

PROSPECT CAPITAL CORP  
Form 10-Q  
May 10, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarter Ended March 31, 2012

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

Commission File Number: 814-00659

**PROSPECT CAPITAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**43-2048643**

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

**10 East 40th Street**

**44th Floor**

**New York, New York**

(Address of principal executive offices)

**10016**

(Zip Code)

**(212) 448-0702**

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of May 10, 2012 was 122,008,994.

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**PROSPECT CAPITAL CORPORATION  
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2012  
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**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements**

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share and per share data)**

	<b>March 31, 2012 (Unaudited)</b>	<b>June 30, 2011 (Audited)</b>
<b>Assets (Note 4)</b>		
Investments at fair value:		
Control investments (net cost of \$232,459 and \$262,301, respectively)	\$ 323,786	\$ 310,072
Affiliate investments (net cost of \$59,606 and \$56,833, respectively)	67,581	72,337
Non-control/Non-affiliate investments (net cost of \$1,363,798 and \$1,116,600, respectively)	1,300,213	1,080,601
Total investments at fair value (net cost of \$1,655,863 and \$1,435,734, respectively, Note 3)	1,691,580	1,463,010
Investments in money market funds	58,025	59,903
Cash	34,978	1,492
Receivables for:		
Interest, net	12,407	9,269
Other	1,686	267
Prepaid expenses	154	101
Deferred financing costs	17,179	15,275
<b>Total Assets</b>	<b>1,816,009</b>	<b>1,549,317</b>
<b>Liabilities</b>		
Credit facility payable (Note 4)	121,000	84,200
Senior Convertible Notes (Note 5)	317,500	322,500
Prospect Capital InterNotes® (Note 6)	5,465	
Dividends payable	12,372	10,895
Due to Broker	26,569	
Due to Prospect Administration (Note 10)	362	212
Due to Prospect Capital Management (Note 10)	4,315	7,706
Accrued expenses	6,166	5,876
Other liabilities	3,454	3,571
<b>Total Liabilities</b>	<b>497,203</b>	<b>434,960</b>
<b>Net Assets</b>	<b>\$ 1,318,806</b>	<b>\$ 1,114,357</b>
<b>Components of Net Assets</b>		
Common stock, par value \$0.001 per share (200,000,000 common shares authorized; 121,923,931 and 107,606,690 issued and outstanding, respectively) (Note 7)	\$ 122	\$ 108
Paid-in capital in excess of par (Note 7)	1,348,996	1,196,741

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Distributions in excess of net investment income	(1,602)	(21,638)
Accumulated net realized losses on investments	(64,427)	(88,130)
Net unrealized appreciation on investments	35,717	27,276
<b>Net Assets</b>	<b>\$ 1,318,806</b>	<b>\$ 1,114,357</b>
<b>Net Asset Value Per Share</b>	<b>\$ 10.82</b>	<b>\$ 10.36</b>

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For The Three and Nine Months Ended March 31, 2012 and 2011**  
**(in thousands, except share and per share data)**  
**(Unaudited)**

	For The Three Months Ended March 31,		For The Nine Months Ended March 31,	
	2012	2011	2012	2011
<b>Investment Income</b>				
Interest Income: (Note 3)				
Control investments	\$ 32,966	\$ 5,180	\$ 45,546	\$ 15,798
Affiliate investments	2,378	3,049	7,179	9,523
Non-control/Non-affiliate investments	37,602	26,275	107,636	65,466
Total interest income	72,946	34,504	160,361	90,787
Dividend income:				
Control investments	5,474	2,760	29,819	6,810
Non-control/Non-affiliate investments	2,002		4,843	1,508
Money market funds	1	3	2	10
Total dividend income	7,477	2,763	34,664	8,328
Other income: (Note 8)				
Control investments	13,768	2	14,386	1,787
Affiliate investments	11	22	85	176
Non-control/Non-affiliate investments	1,421	7,282	8,732	12,007
Total other income	15,200	7,306	23,203	13,970
<b>Total Investment Income</b>	<b>95,623</b>	<b>44,573</b>	<b>218,228</b>	<b>113,085</b>
<b>Operating Expenses</b>				
Investment advisory fees:				
Base management fee (Note 10)	8,949	6,037	25,985	15,216
Income incentive fee (Note 10)	14,518	5,997	30,614	16,015
Total investment advisory fees	23,467	12,034	56,599	31,231
Interest and credit facility expenses	9,655	5,660	28,374	10,182
Legal fees	256	283	1,198	763
Valuation services	308	262	916	711
Audit, compliance and tax related fees	276	168	1,141	649
Allocation of overhead from Prospect Administration (Note 10)	2,910	1,669	5,143	3,309
Insurance expense	69	74	168	217
Directors fees	68	64	195	191
Other general and administrative expenses	542	403	2,037	1,801
<b>Total Operating Expenses</b>	<b>37,551</b>	<b>20,617</b>	<b>95,771</b>	<b>49,054</b>
<b>Net Investment Income</b>	<b>58,072</b>	<b>23,956</b>	<b>122,457</b>	<b>64,031</b>
Net realized gain on investments (Note 3)	24,812	2,078	23,703	7,094
Net change in unrealized appreciation /depreciation on investments (Note 3)	(32,675)	7,725	8,441	20,154
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 50,209</b>	<b>\$ 33,759</b>	<b>\$ 154,601</b>	<b>\$ 91,279</b>
Net increase in net assets resulting from operations per share: (Note 9 and Note 14)	\$ 0.44	\$ 0.38	\$ 1.39	\$ 1.11
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.91	\$ 0.91

See notes to consolidated financial statements.



