

PROSPECT CAPITAL CORP
Form 10-Q
May 06, 2013

**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, 2013

**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

(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

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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 6, 2013 was 243,243,161.

**PROSPECT CAPITAL CORPORATION
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2013
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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, 2013 and June 30, 2012
(in thousands, except share and per share data)

	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
Assets (Note 4)		
Investments at fair value:		
Control investments (amortized cost of \$715,301 and \$518,015, respectively)	\$ 675,305	\$ 564,489
Affiliate investments (amortized cost of \$48,949 and \$44,229, respectively)	41,745	46,116
Non-control/Non-affiliate investments (amortized cost of \$3,030,863 and \$1,537,069, respectively)	2,990,672	1,483,616
Total investments at fair value (amortized cost of \$3,795,113 and \$2,099,313, respectively, Note 3)	3,707,722	2,094,221
Investments in money market funds	253,332	118,369
Total investments	3,961,054	2,212,590
Cash	24,726	2,825
Receivables for:		
Interest, net	18,435	14,219
Dividends	2	1
Other	462	783
Prepaid expenses	210	421
Deferred financing costs	42,128	24,415
Total Assets	4,047,017	2,255,254
Liabilities		
Credit facility payable (Note 4 and Note 8)		96,000
Senior convertible notes (Note 5 and Note 8)	847,500	447,500
Senior unsecured notes (Note 6 and Note 8)	347,682	100,000
Prospect Capital InterNotes® (Note 7 and Note 8)	199,401	20,638
Due to broker	42,961	44,533
Dividends payable	26,267	14,180
Due to Prospect Administration (Note 12)	1,332	658
Due to Prospect Capital Management (Note 12)	873	7,913
Accrued expenses	2,559	2,925
Interest payable	15,268	6,723
Other liabilities	7,586	2,210
Total Liabilities	1,491,429	743,280
Net Assets	\$ 2,555,588	\$ 1,511,974
Components of Net Assets		
Common stock, par value \$0.001 per share (500,000,000 common shares authorized; 238,628,037 and 139,633,870 issued and outstanding, respectively) (Note 9)	\$ 239	\$ 140
Paid-in capital in excess of par (Note 9)	2,640,457	1,544,801
Undistributed net investment income	66,187	23,667
Accumulated realized losses on investments	(63,904)	(51,542)
Unrealized depreciation on investments	(87,391)	(5,092)
Net Assets	\$ 2,555,588	\$ 1,511,974
Net Asset Value Per Share	\$ 10.71	\$ 10.83

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended March 31, 2013 and 2012
(in thousands, except share and per share data)
(Unaudited)

	For The Three Months Ended March 31,		For The Nine Months Ended March 31,	
	2013	2012	2013	2012
Investment Income				
Interest Income: (Note 3)				
Control investments	\$ 26,598	\$ 32,966	\$ 77,756	\$ 45,546
Affiliate investments	1,599	2,378	4,944	7,179
Non-control/Non-affiliate investments other than CLO securities	58,187	37,044	161,727	107,078
CLO fund securities	23,228	2,560	60,361	3,668
Total interest income	109,612	74,948	304,788	163,471
Dividend income:				
Control investments	75	5,474	65,042	29,819
Non-control/Non-affiliate investments			3,185	1,733
Money market funds	8	1	19	2
Total dividend income	83	5,475	68,246	31,554
Other income: (Note 10)				
Control investments	2,656	13,768	7,753	14,386
Affiliate investments	5	11	618	85
Non-control/Non-affiliate investments	7,839	1,421	28,461	8,732
Total other income	10,500	15,200	36,832	23,203
Total Investment Income	120,195	95,623	409,866	218,228
Operating Expenses				
Investment advisory fees:				
Base management fee (Note 12)	18,966	8,949	48,500	25,985
Income incentive fee (Note 12)	14,896	14,518	58,207	30,614
Total investment advisory fees	33,862	23,467	106,707	56,599
Interest and credit facility expenses	20,854	9,655	50,779	28,374
Legal fees	395	256	1,652	1,198
Valuation services	420	308	1,167	916
Audit, compliance and tax related fees	200	276	1,010	1,141
Allocation of overhead from Prospect Administration (Note 12)	2,957	2,910	7,280	5,143
Insurance expense	88	69	259	168
Directors fees	75	68	225	195
Excise Tax	1,000		5,500	
Other general and administrative expenses	759	542	2,459	2,037
Total Operating Expenses	60,610	37,551	177,038	95,771
Net Investment Income	59,585	58,072	232,828	122,457
Net realized (loss) gain on investments (Note 3)	(6,014)	24,812	(12,362)	23,703
Net change in unrealized (depreciation) appreciation on investments (Note 3)	(9,142)	(32,675)	(82,299)	8,441
Net Increase in Net Assets Resulting from Operations	\$ 44,429	\$ 50,209	\$ 138,167	\$ 154,601
Net increase in net assets resulting from operations per share: (Note 11 and Note 15)	\$ 0.20	\$ 0.44	\$ 0.71	\$ 1.39
Dividends declared per share	\$ 0.33	\$ 0.30	\$ 0.95	\$ 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, 2013 and 2012
(in thousands, except share data)
(Unaudited)

