

PROSPECT CAPITAL CORP
Form 497
August 13, 2012

Use these links to rapidly review the document

- [TABLE OF CONTENTS](#)
- [TABLE OF CONTENTS 2](#)
- [TABLE OF CONTENTS 3](#)
- [TABLE OF CONTENTS 4](#)

Prospect Capital Corporation Prospect Capital InterNotes® 6.100% Senior Notes due 2019 (the "Notes")

Filed under Rule 497, Registration Statement No. 333-176637

Pricing Supplement No. 14 Dated Monday, August 13, 2012 (To: Prospectus Dated October 21, 2011, and
Prospectus Supplement Dated May 25, 2012)

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Coupon Rate	Coupon Frequency	Maturity Date	1 st Coupon Date	1 st Coupon Amount	Survivor's Option	Product Ranking
74348YAM3	US74348YAM30	\$2,681,000.00	100.000%	1.750%	\$2,634,082.50	Fixed	6.100%	Semi-Annual	08/15/2019	02/15/2013	\$30.33	Yes	Senior Unsecured Notes

Redemption Information: Callable at 100.000% on 08/15/2013 and every coupon date thereafter.

Trade Date: Monday, August 13, 2012 @ 12:00 PM ET
Settle Date: Thursday, August 16, 2012
Minimum Denomination/Increments: \$1,000.00/\$1,000.00
Initial trades settle flat and clear SDFS: DTC Book Entry only

The Notes will be issued pursuant to the Indenture, dated as of February 16, 2012, as amended and supplemented by that certain Fourteenth Supplemental Indenture, dated as of August 16, 2012.

The date from which interest shall accrue on the Notes is Thursday, August 16, 2012. The "Interest Payment Dates" for the Notes shall be February 15 and August 15 of each year, commencing February 15, 2013; the interest payable on any Interest Payment Date, will be paid to the Person in whose name the Note (or one or more predecessor Notes) is registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest, which shall be February 1 or August 1, as the case may be, next preceding such Interest Payment Date.

The Notes will be redeemable in whole or in part at any time or from time to time, at the option of Prospect Capital Corporation, on or after August 15, 2013 (the "Optional Redemption Date"), at a redemption price of \$1,000 per Note plus accrued and unpaid interest payments otherwise payable for the then-current semi-annual interest period accrued to, but excluding, the date fixed for redemption and upon not less than 30 days nor more that 60 days prior notice to the noteholder and the trustee, as described in the prospectus.

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

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

This pricing supplement relates only to the securities described in the accompanying prospectus supplement and prospectus, is only a summary of changes and should be read together with the accompanying prospectus supplement and prospectus, including among other things the section entitled "Risk Factors" beginning on page S-6 of such prospectus supplement and page 10 of such prospectus. This pricing supplement and the accompanying prospectus supplement and 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, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this pricing supplement. Any representation to the contrary is a criminal offense. Obligations of Prospect Capital Corporation and any subsidiary of Prospect Capital Corporation are not guaranteed by the full faith and credit of the United States of America. Neither Prospect Capital Corporation nor any subsidiary of Prospect Capital Corporation is a government-sponsored enterprise or an instrumentality of the United States of America.

InterNotes® is a registered trademark of Incapital Holdings LLC.

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

Recent Developments: On May 24, 2012, we issued 81,773 shares of our common stock in connection with the dividend reinvestment plan.

On May 31, 2012, The Copernicus Group, Inc. repaid the remaining \$17.6 million loan receivable to us and we received \$2.6 million for our preferred stock positions, resulting in a realized gain of \$2.3 million.

On June 1, 2012, we made a senior secured second lien investment of \$17.5 million in an installment lender.

On June 1, 2012, we sold our membership interests in C&J Cladding for \$4.0 million, recognizing a realized gain of \$3.4 million on the sale, and received an advisory fee of \$1.5 million.

On June 1, 2012, we and KeyBanc Capital Markets Inc. entered into an equity distribution agreement relating to sales by us through KeyBanc Capital Markets, by means of at-the-market offerings from time to time, of up to 9,500,000 shares of our common stock (the "ATM Program"). Through the ATM Program, we anticipate generating an aggregate of approximately \$100 million in net proceeds after deducting the estimated commissions and estimated offering expenses. We expect to use proceeds from the ATM Program initially to maintain balance sheet liquidity, involving repayment of all or a portion of the amounts outstanding under the our credit facility, if any, investment in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. During the period from June 1, 2012 to July 9, 2012, we issued 5,199,764 shares of our common stock at an average price of \$11.38 per share, and raised \$59.2 million of gross proceeds, under the ATM Program. Net proceeds were \$58.6 million after 1% commission to the broker-dealer on shares sold.

