61 | % |
| Annualized ratio of operating expenses to average net assets | 11.11 | % 11.50 | % 10.73 | % 8.47 | % 7.54 | % |
| Annualized ratio of net investment income to average net assets | 11.18 | % 14.86 | % 14.92 | % 10.60 | % 10.69 | % |

(1) Financial highlights are based on the weighted average number of common shares outstanding for the period presented (except for dividends to shareholders which is based on actual rate per share).

(2) Common stock transactions include the effect of our issuance of common stock in public offerings (net of underwriting and offering costs), shares issued in connection with our dividend reinvestment plan and shares issued to acquire investments. The fair value of equity issued to acquire portfolio investments from Patriot has been presented separately for the year ended June 30, 2010.

(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.

Note 17. Selected Quarterly Financial Data (Unaudited)

The following table sets forth selected financial data for each quarter within the three years ended June 30, 2014:

| Quarter Ended | Investment Income | | Net Investment Income | | Net Realized and Unrealized Gains (Losses) | | Net Increase in Net Assets from Operations | |
|--------------------|-------------------|--------------|-----------------------|--------------|--|--------------|--|--------------|
| | Total | Per Share(1) | Total | Per Share(1) | Total | Per Share(1) | Total | Per Share(1) |
| September 30, 2011 | \$55,342 | \$ 0.51 | \$27,877 | \$ 0.26 | \$ 12,023 | \$ 0.11 | \$ 39,900 | \$ 0.37 |
| December 31, 2011 | 67,263 | 0.61 | 36,508 | 0.33 | 27,984 | 0.26 | 64,492 | 0.59 |
| March 31, 2012 | 95,623 | 0.84 | 58,072 | 0.51 | (7,863) | (0.07) | 50,209 | 0.44 |
| June 30, 2012 | 102,682 | 0.82 | 64,227 | 0.52 | (27,924) | (0.22) | 36,303 | 0.29 |
| September 30, 2012 | 123,636 | 0.76 | 74,027 | 0.46 | (26,778) | (0.17) | 47,249 | 0.29 |
| December 31, 2012 | 166,035 | 0.85 | 99,216 | 0.51 | (52,727) | (0.27) | 46,489 | 0.24 |
| March 31, 2013 | 120,195 | 0.53 | 59,585 | 0.26 | (15,156) | (0.07) | 44,429 | 0.20 |
| June 30, 2013 | 166,470 | 0.68 | 92,096 | 0.38 | (9,407) | (0.04) | 82,689 | 0.34 |
| September 30, 2013 | 161,034 | 0.62 | 82,337 | 0.32 | (2,437) | (0.01) | 79,900 | 0.31 |
| December 31, 2013 | 178,090 | 0.62 | 92,215 | 0.32 | (6,853) | (0.02) | 85,362 | 0.30 |
| March 31, 2014 | 190,327 | 0.60 | 98,523 | 0.31 | (16,422) | (0.06) | 82,101 | 0.26 |
| June 30, 2014 | 182,840 | 0.54 | 84,148 | 0.25 | (12,491) | (0.04) | 71,657 | 0.21 |

Per share amounts are calculated using the weighted average number of common shares outstanding for the period (1) presented. As such, the sum of the quarterly per share amounts above will not necessarily equal the per share amounts for the fiscal year.

Note 18. Subsequent Events

On July 11, 2014, we increased total commitments to our Revolving Credit Facility by \$10,000 to \$867,500 in the aggregate.

On July 22, 2014, Injured Workers Pharmacy, LLC repaid the \$22,678 loan receivable to us.

On July 23, 2014, Correctional Healthcare Holding Company, Inc. repaid the \$27,100 loan receivable to us.

On July 23, 2014, we increased total commitments to our Revolving Credit Facility by \$10,000 to \$877,500 in the aggregate.

On July 24, 2014, we issued 98,503 shares of our common stock in connection with the dividend reinvestment plan.

On July 28, 2014, Tectum Holdings, Inc. repaid the \$10,000 loan receivable to us.

On August 1, 2014, we sold our investments in AMU Holdings Inc. and Airmall Inc. for net proceeds of \$51,379. In addition, there is \$6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized if and when received.

On August 5, 2014, we made an investment of \$39,105 to purchase 70.94% of the subordinated notes in CIFIC Funding 2014-IV, Ltd.