**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**For The Nine Months Ended March 31, 2012 and 2011**  
(in thousands, except share data)  
(Unaudited)

	<b>For The Nine Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Increase in Net Assets from Operations:</b>		
Net investment income	\$ 122,457	\$ 64,031
Net realized gain on investments	23,703	7,094
Net change in unrealized appreciation on investments	8,441	20,154
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>154,601</b>	<b>91,279</b>
<b>Dividends to Shareholders</b>	<b>(102,421)</b>	<b>(75,541)</b>
<b>Capital Share Transactions:</b>		
Proceeds from capital shares sold, net of underwriting costs	144,900	178,317
Less: Offering costs of public share offerings	(524)	(724)
Reinvestment of dividends	7,893	8,166
<b>Net Increase in Net Assets Resulting from Capital Share Transactions</b>	<b>152,269</b>	<b>185,759</b>
<b>Total Increase in Net Assets</b>	<b>204,449</b>	<b>201,497</b>
Net assets at beginning of period	1,114,357	711,424
<b>Net Assets at End of Period</b>	<b>\$ 1,318,806</b>	<b>\$ 912,921</b>
<b>Capital Share Activity:</b>		
Shares sold	13,500,000	18,494,476
Shares issued through reinvestment of dividends	817,241	777,473
Net increase in capital share activity	14,317,241	19,271,949
Shares outstanding at beginning of period	107,606,690	69,086,862
<b>Shares Outstanding at End of Period</b>	<b>121,923,931</b>	<b>88,358,811</b>

See notes to consolidated financial statements.



**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Nine Months Ended March 31, 2012 and 2011**  
(in thousands, except share data)  
(Unaudited)

	2012		2011
<b>For The Nine Months Ended March 31,</b>			
	<b>2012</b>		<b>2011</b>
<b>Cash Flows from Operating Activities:</b>			
Net increase in net assets resulting from operations	\$ 154,601	\$	91,279
Net realized gain on investments	(23,703)		(7,094)
Net change in unrealized appreciation on investments	(8,441)		(20,154)
Accretion of purchase discount on investments	(3,741)		(10,874)
Amortization of deferred financing costs	7,174		3,628
<b>Change in operating assets and liabilities</b>			
Payments for purchases of investments	(542,846)		(632,526)
Proceeds from sale of investments and collection of investment principal	354,660		214,124
Net decrease (increase) of investments in money market funds	1,878		(26,048)
Increase in interest receivable	(7,637)		(13,882)
Increase in dividends receivable	(75)		(59)
Increase in other receivables	(1,344)		(142)
Increase in prepaid expenses	(53)		(125)
Decrease in other assets			534
Increase in due to broker	26,569		
Increase in due to Prospect Administration	150		1,162
Decrease in due to Prospect Capital Management	(3,391)		(2,653)
Increase in payable for securities purchased			31,984
Increase in accrued expenses	290		1,262
(Decrease) increase in other liabilities	(117)		1,184
<b>Net Cash Used In Operating Activities</b>	<b>(46,026)</b>		<b>(368,400)</b>
<b>Cash Flows from Financing Activities:</b>			
Borrowings under Senior Convertible Notes (Note 5)			322,500
Repurchases under Senior Convertible Notes (Note 5)	(5,000)		
Borrowings under credit facility (Note 4)	615,800		259,100
Principal payments under credit facility (Note 4)	(579,000)		(311,900)
Borrowings under Prospect Capital InterNotes® (Note 6)	5,465		
Financing costs paid and deferred	(9,078)		(12,235)
Proceeds from issuance of common stock, net of underwriting costs	144,900		178,317
Offering costs from issuance of common stock	(524)		(724)
Dividends paid	(93,051)		(65,344)
<b>Net Cash Provided By Financing Activities</b>	<b>79,512</b>		<b>369,714</b>
<b>Total Increase in Cash</b>	<b>33,486</b>		<b>1,314</b>
Cash balance at beginning of period	1,492		1,081
<b>Cash Balance at End of Period</b>	<b>\$ 34,978</b>	<b>\$</b>	<b>2,395</b>
<b>Cash Paid For Interest</b>	<b>\$ 19,607</b>	<b>\$</b>	<b>1,377</b>

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**Non-Cash Financing Activity:**

Payment-in-kind interest	\$	4,499	\$	8,510
Amount of shares issued in connection with dividend reinvestment plan	\$	7,893	\$	8,166

See notes to consolidated financial statements.

## PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012 and June 30, 2011

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Control Investments (25.00% or greater of voting control)</b>						
AIRMALL USA, Inc. (27)	Pennsylvania / Property Management	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3), (4)	\$ 29,500	\$ 29,500	\$ 29,500	2.2%
		Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015)	12,500	12,500	12,500	1.0%
		Convertible Preferred Stock (9,919,684 shares)		9,920	5,803	0.4%
		Common Stock (100 shares)				0.0%
				<b>51,920</b>	<b>47,803</b>	<b>3.6%</b>
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 4/01/2013)(3), (4)	20,277	20,277	20,277	1.5%
		Subordinated Secured Note Tranche B (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 6.00% PIK, due 4/01/2013)(3), (4)	15,035	15,035	15,035	1.1%
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057	11,212	0.9%
		Unrestricted Common Stock (6 shares)			11	0.0%
				<b>41,369</b>	<b>46,535</b>	<b>3.5%</b>
AWCNC, LLC(19)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%
		Members Units Class B-1 (1 unit)				0.0%
		Members Units Class B-2 (7,999,999 units)				0.0%
						<b>0.0%</b>
Borga, Inc.	California / Manufacturing	Revolving Line of Credit \$1,000 Commitment (5.00% (PRIME + 1.75%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4), (25)	1,000	945	936	0.1%
		Senior Secured Term Loan B (8.50% (PRIME + 5.25%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)	1,612	1,500		0.0%
		Senior Secured Term Loan C (12.00% plus 4.00% PIK plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)	9,259	707		0.0%
		Common Stock (100 shares)(21)				0.0%
		Warrants (33,750 warrants)(21)				0.0%
				<b>3,152</b>	<b>936</b>	<b>0.1%</b>

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C&J Cladding LLC	Texas / Metal Services and Minerals	Membership Interest (400 units)(22)	580	5,231	0.4%
			<b>580</b>	<b>5,231</b>	<b>0.4%</b>