On June 7, 2012, we provided \$48.6 million of senior secured financing to Naylor, LLC, an outsourced provider of media and communications services to professional, trade and interest associations.

On June 7, 2012, we made an investment of \$27.4 million to purchase 73.6% of the unrated subordinated notes in Babson CLO Ltd. 2012-II.

On June 8, 2012, one lender in our credit facility increased its commitment by \$5 million. The commitments to the credit facility now stand at \$487.5 million.

On June 13, 2012, we added one additional lender to the committed lenders under our credit facility, increasing the total commitments under the credit facility to \$492.5 million.

On June 14, 2012, we made an investment of \$18.7 million to purchase 52.7% of the subordinated notes in Apidos CLO IX.

On June 15, 2012, we completed the acquisition of the businesses of First Tower Corp. ("First Tower"). We acquired 80.1% of First Tower's businesses for \$110.2 million in cash and 14,518,207 million unregistered shares of our common stock.

On June 15, 2012, we exited our investment in Nupla Corporation for a sales price of \$6.85 million. After payment of expenses, including accumulated managerial assistance of \$450,000 paid to our Administrator and a \$1.5 million structuring fee paid to us, the proceeds were applied to repayment of the loans receivable to us, resulting in a realized gain of \$2.9 million, as this loan was acquired in the Patriot Capital acquisition at a discount to the par amount outstanding.

On June 22, 2012, we issued 72,407 shares of our common stock in connection with the dividend reinvestment plan.

On June 22, 2012, we made an investment of \$25.8 million to purchase 51.0% of the subordinated notes in Madison Park Funding IX, Ltd.

On June 29, 2012, Sport Helmets Holdings, LLC repaid the \$17.6 million loan receivable to us. We recognized \$2.6 million of accelerated purchase discount accretion in the quarter ended June 30, 2012.

On July 5, 2012, we made a senior secured debt investment of \$28.0 million to support the acquisition of Material Handling Services, LLC, d/b/a Total Fleet Solutions, a provider of forklift and other material handling equipment fleet services.

On July 16, 2012, we issued 21,000,000 shares of our common stock at \$11.15 per share (or \$11.05 per share net proceeds excluding expenses), raising \$234.15 million of gross proceeds.

On July 16, 2012, we provided \$15 million of secured second lien financing to Pelican Products, Inc., a leading provider of unbreakable, watertight protective cases and technically advanced professional lighting equipment.

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

On July 20, 2012, we provided \$12 million of senior secured financing to EIG Investors Corp., a provider of an array of online services such as web presence, domain hosting, e-commerce, e-mail and other related services to small- and medium-sized businesses.

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

On July 20, 2012, we provided \$10 million of senior secured financing to FPG, LCC a supplier of branded consumer and commercial products sold to the retail, foodservice, and hospitality sectors

On July 24, 2012, we issued 205,834 shares of our common stock in connection with the dividend reinvestment plan.

On July 24, 2012, we sold our 3,821 shares of Iron Horse Coiled Tubing, Inc. common stock in connection with the exercise of an equity buyout option, receiving \$2.04 million of net proceeds and realizing a gain of approximately \$1.77 million on the sale.

On July 27, 2012, we issued 3,150,000 shares of our common stock in connection with the exercise of an option granted with the July 16, 2012 issuance of 21,000,000 shares of our common stock at \$11.15 per share (or \$11.05 per share net proceeds excluding expenses), raising \$35.1 million of gross proceeds.

On July 27, 2012, one lender in our credit facility increased its commitment by \$15.0 million. The commitments to the credit facility now stand at \$507.5 million.

On July 27, 2012, we provided \$85.0 million of senior subordinated financing to support the acquisition of substantially all the assets of Arctic Glacier Income Fund by funds affiliated with H.I.G. Capital. The new company, Arctic Glacier Holdings, Inc., will continue to conduct business under the "Arctic Glacier" name and be a leading producer, marketer, and distributor of high-quality packaged ice to consumers in Canada and the United States.

On July 30, 2012, we amended our charter to increase the shares of common stock authorized for issuance by us from 200,000,000 to 500,000,000 in the aggregate.