On August 13, 2014, we provided \$210,000 of senior secured financing, of which \$200,000 was funded at closing, to support the recapitalization of Trinity Services Group, Inc., a leading food services company in the H.I.G. Capital portfolio.

On August 14, 2014, we announced the then current conversion rate on the 2018 Notes as 83.6661 shares of common stock per \$1 principal amount of the 2018 Notes converted, which is equivalent to a conversion price of approximately \$11.95.

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On August 21, 2014, we issued 129,435 shares of our common stock in connection with the dividend reinvestment plan.

On August 22, 2014, Byrider Systems Acquisition Corp. repaid the \$11,177 loan receivable to us.

On August 22, 2014, Capstone Logistics, LLC repaid the \$189,941 loan receivable to us.

On August 22, 2014, TriMark USA, LLC repaid the \$10,000 loan receivable to us.

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\$5,000,000,000

PROSPECT CAPITAL CORPORATION

Common Stock

Preferred Stock

Debt Securities

Subscription Rights

Warrants

Units

We may offer, from time to time, in one or more offerings or series, together or separately, up to \$5,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities, collectively, the Securities, to provide us with additional capital. Securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our Securities.

We may offer shares of common stock, subscription rights, units, warrants, options or rights to acquire shares of common stock, at a discount to net asset value per share in certain circumstances. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. At our 2012 annual meeting, held on December 7, 2012, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, our stockholders approved our ability to sell or otherwise issue shares of our common stock at any level of discount from net asset value per share for a twelve month period expiring on the anniversary of the date of stockholder approval. We are currently seeking stockholder approval at our 2013 annual meeting, to be held on December 6, 2013, to continue for an additional year our ability to issue shares of common stock below net asset value, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering.

Our Securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents, underwriters or dealers, or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our Securities through agents, underwriters or dealers without delivery of the prospectus and a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The NASDAQ Global Select Market under the symbol "PSEC." As of October 10, 2013, the last reported sales price for our common stock was \$11.07.

Prospect Capital Corporation, or the Company, is a company that lends to and invests in middle market privately-held companies. Prospect Capital Corporation, a Maryland corporation, has been organized as a closed-end investment company since April 13, 2004 and has filed an election to be treated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act, and is a non-diversified investment company within the meaning of the 1940 Act.

Prospect Capital Management LLC, our investment adviser, manages our investments and Prospect Administration LLC, our administrator, provides the administrative services necessary for us to operate.

Investing in our Securities involves a heightened risk of total loss of investment. Before buying any Securities, you should read the discussion of the material risks of investing in our Securities in "Risk Factors" beginning on page 10 of this prospectus.

This prospectus contains important information about us that you should know before investing in our Securities. Please read it before making an investment decision 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. You may make inquiries or obtain this information free of charge by writing to Prospect Capital Corporation at

10 East 40th Street, 44th Floor, New York, NY 10016, or by calling 212-448-0702. Our Internet address is <http://www.prospectstreet.com>. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be a part of this prospectus. You may also obtain information about us from our website and the SEC's website (<http://www.sec.gov>).

The SEC has not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time on a delayed basis, up to \$5,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities, on the terms to be determined at the time of the offering. The Securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the Securities that we may offer. Each time we use this prospectus to offer Securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any prospectus supplement together with any exhibits and the additional information described under the heading "Available Information" and the section under the heading "Risk Factors" before you make an investment decision.

PROSPECTUS SUMMARY

The following summary contains basic information about this offering. It does not contain all the information that may be important to an investor. For a more complete understanding of this offering, we encourage you to read this entire document and the documents to which we have referred.

Information contained or incorporated by reference in this prospectus may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which are statements about the future that may be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "plans," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. 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. The matters described in "Risk Factors" and certain other factors noted throughout this prospectus and in any exhibits to the registration statement of which this prospectus is a part, constitute cautionary statements identifying important factors with respect to any such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those in such forward-looking statements. The Company reminds all investors that no forward-looking statement can be relied upon as an accurate or even mostly accurate forecast because humans cannot forecast the future.

The terms "we," "us," "our," "Prospect," and "Company" refer to Prospect Capital Corporation; "Prospect Capital Management" or the "Investment Adviser" refers to Prospect Capital Management LLC, our investment adviser; and "Prospect Administration" or the "Administrator" refers to Prospect Administration LLC, our administrator.

The Company

We are a financial services company that lends to and invests in middle market privately-held companies. In this prospectus, we use the term "middle-market" to refer to companies typically with annual revenues between \$50 million and \$2 billion.