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Control Investments (25.00% or greater of voting control)</b>						
Energy Solutions Holdings, Inc.(8)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016) (3)	\$ 25,000	\$ 25,000	\$ 25,000	1.8%
		Junior Secured Note (18.00%, due 12/12/2016) (3)	12,000	12,000	12,000	0.9%
		Senior Secured Note to Vessel Holdings LLC (18.00%, due 12/12/2016)	3,500	3,500	3,500	0.3%
		Subordinated Secured Note to Freedom Marine Holdings, LLC (12.00% (LIBOR + 6.11% with 5.89% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011)	13,219	12,504	3,549	0.3%
		Senior Secured Debt to Yatesville Coal Holdings, Inc. (Non-accrual status effective 1/01/2009, past due)	1,035	1,035		0.0%
		Junior Secured Debt to Yatesville Coal Holdings, Inc. (Non-accrual status effective 1/01/2009, past due)	414	414		0.0%
		Common Stock (100 shares)(3)		8,792	122,211	8.7%
			<b>63,245</b>	<b>166,260</b>	<b>12.6%</b>	
Integrated Contract Services, Inc.(9)	North Carolina / Contracting	Secured Promissory Notes (15.00%, in non-accrual status effective 12/22/2010, due 3/21/2012 12/31/2013) (10)	2,581	2,580	1,106	0.1%
		Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due)(10)	1,170	1,170		0.0%
		Senior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	300			0.0%
		Junior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	11,520	11,520		0.0%
		Preferred Stock Series A (10 shares)		679		0.0%
		Common Stock (49 shares)				0.0%
			<b>15,949</b>	<b>1,106</b>	<b>0.1%</b>	
Manx Energy, Inc. ( Manx )(12)	Kansas / Oil & Gas Production	Appalachian Energy Holdings, LLC ( AEH ) Senior Secured First Lien Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	2,388	2,000		0.0%
		Coalbed, LLC Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)(6)	7,165	5,991		0.0%
		Manx Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	3,550	3,550		0.0%

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		Manx Preferred Stock (6,635 shares)		6,307		0.0%
		Manx Common Stock (17,082 shares)		1,170		0.0%
				<b>19,018</b>		<b>0.0%</b>
NMMB Holdings, Inc. (24)	New York / Media	Senior Term Loan (14.00%, due 5/6/2016)	21,700	21,700	21,700	1.6%
		Senior Subordinated Term Loan (15.00%, due 5/6/2016)	2,800	2,800	2,800	0.2%
		Series A Preferred Stock (4,400 shares)		4,400	947	0.1%
				<b>28,900</b>	<b>25,447</b>	<b>1.9%</b>
NRG Manufacturing, Inc.	Texas / Manufacturing	Escrow Receivable	11,492		6,302	0.5%
					<b>6,302</b>	<b>0.5%</b>

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Control Investments (25.00% or greater of voting control)</b>						
Nupla Corporation	California / Home & Office Furnishings, Housewares & Durable	Revolving Line of Credit \$2,000 Commitment (7.25% (PRIME + 4.00%), plus 2.00% default interest, due 9/04/2012)(4), (25)	\$ 1,093	\$ 1,063	\$ 1,093	0.1%
		Senior Secured Term Loan A (8.00% (PRIME + 4.75%) plus 2.00% default interest, due 9/04/2012)(4)	4,130	494	4,130	0.3%
		Senior Subordinated Debt (15.00% PIK, in non-accrual status effective 4/01/2009, due 3/04/2013)	4,373		500	0.0%
		Preferred Stock Class A (2,850 shares)				0.0%
		Preferred Stock Class B (1,330 shares)				0.0%
		Common Stock (2,360,743 shares)				0.0%
			<b>1,557</b>	<b>5,723</b>	<b>0.4%</b>	
R-V Industries, Inc.	Pennsylvania / Manufacturing	Warrants (200,000 warrants, expiring 6/30/2017)		1,682	4,950	0.4%
		Common Stock (545,107 shares)		5,087	13,493	1.0%
				<b>6,769</b>	<b>18,443</b>	<b>1.4%</b>
		<b>Total Control Investments</b>	<b>232,459</b>	<b>323,786</b>	<b>24.5%</b>	
<b>Affiliate Investments (5.00% to 24.99% voting control)</b>						
BNN Holdings Corp., (f/k/a Biotronic NeuroNetwork)	Michigan / Healthcare	Senior Secured Note (11.50% (LIBOR + 7.00% with 4.50% LIBOR floor) plus 1.00% PIK, due 2/21/2013)(3), (4)	26,227	26,227	26,227	2.0%
		Preferred Stock Series A (9,925.455 shares)(13)		2,300	315	0.0%
		Preferred Stock Series B (1,753.64 shares)(13)		579	79	0.0%
			<b>29,106</b>	<b>26,621</b>	<b>2.0%</b>	
Boxercraft Incorporated	Georgia / Textiles & Leather	Senior Secured Term Loan A (9.50% (LIBOR + 6.50% with 3.00% LIBOR floor), due 9/16/2013)(3), (4)	1,919	1,770	1,919	0.1%
		Senior Secured Term Loan B (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 9/16/2013)(3), (4)	4,712	4,200	4,712	0.4%
		Senior Secured Term Loan C (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 9/16/2013)(3), (4)	2,283	2,283	2,283	0.2%
		Subordinated Secured Term Loan (12.00% plus 3.00% PIK, due 3/16/2014)(3)	7,906	6,895	7,906	0.6%

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		Preferred Stock (1,000,000 shares)	1,112	0.1%	
		Common Stock (10,000 shares)		0.0%	
			<b>15,148</b>	<b>17,932</b>	<b>1.4%</b>
Smart, LLC(14)	New York / Diversified / Conglomerate Service	Membership Interest		35	0.0%
				<b>35</b>	<b>0.0%</b>

See notes to consolidated financial statements.