On August 2, 2012, we provided \$27 million of senior secured financing to support the acquisition of a provider of specialized processing services to the steel industry.

On August 3, 2012, we provided \$110 million of senior secured financing to support the acquisition of a leading provider of dental practice management services to dental professional corporations and associations in the United States.

On August 3, 2012, we provided \$44 million of secured subordinated financing to support the refinancing of New Century Transportation, Inc., a leading transportation and logistics company.

On August 3, 2012, we provided \$10 million of senior secured financing to support the acquisition of Paradigm Geophysical Ltd., the largest multi-national software company exclusively focused on the delivery of analytical and information management solutions for the discovery and extraction of subsurface natural resources.

On August 3, 2012, Pinnacle Treatment Centers, Inc. repaid the \$17.5 million loan receivable to us.

On August 6, 2012, we made an investment of \$22.2 million to purchase 62.9% of the subordinated notes in Halcyon Loan Advisors Funding 2012-I.

On August 7, 2012, we made an investment of \$36.8 million to purchase 95.0% of the subordinated notes in ING IM CLO 2012-II.

During the period from June 14, 2012 to August 9, 2012, we issued approximately \$34.05 million in aggregate principal amount of Prospect Capital InterNotes® for net proceeds of approximately \$33.44 million.

On August 10, 2012, U.S. HealthWorks Holding Company, Inc. repaid the \$25.0 million loan receivable to us.

On August 14, 2012, we issued \$200 million in aggregate principal amount of our 5.75% senior convertible notes due 2018 ("2018 Notes") for net proceeds following underwriting expenses of approximately \$193.6 million. Interest on the 2018 Notes is paid semi-annually in arrears on March 15 and September 15, at a rate of 5.375% per year, commencing March 15, 2013. The 2018 Notes mature on March 15, 2018 unless converted earlier. The 2018 Notes are convertible into shares of common stock at an initial conversion rate of 82.3451 shares of common stock per \$1,000 principal amount of 2018 Notes, which is equivalent to a conversion price of approximately \$12.14 per share of common stock, subject to adjustment in certain circumstances. The conversion rate for the 2018 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of \$0.1016 per share.

Legal Matters: In the opinion of Joseph Ferraro, General Counsel of Prospect Administration, administrator for Prospect Capital Corporation, a Maryland corporation (the "Company"), the certificate evidencing the Notes (the "Note Certificate") constitutes the valid and

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

binding obligation of the Company, entitled to the benefits of the Indenture and enforceable against the Company in accordance with its terms under the laws of the State of New York subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith),

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date hereof and is limited to the law of the State of New York as in effect on the date hereof. In addition, this opinion is subject to the same assumptions and qualifications stated in the letter of Skadden, Arps, Slate, Meagher & Flom, LLP dated March 8, 2012, filed as Exhibit (I)(5) to the Company's registration statement on Form N-2 (File No. 333-176637) and to the further assumptions that (i) the Note Certificate has been duly authorized by all requisite corporate action on the part of the Company and duly executed by the Company under Maryland law, and (ii) it was duly authenticated by the Trustee and issued and delivered by the Company against payment therefor in accordance with the terms of the Selling Agent Agreement and the Indenture. Capitalized terms used in this paragraph without definition have the meanings ascribed to them in the accompanying prospectus supplement.

Prospect Capital Corporation
10 East 40th Street, 44th Floor
New York, New York 10016

In the opinion of Venable LLP, as Maryland counsel to the Company, (i) the execution and delivery by the Company of the Indenture, dated as of February 16, 2012, as supplemented through the Fourteenth Supplemental Indenture, between the Company and American Stock Transfer & Trust Company, and the global note representing the Notes issued pursuant to such Supplemental Indenture, and the performance by the Company of its obligations thereunder, have been duly authorized by the Company and (ii) the issuance of the Notes has been duly authorized by the Company. This opinion is given to the Company as of August 13, 2012 and is limited to the laws of the State of Maryland as in effect on August 13, 2012. In addition, this opinion is subject to the same assumptions, qualifications and limitations stated in the opinion letter to the Company of Venable LLP, dated March 8, 2012, filed as Exhibit (I)(4) to the Company's Registration Statement on Form N-2 (File No. 333-176637). Capitalized terms used in this paragraph without definition have the meanings ascribed to them in the accompanying prospectus supplement.