From our inception to the fiscal year ended June 30, 2007, we invested primarily in industries related to the industrial/energy economy, which consists of companies in the discovery, production, transportation, storage and use of energy resources as well as companies that sell products and services to, or acquire products and services from, these companies. Since then, we have widened our strategy to focus on other sectors of the economy and continue to broaden our portfolio holdings.

We have been organized as a closed-end investment company since April 13, 2004 and have filed an election to be treated as a business development company under the 1940 Act. We are a non-diversified company within the meaning of the 1940 Act. Our headquarters are located at 10 East 40th Street, 44th Floor, New York, NY 10016, and our telephone number is (212) 448-0702.

The Investment Adviser

Prospect Capital Management, an affiliate of the Company, manages our investment activities. Prospect Capital Management is an investment adviser that has been registered under the Investment Advisers Act of 1940, or the Advisers Act, since March 31, 2004. Under an investment advisory and management agreement between us and Prospect Capital Management, or the Investment Advisory Agreement, we have agreed to pay Prospect Capital Management investment advisory fees, which will consist of an annual base management fee based on our gross assets, which we define as total assets without deduction for any liabilities (and, accordingly, includes the value of assets acquired with proceeds from borrowings), as well as a two-part incentive fee based on our performance.

Our Investment Objective and Policies

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

We invest primarily in first and second lien senior loans and mezzanine debt. 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. Our investments have generally ranged between \$5 million and \$250 million each, although the

investment size may be more or less than this range. Our investment sizes are expected to grow as our capital base expands.

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.

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We seek to maximize returns and minimize risk for our investors by applying rigorous analysis to make and monitor our investments. While the structure of our investments varies, we can invest in senior secured debt, senior unsecured debt, subordinated secured debt, subordinated unsecured debt, mezzanine debt, convertible debt, convertible preferred equity, preferred equity, common equity, warrants and other instruments, many of which generate current yield. While our primary focus is to seek current income through investment in the debt and/or dividend-paying equity securities of eligible privately-held, thinly-traded or distressed companies and long-term capital appreciation by acquiring accompanying warrants, options or other equity securities of such companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek enhanced returns for stockholders. Such investments may include investments in the debt and equity instruments of broadly-traded public companies. We expect that these public companies generally will have debt securities that are non-investment grade. Such investments may also include purchases (either in the primary or secondary markets) of the equity and junior debt tranches of a type of such pools known as CLOs. Structurally, CLOs are entities that are formed to hold a portfolio of senior secured loans ("Senior Secured Loans") made to companies whose debt is rated below investment grade or, in limited circumstances, unrated. The Senior Secured Loans within a CLO are limited to Senior Secured Loans which meet specified credit and diversity criteria and are subject to concentration limitations in order to create an investment portfolio that is diverse by Senior Secured Loan, borrower, and industry, with limitations on non-U.S. borrowers. CLOs are typically highly levered up to approximately 10 times, and therefore the junior debt and equity tranches that we will invest in are subject to a higher risk of total loss. Our potential investment in CLOs is limited by the 1940 Act to 30% of our portfolio. Within this 30% basket, we have and may make additional investments in debt and equity securities of financial companies and companies located outside of the United States.

The Offering

We may offer, from time to time, in one or more offerings or series, together or separately, up to \$5,000,000,000 of our Securities, which we expect to use initially to maintain balance sheet liquidity, involving repayment of debt under our credit facility, investment in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objectives.

Our Securities may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to a particular offering will disclose the terms of that offering, including the name or names of any agents, underwriters or dealers involved in the sale of our Securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents, underwriters or dealers, or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our Securities.

We may sell our common stock, subscription rights, units, warrants, options or rights to acquire our common stock, at a price below the current net asset value of our common stock upon approval of our directors, including a majority of our independent directors, in certain circumstances. Our stockholders approved our ability to issue warrants, options or rights to acquire our common stock at our 2008 annual meeting of stockholders for an unlimited time period and in accordance with the 1940 Act which provides that the conversion or exercise price of such warrants, options or rights may be less than net asset value per share at the date such securities are issued or at the date such securities are converted into or exercised for shares of our common stock. At our 2012 annual meeting, held on December 7, 2012, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, our stockholders approved our ability to sell or otherwise issue shares of our common stock at any level of discount from net asset value per share for a twelve month period expiring on the anniversary of the date of the stockholder approval. We are currently seeking stockholder approval at our 2013 annual meeting, to be held on December 6, 2013, to continue for an additional year our ability to issue shares of common stock below net asset value, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering. See "Sales of Common Stock Below Net Asset

Value" in this prospectus and in the prospectus supplement, if applicable. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. We have no current intention of engaging in a rights offering, although we reserve the right to do so in the future.