**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

**March 31, 2012 and June 30, 2011**

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

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Affiliate Investments (5.00% to 24.99% voting control)</b>						
Sport Helmets Holdings, LLC(14)	New York / Personal & Nondurable Consumer Products	Revolving Line of Credit Commitment (4.08% (LIBOR + 3.50%), due 12/14/2013) (4), (25), (26)	\$	\$	\$	0.0%
		Senior Secured Term Loan A (4.08% (LIBOR + 3.50%), due 12/14/2013)(3), (4)	1,394	968	1,376	0.1%
		Senior Secured Term Loan B (4.58%, (LIBOR + 4.00%) due 12/14/2013)(3), (4)	7,256	6,015	7,124	0.5%
		Senior Subordinated Debt Series A (12.00% plus 3.00% PIK, due 6/14/2014)(3)	7,724	6,719	7,724	0.6%
		Senior Subordinated Debt Series B (10.00% plus 5.00% PIK, due 6/14/2014)(3)	1,482	1,191	1,482	0.1%
		Common Stock (20,974 shares)		459	5,287	0.4%
		<b>Total Affiliate Investments</b>		<b>59,606</b>	<b>67,581</b>	<b>5.1%</b>
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
ADAPCO, Inc.	Florida / Ecological	Common Stock (5,000 shares)		141	216	0.0%
				<b>141</b>	<b>216</b>	<b>0.0%</b>
Aircraft Fasteners International, LLC	California / Machinery	Convertible Preferred Stock (32,500 units)		396	465	0.0%
				<b>396</b>	<b>465</b>	<b>0.0%</b>
American Gilsonite Company	Utah / Specialty Minerals	Senior Subordinated Note (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/10/2016)(3), (4)	30,232	30,232	30,232	2.3%
		Senior Subordinated Note (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/10/2016)(4)	7,500	7,500	7,500	0.6%
		Membership Interest in AGC/PEP, LLC (99.9999%)(15)			5,059	0.4%
				<b>37,732</b>	<b>42,791</b>	<b>3.3%</b>
Apidos CLO VIII, Ltd	Cayman Islands /	Subordinated Notes (Residual Interest)		18,543	20,042	1.5%

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	Diversified Financial Services			<b>18,543</b>	<b>20,042</b>	<b>1.5%</b>
Babson CLO Ltd 2011-I	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		32,116	32,331	2.5%
				<b>32,116</b>	<b>32,331</b>	<b>2.5%</b>
Babson CLO Ltd 2012-IA	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)		26,569	26,569	2.0%
				<b>26,569</b>	<b>26,569</b>	<b>2.0%</b>
Blue Coat Systems, Inc. (4)	Massachusetts / Software & Computer Services	Second Lien Term Loan (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 8/15/2018)	25,000	24,260	24,873	1.9%
				<b>24,260</b>	<b>24,873</b>	<b>1.9%</b>

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
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**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
Byrider Systems Acquisition Corp.	Indiana / Auto Finance	Senior Subordinated Notes (12.00% plus 2.00% PIK, due 11/3/2016) (3)	\$ 25,424	\$ 25,424	\$ 22,843	1.7%
				<b>25,424</b>	<b>22,843</b>	<b>1.7%</b>
Caleel + Hayden, LLC (14)	Colorado / Personal & Nondurable Consumer Products	Membership Units (7,500 shares) Options in Mineral Fusion Natural Brands, LLC (11,662 options)		351	925	0.1%
				<b>351</b>	<b>925</b>	<b>0.1%</b>
Capstone Logistics, LLC (4)	Georgia / Commercial Services	Senior Secured Term Loan A (7.50% (LIBOR + 5.50% with 2.00% LIBOR floor), due 9/16/2016)	33,942	33,942	33,942	2.6%
		Senior Secured Term Loan B (13.50% (LIBOR + 11.50% with 2.00% LIBOR floor), due 9/16/2016)(3)	41,625	41,625	41,625	3.2%
				<b>75,567</b>	<b>75,567</b>	<b>5.8%</b>
Cargo Airport Services USA, LLC	New York / Transportation	Senior Secured Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor), due 3/31/2016) (3), (4) Common Equity (1.5 units)	49,552	49,522	49,522	3.8%
				1,639	2,055	0.2%
				<b>51,161</b>	<b>51,577</b>	<b>4.0%</b>
CIFC Funding 2011-I, Ltd. (4)	Cayman Islands / Diversified Financial Services	Secured Class D Notes (5.79% (LIBOR + 5.00%), due 1/19/2023)	19,000	14,720	16,995	1.3%
		Unsecured Class E Notes (7.79% (LIBOR + 7.00%), due 1/19/2023)	15,400	12,444	13,667	1.0%
				<b>27,164</b>	<b>30,662</b>	<b>2.3%</b>
Clearwater Seafoods LP	Canada / Food Products	Second Lien Term Loan (12.00%, due 2/4/2016) (3)	54,500	54,500	54,500	4.1%
				<b>54,500</b>	<b>54,500</b>	<b>4.1%</b>
The Copernicus Group, Inc.	North Carolina / Healthcare	Revolving Line of Credit \$1,000 Commitment (7.50% (LIBOR + 4.50% with 3.00% LIBOR floor), due 2/9/2016)(4), (25)				0.0%
		Senior Secured Term Loan A (7.50% (LIBOR + 4.50% with 3.00% LIBOR floor), due 2/9/2016)(3), (4)	10,125	10,125	10,125	0.8%
		Senior Secured Term Loan B (13.50% (LIBOR + 10.50% with 3.00% LIBOR floor), due 2/9/2016) (3), (4)	11,250	11,250	11,250	0.9%
		Preferred Stock Series A (1,000,000 shares)		67	1,533	0.1%
		Preferred Stock Series C (212,121 shares)		212	1,038	0.1%

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			<b>21,654</b>	<b>23,946</b>	<b>1.9%</b>	
CRT MIDCO, LLC	Wisconsin / Media	Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 6/30/2017)(3), (4)	73,875	73,875	71,921	5.5%
				<b>73,875</b>	<b>71,921</b>	<b>5.5%</b>
Diamondback Operating, LP	Oklahoma / Oil & Gas Production	Net Profits Interest (15.00% payable on Equity distributions)(7)				0.0%
						<b>0.0%</b>
Empire Today, LLC(16)	Illinois / Durable Consumer Products	Senior Secured Note (11.375%, due 2/1/2017)	15,700	15,236	15,700	1.2%
Fairchild Industrial Products, Co.	North Carolina / Electronics	Escrow Receivable	177		142	0.0%
					<b>142</b>	<b>0.0%</b>