Very truly yours,

/s/ VENABLE LLP

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 21, 2011)

Prospect Capital Corporation

Prospect Capital InterNotes®

We may offer to sell our Prospect Capital InterNotes® from time to time. The specific terms of the notes will be set prior to the time of sale and described in a pricing supplement. You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement carefully before you invest. We may offer other debt securities from time to time other than the notes under our Registration Statement or in private placements.

We may offer the notes to or through agents for resale. The applicable pricing supplement will specify the purchase price, agent discounts and net proceeds of any particular offering of notes. The agents are not required to sell any specific amount of notes but will use their reasonable best efforts to sell the notes. We also may offer the notes directly. We have not set a date for termination of our offering.

The agents have advised us that from time to time they may purchase and sell notes in the secondary market, but they are not obligated to make a market in the notes and may suspend or completely stop that activity at any time. Unless otherwise specified in the applicable pricing supplement, we do not intend to list the notes on any stock exchange.

Investing in the notes involves certain risks, including those described in the "Risk Factors" section beginning on page S-6 of this prospectus supplement and page 10 of the accompanying prospectus.

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, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

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

Obligations of Prospect Capital Corporation and any subsidiary of Prospect Capital Corporation are not guaranteed by the full faith and credit of the United States of America. Neither Prospect Capital Corporation nor any subsidiary of Prospect Capital Corporation is a government-sponsored enterprise or an instrumentality of the United States of America.

We may sell the notes to or through one or more agents or dealers, including the agent listed below.

Incapital LLC

Prospectus Supplement dated May 25, 2012.

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,

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

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,

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

the NASDAQ Global Select Market, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business, and

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

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

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

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

**TABLE OF CONTENTS
PROSPECTUS SUPPLEMENT**

<u>Prospectus Summary</u>	<u>S-1</u>
<u>Selected Condensed Financial Data</u>	<u>S-5</u>
<u>Risk Factors</u>	<u>S-6</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>S-10</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>S-43</u>
<u>Description of Notes</u>	<u>S-43</u>
<u>Registration and Settlement</u>	<u>S-49</u>
<u>Supplement to Material U.S. Federal Income Tax Considerations</u>	<u>S-52</u>
<u>Certain Considerations Applicable to ERISA, Governmental and Other Plan Investors</u>	<u>S-56</u>
<u>Use of Proceeds</u>	<u>S-58</u>
<u>Senior Securities</u>	<u>S-58</u>
<u>Ratio of Earnings to Fixed Charges</u>	<u>S-59</u>
<u>Plan of Distribution</u>	<u>S-59</u>
<u>Legal Matters</u>	<u>S-61</u>
<u>Independent Registered Public Accounting Firm</u>	<u>S-61</u>
<u>Available Information</u>	<u>S-61</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

PROSPECTUS

<u>About This Prospectus</u>	<u>1</u>
<u>Prospectus Summary</u>	<u>2</u>
<u>Selected Condensed Financial Data</u>	<u>2</u>
<u>Risk Factors</u>	<u>10</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>67</u>
<u>Report of Management on Internal Control Over Financial Reporting</u>	<u>68</u>
<u>Use of Proceeds</u>	<u>68</u>
<u>Forward-Looking Statements</u>	<u>68</u>
<u>Distributions</u>	<u>70</u>
<u>Senior Securities</u>	<u>73</u>
<u>Price Range of Common Stock</u>	<u>74</u>
<u>Business</u>	<u>76</u>
<u>Certain Relationships and Transactions</u>	<u>101</u>
<u>Control Persons and Principal Stockholders</u>	<u>102</u>
<u>Portfolio Companies</u>	<u>103</u>
<u>Determination of Net Asset Value</u>	<u>110</u>
<u>Sales of Common Stock Below Net Asset Value</u>	<u>111</u>
<u>Dividend Reinvestment Plan</u>	<u>115</u>
<u>Material U.S. Federal Income Tax Considerations</u>	<u>117</u>
<u>Description of Our Capital Stock</u>	<u>124</u>
<u>Description of Our Preferred Stock</u>	<u>131</u>
<u>Description of Our Debt Securities</u>	<u>131</u>
<u>Description of Our Warrants</u>	<u>145</u>
<u>Regulation</u>	<u>146</u>
<u>Custodian, Transfer and Dividend Paying Agent and Registrar</u>	<u>152</u>
<u>Brokerage Allocation and Other Practices</u>	<u>153</u>
<u>Plan of Distribution</u>	<u>153</u>
<u>Legal Matters</u>	<u>155</u>
<u>Independent Registered Accounting Firm</u>	<u>155</u>
<u>Available Information</u>	<u>155</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

PROSPECTUS SUMMARY

This section summarizes the legal and financial terms of the notes that are described in more detail in "Description of Notes" beginning on page S-43. Final terms of any particular notes will be determined at the time of sale and will be contained in the pricing supplement, which will be included with this prospectus supplement, relating to those notes. The terms in that pricing supplement may vary from and supersede the terms contained in this summary and in "Description of Notes." In addition, you should read the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and in that pricing supplement.