Set forth below is additional information regarding the offering of our Securities:

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| | |
|----------------------------|---|
| Use of proceeds | <p>Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from selling Securities pursuant to this prospectus initially to maintain balance sheet liquidity, involving repayment of debt under our credit facility, if any, investments in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. Interest on borrowings under the credit facility is one-month LIBOR plus 275 basis points, with no minimum LIBOR floor. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if at least half of the credit facility is drawn or 100 basis points otherwise. See "Use of Proceeds."</p> |
| Distributions | <p>In June 2010, our Board of Directors approved a change in dividend policy from quarterly distributions to monthly distributions. Since that time, we have paid monthly distributions to the holders of our common stock and generally intend to continue to do so. The amount of the monthly distributions is determined by our Board of Directors and is based on our estimate of our investment company taxable income and net short-term capital gains. Certain amounts of the monthly distributions may from time to time be paid out of our capital rather than from earnings for the month as a result of our deliberate planning or accounting reclassifications. Distributions in excess of our current and accumulated earnings and profits constitute a return of capital and will reduce the stockholder's adjusted tax basis in such stockholder's common stock. A return of capital (1) is a return of the original amount invested, (2) does not constitute earnings or profits and (3) while such returns are initially tax free, they will have the effect of reducing the basis such that when a stockholder sells its shares, it may be subject to additional tax even if the shares are sold for less than the original purchase price. After the adjusted basis is reduced to zero, these distributions will constitute capital gains to such stockholders. Certain additional amounts may be deemed as distributed to stockholders for income tax purposes. Other types of Securities will likely pay distributions in accordance with their terms. See "Price Range of Common Stock," "Distributions" and "Material U.S. Federal Income Tax Considerations."</p> |
| Taxation | <p>We have qualified and elected to be treated for U.S. federal income tax purposes as a regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986, or the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our qualification as a RIC and obtain RIC tax treatment, we must satisfy certain source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See "Distributions" and "Material U.S. Federal Income Tax Considerations."</p> |
| Dividend reinvestment plan | <p>We have a dividend reinvestment plan for our stockholders. This is an "opt out" dividend reinvestment plan. As a result, when we declare a dividend, the dividends are automatically reinvested in additional shares of our common stock, unless a stockholder specifically "opts out" of the</p> |

dividend reinvestment plan so as to receive cash dividends. Stockholders who receive distributions in the form of stock are subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan."

The NASDAQ Global Select Market
Symbol

PSEC

Anti-takeover provisions

Our charter and bylaws, as well as certain statutory and regulatory requirements, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price of our common stock. See "Description Of Our Capital Stock."

Management arrangements

Prospect Capital Management serves as our investment adviser. Prospect Administration serves as our administrator. For a description of Prospect Capital Management, Prospect Administration and our contractual arrangements with these companies, see "Business—Management Services—Investment Advisory Agreement," and "Business— Management Services—Administration Agreement."

Risk factors

Investment in our Securities involves certain risks relating to our structure and investment objective that should be considered by prospective purchasers of our Securities. In addition, as a business development company, our portfolio primarily includes securities issued by privately-held companies. These investments generally involve a high degree of business and financial risk, and are less liquid than public securities. We are required to mark the carrying value of our investments to fair value on a quarterly basis, and economic events, market conditions and events affecting individual portfolio companies can result in quarter-to-quarter mark-downs and mark-ups of the value of individual investments that collectively can materially affect our net asset value, or NAV. Also, our determinations of fair value of privately-held securities may differ materially from the values that would exist if there was a ready market for these investments. A large number of entities compete for the same kind of investment opportunities as we do. Moreover, our business requires a substantial amount of capital to operate and to grow and we seek additional capital from external sources. In addition, the failure to qualify as a RIC eligible for pass-through tax treatment under the Code on income distributed to stockholders could have a materially adverse effect on the total return, if any, obtainable from an investment in our Securities. See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Securities.