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	Principal Value	March 31, 2012 (Unaudited)		% of Net Assets
				Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
Fischbein, LLC	North Carolina / Machinery	Senior Subordinated Debt (12.00% plus 2.00% PIK, due 10/31/2016) Escrow ReceivableEscrowEscrow Membership Class A (875,000 units)	\$ 3,396 141	\$ 3,396 875 <b>4,271</b>	\$ 3,396 1,151 <b>6,370</b>	0.3% 0.1% <b>0.5%</b>
Focus Brands, Inc. (4)	Georgia / Consumer Services	Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 8/21/2018)	15,000	14,703 <b>14,703</b>	14,703 <b>14,703</b>	1.1% <b>1.1%</b>
H&M Oil & Gas, LLC	Texas / Oil & Gas Production	Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% PIK, plus 2.00% default interest, in non-accrual status effective 01/01/2011, past due)(4) Net Profits Interest (8.00% payable on Equity distributions)(7)	62,340	60,018 <b>60,018</b>	30,271 <b>30,271</b>	2.3% <b>2.3%</b>
Hi-Tech Testing Service, Inc. and Wilson Inspection X-Ray Services, Inc.	Texas / Oil & Gas Equipment & Services	Senior Secured Term Loan (11.00%, due 9/26/2016)	7,800	7,574 <b>7,574</b>	7,574 <b>7,574</b>	0.6% <b>0.6%</b>
Hoffmaster Group, Inc.	Wisconsin / Durable Consumer Products	Second Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 1/3/2019) (4)	10,000	9,805 <b>9,805</b>	10,000 <b>10,000</b>	0.8% <b>0.8%</b>
Hudson Products Holdings, Inc.(16)	Texas / Manufacturing	Senior Secured Term Loan (8.50% (PRIME + 4.50% with 4.00% PRIME floor), due 8/24/2015)(3), (4)	6,299	5,852 <b>5,852</b>	5,632 <b>5,632</b>	0.4% <b>0.4%</b>
ICON Health & Fitness, Inc.(16)	Utah / Durable Consumer Products	Senior Secured Note (11.875% , due 10/15/2016) (3)	43,100	43,373 <b>43,373</b>	43,100 <b>43,100</b>	3.3% <b>3.3%</b>
IDQ Holdings, Inc.	Texas / Automobile	Senior Secured Note (11.50%, due 4/01/2017)	12,500	12,250 <b>12,250</b>	12,250 <b>12,250</b>	0.9% <b>0.9%</b>
Injured Workers Pharmacy LLC	Massachusetts / Healthcare	Second Lien Debt (12.00% (LIBOR + 7.50% with 4.50% LIBOR floor) plus 1.00% PIK, due 11/04/2017) (3), (4)	15,062	15,062 <b>15,062</b>	15,062 <b>15,062</b>	1.1% <b>1.1%</b>
Iron Horse Coiled Tubing, Inc.(23)	Alberta, Canada / Production Services	Common Stock (3,821 shares)		268 <b>268</b>	2,040 <b>2,040</b>	0.2% <b>0.2%</b>
JHH Holdings, Inc.	Texas / Healthcare	Second Lien Debt (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 6/23/2016) (3), (4)	15,736	15,736 <b>15,736</b>	15,736 <b>15,736</b>	1.2% <b>1.2%</b>

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
March 31, 2012 and June 30, 2011**

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
LHC Holdings Corp.	Florida / Healthcare	Revolving Line of Credit Commitment (8.50% (LIBOR + 6.00% with 2.50% LIBOR floor), due 6/30/2012) (4), (25), (26)	\$	\$	\$	0.0%
		Senior Secured Term Loan A (8.50% (LIBOR + 6.00% with 2.50% LIBOR floor), due 6/30/2012)(3), (4)	81	81	81	0.0%
		Senior Subordinated Debt (12.00% plus 2.50% PIK, due 5/31/2013)(3)	4,465	4,291	4,465	0.3%
		Membership Interest (125 units)		216	215	0.0%
				<b>4,588</b>	<b>4,761</b>	<b>0.3%</b>
Maverick Healthcare, LLC	Arizona / Healthcare	Preferred Units (1,250,000 units)		1,252	1,656	0.1%
		Common Units (1,250,000 units)			38	0.0%
				<b>1,252</b>	<b>1,694</b>	<b>0.1%</b>
Medical Security Card Company, LLC(4)	Arizona / Healthcare	Revolving Line of Credit - \$1,500 Commitment (9.50% (LIBOR + 7.00% with 2.50% LIBOR floor), due 2/1/2016) (25)				0.0%
		First Lien Term Loan (11.25% (LIBOR + 8.75% with 2.50% LIBOR floor), due 2/1/2016)(3)	19,133	19,133	19,133	1.5%
				<b>19,133</b>	<b>19,133</b>	<b>1.5%</b>
Mood Media Corporation(16), (3)	Canada / Media	Senior Subordinated Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 11/6/2018)(4)	15,000	14,862	14,852	1.1%
				<b>14,862</b>	<b>14,852</b>	<b>1.1%</b>
National Bankruptcy Services, LLC (4)	Texas / Diversified Financial Services	Senior Subordinated Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 1.50% PIK, due 7/16/17)	18,332	18,332	18,332	1.4%
				<b>18,332</b>	<b>18,332</b>	<b>1.4%</b>
New Meatco Provisions, LLC	California / Food Products	Senior Subordinated Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 4.00%, PIK due 4/18/2016) (4)	13,510	13,510	7,634	0.6%
				<b>13,510</b>	<b>7,634</b>	<b>0.6%</b>
Nobel Learning Communities, Inc.	Pennsylvania / Consumer Services	Subordinated Unsecured (11.50% plus 1.50% PIK, due 8/9/2017)	15,109	15,109	15,109	1.1%
				<b>15,109</b>	<b>15,109</b>	<b>1.1%</b>
Northwestern Management Services, LLC	Florida / Healthcare	Revolving Line of Credit Commitment (10.50% (PRIME + 6.75% with 3.75% PRIME floor), due 7/30/2015)(4), (25)	500	500	500	0.0%
		Senior Secured Term Loan A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 7/30/2015)(3), (4)	16,646	16,646	16,646	1.3%

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		Common Stock (50 shares)		371	855	0.1%
				<b>17,517</b>	<b>18,001</b>	<b>1.4%</b>
Out Rage, LLC (4)	Wisconsin / Durable Consumer Products	Revolving Line of Credit - \$1,500 Commitment (11.0% (LIBOR + 8.00% with 3.00% LIBOR floor), due 3/02/2013)(25)				0.0%
		Senior Secured Term Loan (11.00% (LIBOR + 8.00% with 3.00% LIBOR floor), due 3/2/2015)	10,895	10,895	10,770	0.8%
				<b>10,895</b>	<b>10,770</b>	<b>0.8%</b>