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

The Company

Prospect Capital Corporation is a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the "1940 Act." We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

Typically, we concentrate on making investments in companies with annual revenues of less than \$500 million and enterprise values of less than \$250 million. Our typical investment involves a secured loan of less than \$50 million with some form of equity participation. From time to time, we 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. Many of our investments to date have been in energy-related industries. We have made no investments to date in the real estate or mortgage industries, and we do not intend currently to focus on such investments.

We are currently pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. We also regularly evaluate control investment opportunities in a range of industries, and some of these investments could be material to us. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. If any of these opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

As of March 31, 2012, we held investments in 78 portfolio companies. The aggregate fair value as of March 31, 2012 of investments in these portfolio companies held on that date is approximately \$1.692 billion. Our portfolio across all our long-term debt had an annualized current yield of 12.6% as of March 31, 2012. The yield includes interest as well as dividends.

Recent Developments

Dividends

On May 7, 2012, we announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.101525 per share for May 2012 to holders of record on May 31, 2012 with a payment date of June 22, 2012;

\$0.101550 per share for June 2012 to holders of record on June 29, 2012 with a payment date of July 24, 2012; and

\$0.101575 per share for July 2012 to holders of record on July 31, 2012 with a payment date of August 24, 2012; and

\$0.10160 per share for August 2012 to holders of record on August 31, 2012 with a payment date of September 21, 2012.

Recent Investment Activity

On April 2, 2012 we made an investment of \$22 million to purchase 51.2% of the subordinated notes in Galaxy XII CLO, Ltd.

On April 16, 2012, we made a senior secured debt investment of \$15 million to support the acquisition of Nixon, Inc., a designer and distributor of watches and accessories.

On April 20, 2012 we made an investment of \$43.195 million to purchase 71.1% of the subordinated notes in Symphony CLO IX, Ltd.

On May 8, 2012, SonicWALL, Inc. repaid the \$23 million loan receivable to us.

On May 17, 2012, we made an investment of \$50 million in Plato Learning, Inc., providers of educational software which deliver online curriculum and assessments to the U.S. educational market.

On May 21, 2012, we made a follow-on investment of \$10.5 million in Stauber Performance Ingredients, Inc.

Credit Facility

On April 4, 2012 and April 17, 2012, we closed increases to our commitments to our credit facility of \$15 million and \$57.5 million, respectively. The commitments to the credit facility now stand at \$482.5 million.

Debt Issuance

In April 2012, we issued approximately \$8.5 million in aggregate principal amount of Prospect Capital InterNotes® for net proceeds of approximately \$8.3 million.

On April 16, 2012, we issued \$130 million in aggregate principal amount of 5.375% senior convertible notes due 2017 (the "2017 Notes") for net proceeds following underwriting expenses of approximately \$126 million. Other than the coupon and maturity date, the 2017 Notes have terms that are substantially similar to the terms of our 5.50% senior convertible notes due 2016 (the "2016 Notes") (See "Management's Discussion and Analysis of Financial Condition and Results of Operations Senior Convertible Notes")

On May 1, 2012, we issued \$100 million in aggregate principal amount of 6.95% senior unsecured notes due 2022 for net proceeds following underwriting expenses of approximately \$96.8 million.

Stock Issuance in Connection with Dividend Reinvestment Plan

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

On April 20, 2012, we issued 85,063 shares of our common stock in connection with the dividend reinvestment plan.