Plan of distribution

We may offer, from time to time, up to \$5,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities on the terms to be determined at the time of the offering. Securities may be offered at prices and on terms described in one or more supplements to this prospectus directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The supplement to this prospectus relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will set forth any applicable purchase price, fee and commission or discount arrangement or the basis upon which such amount may be calculated. We may not sell Securities pursuant to this prospectus without delivering a prospectus supplement describing the method and terms of the offering of such Securities. For more information, see "Plan of Distribution."

Fees and Expenses

The following tables are intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. In these tables, we assume that we have borrowed \$2.3 billion. We do not intend to issue preferred stock during the year. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses as an investor in the Company. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

| | | |
|--|-------|---|
| Stockholder transaction expenses: | | |
| Sales load (as a percentage of offering price)(1) | 3.00 | % |
| Offering expenses borne by the Company (as a percentage of offering price)(2) | 0.20 | % |
| Dividend reinvestment plan expenses(3) | None | |
| Total stockholder transaction expenses (as a percentage of offering price)(4) | 3.20 | % |
| Annual expenses (as a percentage of net assets attributable to common stock)(4): | | |
| Management fees(5) | 3.88 | % |
| Incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6) | 3.06 | % |
| Total advisory fees | 6.94 | % |
| Total interest expense(7) | 4.32 | % |
| Acquired Fund Fees and Expenses(8) | 0.02 | % |
| Other expenses(9) | 1.21 | % |
| Total annual expenses(6)(9) | 12.49 | % |

Example

The following table demonstrates the projected dollar amount of cumulative expenses we would pay out of net assets and that you would indirectly bear over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have borrowed \$2.3 billion, that our annual operating expenses would remain at the levels set forth in the table above and that we would pay the costs shown in the table above.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|-----------|-----------|-----------|-----------|
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return | \$ 123.32 | \$ 293.98 | \$ 449.85 | \$ 782.94 |

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

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

-
- (1) In the event that the Securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the estimated applicable sales load.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the estimated offering expenses borne by us as a percentage of the offering price.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses."

(4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.

(5) Our base management fee is 2% of our gross assets (which include any amount borrowed, i.e., total assets without deduction for any liabilities, including any borrowed amounts for non-investment purposes, for which purpose we have not and have no intention of borrowing). Although we have no intent to borrow the entire amount available under

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our line of credit, assuming that we borrowed \$2.3 billion, the 2% management fee of gross assets equals approximately 3.88% of net assets. Based on our borrowings as of October 10, 2013 of \$1.6 billion, the 2% management fee of gross assets equals approximately 3.44% of net assets. See "Business—Management Services—Investment Advisory Agreement" and footnote 6 below.

(6) Based on the incentive fee paid during our fiscal year ended June 30, 2013, all of which consisted of an income incentive fee. The capital gain incentive fee is paid without regard to pre-incentive fee income. For a more detailed discussion of the calculation of the two-part incentive fee, see "Management Services—Investment Advisory Agreement" in this prospectus.

On December 21, 2010, the Company issued \$150.0 million in aggregate principal amount of 6.25% Convertible Senior Notes due 2015, which we refer to as the 2015 Notes. See "Business—General" and "Risk Factors—Risks Related to our Business" in the accompanying prospectus for more detail on the 2015 Notes. On February 18, 2011, the Company issued \$172.5 million in aggregate principal amount of 5.5% Convertible Senior Notes due 2016, which we refer to as the 2016 Notes. Between January 30, 2012 and February 2, 2012, we repurchased \$5.0 million of our 2016 Notes at a price of 97.5% of par, including commissions. The transactions resulted in us recognizing \$10,000 of loss in the quarter ended March 31, 2012. See "Business—General" and "Risk Factors—Risks Related to our Business" in the accompanying prospectus for more detail on the 2016 Notes. On April 16, 2012, the Company issued \$130.0 million in aggregate principal amount of 5.375% Convertible Senior Notes due 2017, (7) which we refer to as the 2017 Notes. On August 14, 2012, the Company issued \$200.0 million aggregate principal amount of 5.75% Convertible Senior Notes due 2018, which we refer to as the 2018 Notes. On December 21, 2012, the Company issued \$200.0 million aggregate principal amount of 5.875% Convertible Senior Notes due 2019, which we refer to as the 2019 Notes. The 2015 Notes, 2016 Notes, 2017 Notes, 2018 Notes and 2019 Notes are referred to collectively as the Senior Convertible Notes. On May 1, 2012 the Company issued \$100.0 million in aggregate principal amount of 6.95% Senior Notes due 2022, which we refer to as the 2022 Notes. On March 15, 2013 the Company issued \$250.0 million in aggregate principal amount of 5.875% Senior Notes due 2023, which we refer to as the 2023 Notes. As of October 10, 2013, the Company has issued \$0.5 billion in aggregate principal amount of our Prospect Capital InterNotes®. The Senior Convertible Notes, the 2022 Notes, the 2023 Notes and the Prospect Capital InterNotes® are referred to collectively as the Notes.