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**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
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Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
Pinnacle Treatment Centers, Inc.(4)	Pennsylvania / Healthcare	Revolving Line of Credit \$1,000 Commitment (8.0% (LIBOR + 5.00% with 3.00% LIBOR floor), due 1/10/2016) (25)	\$	\$	\$	0.0%
		Senior Secured Term Loan (11.00% (LIBOR + 8.00% with 3.00% LIBOR floor), due 1/10/2016)(3)	17,713	17,713	17,713	1.3%
Potters Holdings II, L.P.(16)	Pennsylvania / Manufacturing	Senior Subordinated Term Loan (10.25% (LIBOR + 8.50% with 1.75% LIBOR floor), due 11/6/2017)(3), (4)	15,000	14,798	15,000	1.1%
Pre-Paid Legal Services, Inc.(16)	Oklahoma / Consumer Services	Senior Subordinated Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor), due 12/31/2016)(3), (4)	5,000	5,000	5,000	0.4%
Progrexion Holdings, Inc.(4),(28)	Utah / Consumer Services	Senior Secured Term Loan A (11.25% (LIBOR + 9.25% with 2.00% LIBOR floor), due 12/31/2014) (3)	34,948	34,948	34,948	2.6%
		Senior Secured Term Loan B (11.25% (LIBOR + 9.25% with 2.00% LIBOR floor), due 12/31/2014)	28,587	28,587	28,587	2.2%
Renaissance Learning, Inc.(16)	Wisconsin / Consumer Services	Second Lien Term Loan (12.00% (LIBOR + 10.50% with 1.50% LIBOR floor), due 10/19/2018)(4)	6,000	5,770	6,000	0.5%
				<b>5,770</b>	<b>6,000</b>	<b>0.5%</b>
Rocket Software, Inc.(4)	Massachusetts / Software & Computer Services	Second Lien Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 2/08/2019)	15,000	14,704	14,735	1.1%
				<b>14,704</b>	<b>14,735</b>	<b>1.1%</b>
Royal Adhesives & Sealants, LLC	Indiana / Chemicals	Senior Subordinated Unsecured Term Loan (12.00% plus 2.00% PIK due 11/29/2016)	25,664	25,664	25,664	1.9%
				<b>25,664</b>	<b>25,664</b>	<b>1.9%</b>
SG Acquisition, Inc.(4)	Georgia / Insurance	Senior Secured Term Loan A (8.50% (LIBOR + 6.50% with 2.00% LIBOR floor), due 3/18/2016)	27,544	27,544	27,544	2.1%
		Senior Secured Term Loan B (14.50% (LIBOR + 12.50% with 2.00% LIBOR floor), due 3/18/2016)(3)	29,700	29,700	29,700	2.3%
		Senior Secured Term Loan C (8.50% (LIBOR + 6.50% with 2.00% LIBOR floor), due 3/18/2016)	12,720	12,720	12,720	1.0%

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		Senior Secured Term Loan D (14.50% (LIBOR + 12.50% with 2.00% LIBOR floor), due 3/18/2016)	13,750	13,750 <b>83,714</b>	13,750 <b>83,714</b>	1.0% <b>6.4%</b>
Seaton Corp.	Illinois / Business Services	Subordinated Secured (12.50% (LIBOR + 9.00% with 3.50% LIBOR floor) plus 2.00% PIK, due 3/14/2014) (3), (4)	3,288	3,148 <b>3,148</b>	3,288 <b>3,288</b>	0.2% <b>0.2%</b>

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Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
Shearer s Foods, Inc.	Ohio / Food Products	Junior Secured Debt (12.00% plus 3.75% PIK (3.75% LIBOR floor), due 3/31/2016)(3), (4)	\$ 37,289	\$ 37,289	\$ 37,289	2.8%
		Membership Interest in Mistral Chip Holdings, LLC - Common (2,000 units)(17)		2,000	1,257	0.1%
		Membership Interest in Mistral Chip Holdings, LLC 2 - Common (595 units)(17)		1,322	374	0.0%
		Membership Interest in Mistral Chip Holdings, LLC 3 - Preferred (67 units)(17)		673	825	0.1%
Skillsoft Public Limited Company	Ireland / Software & Computer Services	Subordinated Unsecured (11.125%, due 06/01/2018)	15,000	14,916	15,000	1.1%
				<b>14,916</b>	<b>15,000</b>	<b>1.1%</b>
Snacks Holding Corporation	Minnesota / Food Products	Senior Subordinated Unsecured Term Loan (12.00% plus 1.00% PIK, due 11/12/2017)	15,211	14,700	15,099	1.1%
		Series A Preferred Stock (4,021.45 shares)		56	42	0.0%
		Series B Preferred Stock (1,866.10 shares)		56	42	0.0%
		Warrant (to purchase 31,196.52 voting common shares, expires 11/12/2020)		479	354	0.0%
				<b>15,291</b>	<b>15,537</b>	<b>1.1%</b>
SonicWALL, Inc.	California / Software & Computer Services	Subordinated Secured (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor), due 1/23/2017) (3), (4)	23,000	22,983	23,000	1.7%
				<b>22,983</b>	<b>23,000</b>	<b>1.7%</b>
Springs Window Fashions, LLC	Wisconsin / Durable Consumer Products	Second Lien Term Loan (11.25% (LIBOR + 9.25% with 2.00% LIBOR floor), due 11/30/2017)(3), (4)	35,000	35,000	35,000	2.7%
				<b>35,000</b>	<b>35,000</b>	<b>2.7%</b>
ST Products, LLC	Pennsylvania/ Manufacturing	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/16/2016)(3), (4)	23,493	23,493	23,493	1.8%
				<b>23,493</b>	<b>23,493</b>	<b>1.8%</b>
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)	22,058	22,058	22,058	1.7%
				<b>22,058</b>	<b>22,058</b>	<b>1.7%</b>
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	33,129	32,711		0.0%