For The Nine Months Ended March 31,

	2013	2012
Increase in Net Assets from Operations:		
Net investment income	\$ 232,828	\$ 122,457
Net realized (loss) gain on investments	(12,362)	23,703
Net change in unrealized appreciation on investments	(82,299)	8,441
Net Increase in Net Assets Resulting from Operations	138,167	154,601
Dividends to Shareholders	(190,308)	(102,421)
Capital Share Transactions:		
Proceeds from capital shares sold, net of underwriting costs	1,085,188	144,900
Less: Offering costs of public share offerings	(1,570)	(524)
Reinvestment of dividends	12,137	7,893
Net Increase in Net Assets Resulting from Capital Share Transactions	1,095,755	152,269
Total Increase in Net Assets	1,043,614	204,449
Net assets at beginning of period	1,511,974	1,114,357
Net Assets at End of Period	\$ 2,555,588	\$ 1,318,806
Capital Share Activity:		
Shares sold	92,408,899	13,500,000
Shares issued to acquire controlled investments	5,507,381	
Shares issued through reinvestment of dividends	1,077,887	817,241
Net increase in capital share activity	98,994,167	14,317,241
Shares outstanding at beginning of period	139,633,870	107,606,690
Shares Outstanding at End of Period	238,628,037	121,923,931

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended March 31, 2013 and 2012
(in thousands, except share data)
(Unaudited)

For The Nine Months Ended March 31,

	2013	2012
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	\$ 138,167	\$ 154,601
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operations:		
Net realized loss (gain) on investments	12,362	(23,703)
Net change in unrealized depreciation (appreciation) on investments	82,299	(8,441)
Amortization of discounts and premiums	(13,624)	(3,741)
Amortization of deferred financing costs	5,878	7,174
Payment-in-kind interest	(7,025)	(4,499)
Structuring fees	(33,578)	(13,530)
Change in operating assets and liabilities		
Payments for purchases of investments	(2,204,603)	(524,817)
Proceeds from sale of investments and collection of investment principal	609,919	354,660
Net (increase) decrease of investments in money market funds	(134,963)	1,878
Increase in interest receivable	(4,216)	(7,637)
Increase in dividends receivable	(1)	(75)
Decrease (increase) in other receivables	321	(1,344)
Decrease (increase) in prepaid expenses	211	(53)
(Decrease) increase in due to broker	(1,572)	26,569
Increase in due to Prospect Administration	674	150
Decrease in due to Prospect Capital Management	(7,040)	(3,391)
(Decrease) increase in accrued expenses	(366)	111
Increase in interest payable	8,545	179
Increase (decrease) in other liabilities	5,376	(117)
Net Cash Used In Operating Activities	(1,543,236)	(46,026)
Cash Flows from Financing Activities:		
Borrowings under credit facility (Note 4)	99,000	615,800
Principal payments under credit facility (Note 4)	(195,000)	(579,000)
Borrowings under Senior Convertible Notes (Note 5)	400,000	
Repurchases under Senior Convertible Notes (Note 5)		(5,000)
Borrowings under Senior Unsecured Notes	247,682	
Borrowings under Prospect Capital InterNotes® (Note 7)	178,763	5,465
Financing costs paid and deferred	(23,591)	(9,078)
Proceeds from issuance of common stock, net of underwriting costs	1,025,937	144,900
Offering costs from issuance of common stock	(1,570)	(524)
Dividends paid	(166,084)	(93,051)
Net Cash Provided By Financing Activities	1,565,137	79,512
Total Increase in Cash	21,901	33,486
Cash balance at beginning of period	2,825	1,492
Cash Balance at End of Period	\$ 24,726	\$ 34,978
Cash Paid For Interest	\$ 32,757	\$ 19,607
Non-Cash Financing Activity:		
Amount of shares issued in connection with dividend reinvestment plan	\$ 12,137	\$ 7,893
Amount of shares issued in connection with controlled investments	\$ 59,251	\$