The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies in which the Company is invested in as of June 30, 2013. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and for those investment companies with little or no operating history, fees and expenses are (8) based on expected fees and expenses stated in the investment companies' prospectus or other similar communication without giving effect to any performance. Future fees and expenses for certain investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on net assets of approximately \$2.7 billion as of June 30, 2013.

"Other expenses" are based on estimated amounts for the current fiscal year. The amount shown above represents annualized expenses during our three months ended June 30, 2013 representing all of our estimated recurring operating expenses (except fees and expenses reported in other items of this table) that are deducted from our operating income and reflected as expenses in our Statement of Operations. The estimate of our overhead expenses, (9) including payments under an administration agreement with Prospect Administration, or the Administration Agreement, based on our projected allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations under the Administration Agreement. "Other expenses" does not include non-recurring expenses. See "Business—Management Services—Administration Agreement."

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. 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. 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 33 for more information.

| | For the Year Ended June 30, | | | | |
|--|--|--------------|--------------|------------|------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (in thousands except data relating to shares, per share and number of portfolio companies) | | | | |
| Performance Data: | | | | | |
| Interest income | \$ 435,455 | \$ 219,536 | \$ 134,454 | \$ 86,518 | \$ 62,926 |
| Dividend income | 82,705 | 64,881 | 15,092 | 15,366 | 22,793 |
| Other income | 58,176 | 36,493 | 19,930 | 12,675 | 14,762 |
| Total investment income | 576,336 | 320,910 | 169,476 | 114,559 | 100,481 |
| Interest and credit facility expenses | (76,341) | (38,534) | (17,598) | (8,382) | (6,161) |
| Investment advisory expense | (151,031) | (82,507) | (46,051) | (30,727) | (26,705) |
| Other expenses | (24,040) | (13,185) | (11,606) | (8,260) | (8,452) |
| Total expenses | (251,412) | (134,226) | (75,255) | (47,369) | (41,318) |
| Net investment income | 324,924 | 186,684 | 94,221 | 67,190 | 59,163 |
| Realized and unrealized (losses) gains | (104,068) | 4,220 | 24,017 | (47,565) | (24,059) |
| Net increase in net assets from operations | \$ 220,856 | \$ 190,904 | \$ 118,238 | \$ 19,625 | \$ 35,104 |
| Per Share Data: | | | | | |
| Net increase in net assets from operations(1) | \$ 1.07 | \$ 1.67 | \$ 1.38 | \$ 0.33 | \$ 1.11 |
| Distributions declared per share | \$(1.28) | \$(1.22) | \$(1.21) | \$(1.33) | \$(1.62) |
| Average weighted shares outstanding for the period | 207,069,971 | 114,394,554 | 85,978,757 | 59,429,222 | 31,559,905 |
| Assets and Liabilities Data: | | | | | |
| Investments | \$ 4,172,852 | \$ 2,094,221 | \$ 1,463,010 | \$ 748,483 | \$ 547,168 |
| Other assets | 275,365 | 161,033 | 86,307 | 84,212 | 119,857 |
| Total assets | 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 | 447,500 | 322,500 | — | — |
| Senior unsecured notes | 347,725 | 100,000 | — | — | — |
| InterNotes® | 363,777 | 20,638 | — | — | — |
| Amount owed to related parties | 6,690 | 8,571 | 7,918 | 9,300 | 6,713 |
| Other liabilities | 102,031 | 70,571 | 20,342 | 11,671 | 2,916 |
| Total liabilities | 1,791,723 | 743,280 | 434,960 | 121,271 | 134,429 |
| Net assets | \$ 2,656,494 | \$ 1,511,974 | \$ 1,114,357 | \$ 711,424 | \$ 532,596 |
| Investment Activity Data: | | | | | |
| No. of portfolio companies at period end | 124 | 85 | 72 | 58 | 30 |
| Acquisitions | \$ 3,103,217 | \$ 1,120,659 | \$ 953,337 | \$ 364,788 | \$ 98,305 |
| Sales, repayments, and other disposals | \$ 931,534 | \$ 500,952 | \$ 285,562 | \$ 136,221 | \$ 27,007 |
| Total return based on market value(3) | 6.2 | % 27.2 | % 17.2 | % 17.7 | % (18.6)% |
| Total return based on net asset value(3) | 10.9 | % 18.0 | % 12.5 | % (6.8)% | (0.6)% |
| | 13.6 | % 13.9 | % 12.8 | % 16.2 | % 14.6 % |