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		non-accrual status effective 12/1/2011, due 12/01/2015) (4), (25) Overriding Royalty Interests(18)			1,677	0.1%
				<b>32,711</b>	<b>1,677</b>	<b>0.1%</b>
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)	23,820	23,403	23,820	1.8%
				<b>23,403</b>	<b>23,820</b>	<b>1.8%</b>
Totes Isotoner Corporation	Ohio / Nondurable Consumer Products	Second Lien Term Loan (10.75%, (LIBOR + 9.25% with 1.50% LIBOR floor) due 1/8/2018) (3), (4)	39,000	39,000	39,000	3.0%
				<b>39,000</b>	<b>39,000</b>	<b>3.0%</b>

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2012 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 1 PORTFOLIO INVESTMENTS:</b>						
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
U.S. HealthWorks Holding Company, Inc.(16)	California / Healthcare	Second Lien Term Loan (10.50% (LIBOR + 9.00% with 1.50% LIBOR floor), due 6/15/2017) (3), (4)	\$ 25,000	\$ 25,000	\$ 25,000	1.9%
				<b>25,000</b>	<b>25,000</b>	<b>1.9%</b>
VanDeMark Chemicals, Inc.(3)	New York / Chemicals	Senior Secured Term Loan Note (12.20% (LIBOR + 10.20% with 2.0% LIBOR floor), due 12/31/2014)(4)	30,695	30,695	30,695	2.3%
				<b>30,695</b>	<b>30,695</b>	<b>2.3%</b>
Wind River Resources Corp. and Wind River II Corp.	Utah / Oil & Gas Production	Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% default interest on principal, 16.00% default interest on past due interest, in non-accrual status effective 12/01/2008, past due)(4) Net Profits Interest (5.00% payable on Equity distributions)(7)	15,000	15,000	3,308	0.3%
				<b>15,000</b>	<b>3,308</b>	<b>0.3%</b>
		<b>Total Non-control/Non-affiliate Investments (Level 3 Investments)</b>		<b>1,363,679</b>	<b>1,300,076</b>	<b>98.7%</b>
		<b>Total Level 3 Portfolio Investments</b>		<b>1,655,744</b>	<b>1,691,443</b>	<b>128.3%</b>
<b>Non-control/Non-affiliate Investments (less than 5.00% of voting control)</b>						
Allied Defense Group, Inc.	Virginia / Aerospace & Defense	Common Stock (10,000 shares)		56		0.0%
				<b>56</b>		<b>0.0%</b>
Dover Saddlery, Inc.	Massachusetts / Retail	Common Stock (30,974 shares)		63	137	0.0%
				<b>63</b>	<b>137</b>	<b>0.0%</b>
		<b>Total Non-control/Non-affiliate Investments (Level 1 Investments)</b>		<b>119</b>	<b>137</b>	<b>0.0%</b>
		<b>Total Portfolio Investments</b>		<b>1,655,863</b>	<b>1,691,580</b>	<b>128.3%</b>
<b>SHORT TERM INVESTMENTS: Money Market Funds (Level 2 Investments)</b>						
Fidelity Institutional Money Market Funds	Government Portfolio (Class I)			48,832	48,832	3.7%
Fidelity Institutional Money Market Funds	Government Portfolio (Class I) (3)			9,192	9,192	0.7%
Victory Government Money Market Funds				1	1	0.0%
		<b>Total Money Market Funds</b>		<b>58,025</b>	<b>58,025</b>	<b>4.4%</b>

Total Investments 1,713,888 1,749,605 132.7%

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	Principal Value	June 30, 2011 (Audited)		% of Net Assets
				Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Control Investments (25.00% or greater of voting control)</b>						
AIRMALL USA, Inc. (27)	Pennsylvania / Property Management	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3), (4)	\$ 30,000	\$ 30,000	\$ 30,000	2.7%
		Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015)	12,500	12,500	12,500	1.1%
		Convertible Preferred Stock (9,919.684 shares)		9,920	9,226	0.8%
		Common Stock (100 shares)				0.0%
				<b>52,420</b>	<b>51,726</b>	<b>4.6%</b>
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 4/01/2013)(3), (4)	20,607	20,607	20,607	1.8%
		Subordinated Secured Note Tranche B (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 6.00% PIK, due 4/01/2013)(3), (4)	15,035	15,035	13,270	1.2%
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057		0.0%
		Unrestricted Common Stock (6 shares)				0.0%
				<b>41,699</b>	<b>33,877</b>	<b>3.0%</b>
AWCNC, LLC(19)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%
		Members Units Class B-1 (1 unit)				0.0%
		Members Units Class B-2 (7,999,999 units)				0.0%
						<b>0.0%</b>
Borga, Inc.	California / Manufacturing	Revolving Line of Credit \$1,000 Commitment (5.00% (PRIME + 1.75%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4), (25)	1,000	945	1,000	0.1%
		Senior Secured Term Loan B (8.50% (PRIME + 5.25%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)	1,612	1,500	691	0.1%
		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)	8,980	706		0.0%
		Common Stock (100 shares)(21)				0.0%
		Warrants (33,750 warrants)(21)				0.0%
				<b>3,151</b>	<b>1,691</b>	<b>0.2%</b>
C&J Cladding LLC	Texas / Metal Services and Minerals	Membership Interest (400 units)(22)		580	4,699	0.4%
				<b>580</b>	<b>4,699</b>	<b>0.4%</b>

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Change Clean Energy Holdings, Inc. ( CCEHI or Biomass )(5),(8)	Maine / Biomass Power	Common Stock (1,000 shares)		2,540		0.0%
				<b>2,540</b>		<b>0.0%</b>
Freedom Marine Services LLC(20),(8)	Louisiana / Shipping Vessels	Subordinated Secured Note (12.00% (LIBOR + 6.11% with 5.89% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011)(4) Net Profits Interest (22.50% payable on equity distributions)(7)	11,674	11,303	3,079	0.3%
				<b>11,303</b>	<b>3,079</b>	<b>0.0%</b> <b>0.3%</b>

See notes to consolidated financial statements.