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS
March 31, 2013 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	Principal Value	March 31, 2013 (Unaudited)		% of Net Assets
				Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
AIRMALL USA, Inc. (27)	Pennsylvania / Property Management	Senior Secured Term Loan (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3), (4)	\$ 28,900	\$ 28,900	\$ 28,900	1.1%
		Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015)	12,500	12,500	12,500	0.5%
		Convertible Preferred Stock (9,919.684 shares)		9,920	9,920	0.4%
		Common Stock (100 shares)			374	0.0%
				51,320	51,694	2.0%
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 4/01/2013)(3), (4)	19,837	19,837	19,837	0.8%
		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	15,035	0.6%
		Subordinated Unsecured Note (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor) plus 6.00% PIK, due 12/31/2017)(4)	3,600	3,600	3,600	0.1%
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057		0.0%
		Unrestricted Common Stock (6 shares)				0.0%
				44,529	38,472	1.5%
APH Property Holdings, LLC(32)	Georgia / Real Estate	Senior Secured Note (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor) plus 2.00% PIK, due 10/24/2020)(4)	40,018	40,018	40,018	1.6%
		Common Stock (17,400 shares)		7,750	7,750	0.3%
				47,768	47,768	1.9%
AWCNC, LLC(19)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%
		Members Units Class B-1 (1 unit)				0.0%
		Members Units Class B-2 (7,999,999 units)				0.0%
						0.0%
Borga, Inc.	California / Manufacturing	Revolving Line of Credit \$1,150 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	480	0.0%
		Senior Secured Term Loan B (8.50% (PRIME + 5.25%) plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)	1,612	1,501		0.0%
			9,641	706		0.0%

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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)			
Common Stock (100 shares)(21)			0.0%
Warrants (33,750 warrants)(21)			0.0%
	3,302	480	0.0%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
March 31, 2013 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	Principal Value	March 31, 2013 (Unaudited)		% of Net Assets
				Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
CCPI Holdings Inc.(33)	Ohio / Manufacturing	Senior Secured Note (10.00%, due 12/31/2017)	\$ 17,775	\$ 17,775	\$ 17,775	0.7%
		Senior Secured Note (12.00% plus 7.00% PIK, due 6/30/2018)	7,526	7,526	7,526	0.3%
		Common Stock (100 shares)		8,581	8,581	0.3%
		Net Revenue Interest (4% of Net Revenue)				0.0%
			33,882	33,882	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 12/31/2020) (4), (25)	38,082	38,082	38,082	1.5%
		Common Stock (100 shares)		9,581	7,342	0.3%
		Net Revenue Interest (5% of Net Revenue)			2,907	0.1%
				47,663	48,331	1.9%
Energy Solutions Holdings, Inc.(8)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016)	750	750	750	0.0%
		Junior Secured Note (18.00%, due 12/12/2016)	12,000	12,000	12,000	0.5%
		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 Freedom Marine Holdings, LLC (12.00% (LIBOR + 6.11% with 5.89% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011) (4)	13,765	12,503	5,134	0.2%
		Senior Secured Debt to Yatesville Coal Holdings, Inc. (Non-accrual status effective 1/1/2009, past due)	1,449	1,449		0.0%
		Escrow Receivable				0.0%
		Common Stock (100 shares)		8,318	9,558	0.4%
		38,520	30,942	1.2%		
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	10.4%
		Common Stock (83,729,323 shares)		43,193	30,398	1.2%
		Net Revenue Interest (5% of Net Revenue & Distributions)				0.0%
				307,953	295,158	11.6%
Manx Energy, Inc. (Manx)(12)	Kansas / Oil & Gas Production	Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 6/21/2013)	3,550	3,550		0.0%
		Preferred Stock (6,635 shares)		6,307		0.0%

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		Common Stock (17,082 shares)		1,171		0.0%
				11,028		0.0%
Nationwide Acceptance Holdings, LLC(22), (36)	Chicago / 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 Units (100 shares)		3,843	2,127	0.1%
		Net Revenue Interest (5% of Net Revenue)			1,716	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	14,506	0.6%
		Senior Subordinated Term Loan (15.00%, due 5/6/2016)	2,800	2,800		0.0%
		Series A Preferred Stock (4,400 shares)		4,400		0.0%
			23,200	14,506	0.6%	