Weighted average yield at end of
period(4)

(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.

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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 (3) 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

Investing in our Securities involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before you decide whether to make an investment in our Securities. The risks set forth below are not the only risks we face. If any of the adverse events or conditions described below occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV, and the trading price of our common stock could decline, or the value of our preferred stock, debt securities, and warrants, if any are outstanding, may decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Capital markets could experience a period of disruption and instability. Such market conditions have historically and could again have a material and adverse effect on debt and equity capital markets in the United States and abroad, which had, and may in the future have, a negative impact on our business and operations.

The global capital markets have historically experienced an extended period of instability as evidenced by the periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. Despite actions of the U.S. federal government and foreign governments during such period, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While recent market conditions have improved, there can be no assurance that adverse market conditions will not repeat themselves or worsen in the future. If these adverse and volatile market conditions repeat themselves or worsen in the future, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital in order to grow. Equity capital may be difficult to raise because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our annual meeting of stockholders held on December 7, 2012, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, our stockholders approved our ability to sell or otherwise issue shares of our common stock at a price below its then current net asset value per share for a twelve month period expiring on the anniversary of the date of stockholder approval. It should be noted that, theoretically, we may offer up to 25% of our then outstanding common stock each day. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as calculated in accordance with the Investment Company Act, must equal at least 200% immediately after each time we incur indebtedness. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Moreover, the re-appearance of market conditions similar to those experienced from 2007 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness under similar terms and any failure to do so could have a material adverse effect on our business.

Given the extreme volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise or access capital. In addition, significant changes in the capital markets, including the extreme volatility and disruption over the past several years, has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our investment valuations. Further, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required. As a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes.

An inability to raise or access capital could have a material adverse impact on our business, financial condition or results of operations.

The current financial market situation, as well as various social and political tensions in the United States and around the world, particularly in the Middle East, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. Since 2010, several European Union ("EU") countries, including Greece, Ireland, Italy, Spain, and Portugal have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. We do not know how long the

financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seeks to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that it will be successful in doing so; and we may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

We may suffer credit losses.

Investment in small and middle-market companies is highly speculative and involves a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently been experiencing. See "Risks Related to Our Investments."

Our financial condition and results of operations will depend on our ability to manage our future growth effectively. Prospect Capital Management has been registered as an investment adviser since March 31, 2004, and we have been organized as a closed-end investment company since April 13, 2004. Our ability to achieve our investment objective depends on our ability to grow, which depends, in turn, on the Investment Adviser's ability to continue to identify, analyze, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Investment Adviser's structuring of investments, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. As we continue to grow, Prospect Capital Management will need to continue to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a materially adverse effect on our business, financial condition and results of operations.

We are dependent upon Prospect Capital Management's key management personnel for our future success.

We depend on the diligence, skill and network of business contacts of the senior management of the Investment Adviser. We also depend, to a significant extent, on the Investment Adviser's access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. The senior management team of the Investment Adviser evaluates, negotiates, structures, closes, monitors and services our investments. Our success depends to a significant extent on the continued service of the senior management team, particularly John F. Barry III and M. Grier Eliasek. The departure of any of the senior management team could have a materially adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Prospect Capital Management will remain the Investment Adviser or that we will continue to have access to its investment professionals or its information and deal flow.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we make in middle-market companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC and that the Code imposes on us as a RIC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to pursue attractive investment opportunities from time to time.

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer. Rather, we compete with our competitors based on our existing investment platform, seasoned investment professionals, experience and focus on middle-market companies, disciplined investment philosophy, extensive industry focus and flexible transaction structuring.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on less favorable terms than what we may have originally anticipated, which may impact our return on these investments.

We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings and other types of financing, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise wo