**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**March 31, 2012 and June 30, 2011**

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	June 30, 2011 (Audited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Control Investments (25.00% or greater of voting control)</b>						
Gas Solutions Holdings, Inc.(8), (3)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016)	\$ 25,000	\$ 25,000	\$ 25,000	2.2%
		Junior Secured Note (18.00%, due 12/12/2016)	12,000	12,000	12,000	1.1%
		Common Stock (100 shares)		5,003	68,406	6.2%
			<b>42,003</b>	<b>105,406</b>	<b>9.5%</b>	
Integrated Contract Services, Inc.(9)	North Carolina / Contracting	Secured Promissory Notes (15.00%, in non-accrual status effective 12/22/2010, due 3/21/2012 4/10/2013)(10)	1,708	1,708	1,708	0.2%
		Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due)(10)	1,170	1,170	59	0.0%
		Senior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	960	660		0.0%
		Junior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	14,003	14,003		0.0%
		Preferred Stock Series A (10 shares)				0.0%
		Common Stock (49 shares)		679		0.0%
			<b>18,220</b>	<b>1,767</b>	<b>0.2%</b>	
Iron Horse Coiled Tubing, Inc.(23)	Alberta, Canada / Production Services	Senior Secured Tranche 2 (Zero Coupon, due 1/1/2016)	2,338	2,338	2,186	0.2%
		Senior Secured Tranche 3 (2.00%, due 1/1/2016)	12,000	11,781	11,514	1.0%
		Common Stock (3,821 shares)		268	1,657	0.2%
			<b>14,387</b>	<b>15,357</b>	<b>1.4%</b>	
Manx Energy, Inc. ( Manx )(12)	Kansas / Oil & Gas Production	Appalachian Energy Holdings, LLC ( AEH ) Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	2,248	2,000		0.0%
		Coalbed, LLC Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)(6)	6,743	5,991		0.0%
		Manx Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	3,550	3,550	1,312	0.1%
		Manx Preferred Stock (6,635 shares)		6,307		0.0%
					1,171	

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		Manx Common Stock (3,416,335 shares)		<b>19,019</b>	<b>1,312</b>	<b>0.1%</b>
NMMB Holdings, Inc.(24)	New York / Media	Revolving Line of Credit \$3,000 Commitment (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 5/6/2016)(4), (25)				0.0%
		Senior Term Loan (14.00%, due 5/6/2016)	24,250	24,250	24,250	2.2%
		Senior Subordinated Term Loan (15.00%, due 5/6/2016)	2,800	2,800	2,800	0.2%
		Series A Preferred Stock (4,400 shares)		4,400	4,400	0.4%
				<b>31,450</b>	<b>31,450</b>	<b>2.8%</b>
NRG Manufacturing, Inc.	Texas / Manufacturing	Senior Secured Note (16.50% (LIBOR + 11.00% with 5.50% LIBOR floor), due 8/31/2011)(3), (4)	13,080	13,080	13,080	1.2%
		Common Stock (800 shares)		2,317	32,403	2.9%
				<b>15,397</b>	<b>45,483</b>	<b>4.1%</b>

See notes to consolidated financial statements.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**  
**March 31, 2012 and June 30, 2011**  
**(in thousands, except share data)**

Portfolio Company	Locale / Industry	Investments(1)	June 30, 2011 (Audited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
<b>LEVEL 3 PORTFOLIO INVESTMENTS:</b>						
<b>Control Investments (25.00% or greater of voting control)</b>						
Nupla Corporation	California / Home & Office Furnishings, Housewares & Durable	Revolving Line of Credit \$2,000 Commitment (7.25% (PRIME + 4.00%) plus 2.00% default interest, due 9/04/2012)(4), (25)	\$ 1,093	\$ 1,014	\$ 1,093	0.1%
		Senior Secured Term Loan A (8.00% (PRIME + 4.75%) plus 2.00% default interest, due 9/04/2012)(4)	4,538	902	4,538	0.4%
		Senior Subordinated Debt (15.00% PIK, in non-accrual status effective 4/01/2009, due 3/04/2013)	3,910		478	0.0%
		Preferred Stock Class A (2,850 shares)				0.0%
		Preferred Stock Class B (1,330 shares)				0.0%
		Common Stock (2,360,743 shares)				0.0%
				<b>1,916</b>	<b>6,109</b>	<b>0.5%</b>
R-V Industries, Inc.	Pennsylvania / Manufacturing	Warrants (200,000 warrants, expiring 6/30/2017)		1,682	2,178	0.2%
		Common Stock (545,107 shares)		5,086	5,938	0.5%
				<b>6,768</b>	<b>8,116</b>	<b>0.7%</b>
Yatesville Coal Holdings, Inc.(11),(8)	Kentucky / Mining, Steel, Iron and Non-Precious Metals and Coal Production	Senior Secured Note (Non-accrual status effective 1/01/2009, past due)(4)	1,035	1,035		0.0%
		Junior Secured Note (Non-accrual status effective 1/01/2009, past due)(4)	413	413		0.0%
		Common Stock (1,000 shares)				0.0%
				<b>1,448</b>		<b>0.0%</b>
		<b>Total Control Investments</b>		<b>262,301</b>	<b>310,072</b>	<b>27.8%</b>
<b>Affiliate Investments (5.00% to 24.99% voting control)</b>						
BNN Holdings Corp., (f/k/a Biotronic NeuroNetwork)	Michigan / Healthcare	Senior Secured Note (11.50% (LIBOR + 7.00% with 4.50% LIBOR floor) plus 1.00% PIK, due 2/21/2013)(3), (4)	26,227	26,227	27,014	2.4%
		Preferred Stock Series A (9,925.455 shares)(13)		2,300	5,597	0.6%
		Preferred Stock Series B (1,753.64 shares)(13)		579	1,409	0.1%
				<b>29,106</b>	<b>34,020</b>	<b>3.1%</b>
Boxercraft Incorporated	Georgia / Textiles & Leather	Senior Secured Term Loan A (9.50% (LIBOR + 6.50% with 3.00% LIBOR floor), due 9/16/2013)(3), (4)	2,710	2,423	2,674	0.2%

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Senior Secured Term Loan B  
(10.00% (LIBOR + 7.00% with  
3.00% LIBOR floor), due  
9/16/2013)(3), (4)

4,753

4,025

4,722

0.4%