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
March 31, 2013 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2013 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
R-V Industries, Inc.	Pennsylvania / Manufacturing	Senior Subordinated Note (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor,) due 5/30/2018) (4) Warrants (200,000 warrants, expiring 6/30/2017) Common Stock (545,107 shares)	\$ 9,500	\$ 9,500	\$ 9,500	0.4%
				1,682	6,916	0.3%
				5,087	18,850	0.7%
				16,269	35,266	1.4%
The Healing Staff, 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) Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due) Common Stock (1,000 shares)	1,688	\$ 1,686		0.0%
			1,170	1,170		0.0%
				975		0.0%
				3,831		0.0%
Valley Electric Co. of Mt. Vernon, Inc.(35)	Washington / Construction & Engineering	Senior Secured Note (9.00% (LIBOR + 6.00%, with 3.00% LIBOR floor) plus 9.00% PIK, due 12/31/2018)(4) Senior Secured Note (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2017)(4) Common Stock (50,000 Shares) Net Revenue Interest (5% of Net Revenue)	33,305	33,305	33,305	1.3%
			10,013	10,013	10,013	0.4%
				9,526	8,358	0.3%
					1,168	0.0%
				52,844	52,844	2.0%
Wolf Energy Holdings, Inc. (12)	Kansas / Oil & Gas Production	Appalachian Energy Holdings, LLC (AEH) Senior Secured First Lien Note (8.00%, in non-accrual status effective 1/19/2010, due 6/21/2013) Appalachian Energy Holdings, LLC (AEH) Senior Secured First Lien Note (8.00%, in non-accrual status due 5/28/2013) Coalbed, LLC Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 6/21/2013) (6) Common Stock (100 Shares)	2,590	2,000	202	0.0%
			50	50	4	0.0%
			7,773	5,991	605	0.0%
						0.0%
				8,041	811	0.0%
				715,301	675,305	26.4%
Affiliate Investments (5.00% to 24.99% voting control)						
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) (4)	29,700	29,700	29,700	1.2%

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Preferred Stock Series A (9,925.455 shares)(13)	2,300	2,538	0.1%
Preferred Stock Series B (1,753.64 shares)(13)	579	639	0.0%
	32,579	32,877	1.3%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
March 31, 2013 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	March 31, 2013 (Unaudited)			% of Net Assets
			Principal Value	Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Affiliate Investments (5.00% to 24.99% voting control)						
Boxercraft Incorporated (20)	Georgia / Textiles & Leather	Senior Secured Term Loan A (10.00% plus 5.00% PIK, due 9/16/2013)	\$ 1,698	\$ 1,670	\$ 1,698	0.1%
		Senior Secured Term Loan B (10.00% plus 5.00% PIK, due 9/16/2013)	4,851	4,675	4,851	0.2%
		Senior Secured Term Loan C (10.00% plus 5.00% PIK, due 9/16/2013)	2,351	2,351	2,319	0.1%
		Senior Secured Term Loan (10.00% plus 5.00% PIK, due 3/16/2014)	8,254	7,674		0.0%
		Preferred Stock (1,000,000 shares)				0.0%
		Common Stock (10,000 shares)				0.0%
		Warrants (1 warrant, expiring 8/31/2022)				0.0%
			16,370	8,868	0.4%	
Smart, LLC(14)	New York / Diversified / Conglomerate Service	Membership Interest				0.0%
						0.0%
			Total Affiliate Investments	48,949	41,745	1.7%
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
ADAPCO, Inc.	Florida / Ecological	Common Stock (5,000 shares)		141	306	0.0%
				141	306	0.0%
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	6,898	7,000	0.3%
				6,898	7,000	0.3%
Aircraft Fasteners International, LLC	California / Machinery	Convertible Preferred Stock (32,500 units)		396	539	0.0%
				396	539	0.0%
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	11,764	0.5%
				11,764	11,764	0.5%
American Gilsonite Company	Utah / Specialty Minerals	Second Lien Term Loan (11.50%, due 9/1/2017)	38,500	38,500	38,500	1.5%
		Membership Interest in AGC/PEP, LLC (99.9999%)(15)			5,038	0.2%
				38,500	43,538	1.7%
Apidos CLO VIII, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)	19,730	19,681	20,450	0.8%

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Apidos CLO IX, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)	20,525	19,681 19,635	20,450 19,614	0.8% 0.8%
				19,635	19,614	0.8%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
March 31, 2013 (Unaudited) and June 30, 2012 (Audited)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	Principal Value	March 31, 2013 (Unaudited)		% of Net Assets
				Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Apidos CLO XI, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)	\$ 38,340	\$ 38,715	\$ 38,306	1.5%
				38,715	38,306	1.5%
Apidos CLO XII, Ltd. (22)	Cayman Islands / Diversified Financial Services	Subordinated Notes (Residual Interest)	44,063	42,961	42,957	1.7%
				42,961	42,957	1.7%
Arctic Glacier U.S.A, Inc.	Canada / Food Products	Subordinated Unsecured (12.00% plus 3.00% PIK , due 7/27/2019)	86,751	86,751	86,751	3.4%
				86,751	86,751	3.4%