S-2

The Offering

Issuer	Prospect Capital Corporation
Purchasing Agent	Incapital LLC
Agents	From time to time, we may sell the notes to or through additional agents.
Title of Notes	Prospect Capital InterNotes®
Amount	We may issue notes from time to time in various offerings up to \$500,000,000, the aggregate principal amount authorized by our board of directors. As of May 24, 2012, \$13,981,000 aggregate principal amount of notes has been issued. There are no limitations on our ability to issue additional indebtedness in the form of Prospect Capital InterNotes® or otherwise other than under the 1940 Act.
Denominations	The notes will be issued and sold in denominations of \$1,000 and multiples of \$1,000 (unless otherwise stated in the pricing supplement).
Status	The notes will be our direct unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.
Maturities	Each note will mature 12 months or more from its date of original issuance.
Interest	<p>Each note will bear interest from its date of original issuance at a fixed rate per year.</p> <p>Interest on each note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and on the stated maturity date. Interest also will be paid on the date of redemption or repayment if a note is redeemed or repurchased prior to its stated maturity in accordance with its terms.</p> <p>Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.</p>
Principal	The principal amount of each note will be payable on its stated maturity date at the corporate trust office of the paying agent or at any other place we may designate.
Redemption and Repayment	Unless otherwise stated in the applicable pricing supplement, a note will not be redeemable at our option or be repayable at the option of the holder prior to its stated maturity date. The notes will not be subject to any sinking fund.
Survivor's Option	Specific notes may contain a provision permitting the optional repayment of those notes prior to stated maturity, if requested by the authorized representative of the beneficial owner of those notes, following the death of the beneficial owner of the notes, so long as the notes were owned by the beneficial owner or his or

her estate at least six months prior to the request. This feature is referred to as a "Survivor's Option." Your notes will not be repaid in this manner unless the pricing supplement for your notes provides for the Survivor's Option. The right to exercise the Survivor's Option is subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of a note in any calendar year. Additional details on the Survivor's Option are described in the section entitled "Description of Notes - Survivor's Option" on page S-46.

Sale and Clearance

We will sell notes in the United States only. Notes will be issued in book-entry only form and will clear through The Depository Trust Company. We do not intend to issue notes in certificated form.

Trustee

The trustee for the notes is U.S. Bank National Association, under an indenture dated as of February 16, 2012, as supplemented from time to time. U.S. Bank National Association was appointed as trustee, succeeding American Stock Transfer & Trust Company, LLC, pursuant to an Agreement of Resignation, Appointment and Acceptance dated as of March 12, 2012.

Selling Group

The agents and dealers comprising the selling group are broker-dealers and securities firms. The Purchasing Agent entered into a Selling Agent Agreement with us dated February 16, 2012. Additional agents appointed by us from time to time in connection with the offering of the notes contemplated by this prospectus supplement will become parties to the Selling Agent Agreement. Dealers who are members of the selling group have executed a Master Selected Dealer Agreement with the Purchasing Agent. The agents and the dealers have agreed to market and sell the notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the Purchasing Agent at info@incapital.com for a list of selling group members.

SELECTED CONDENSED FINANCIAL DATA

You should read the condensed financial information below with the Financial Statements and Notes thereto included in this prospectus supplement and the accompanying prospectus. Financial information below for the years ended June 30, 2011, 2010, 2009, 2008 and 2007 has been derived from the financial statements that were audited by our independent registered public accounting firm. The selected consolidated financial data at and for the three and nine months ended March 31, 2012 and 2011 has been derived from unaudited financial data. Interim results for the three and nine months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012. 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-10 for more information.

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,		For the Year/Period Ended June 30,				
	2012	2011	2012	2011	2011	2010	2009	2008	2007
(in thousands except data relating to shares, per share and number of portfolio companies)									
Performance Data:									
Interest income	\$ 72,946	\$ 34,504	\$ 160,361	\$ 90,787	\$ 134,454	\$ 86,518	\$ 62,926	\$ 59,033	\$ 30,084
Dividend income	7,477	2,763	34,664	8,328	15,092	15,366	22,793	12,033	6,153
Other income	15,200	7,306	23,203	13,970	19,930	12,675	14,762	8,336	4,444
Total investment income	95,623	44,573	218,228	113,085	169,476	114,559	100,481	79,402	40,681
Interest and credit facility expenses	(9,655)	(5,660)	(28,374)	(10,182)	(17,598)	(8,382)	(6,161)	(6,318)	(1,903)
Investment advisory expense	(23,467)	(12,034)	(56,599)	(31,231)	(46,051)	(30,727)	(26,705)	(20,199)	(11,226)
Other expenses	(4,429)	(2,923)	(10,798)	(7,641)	(11,606)	(8,260)	(8,452)	(7,772)	(4,421)
Total expenses	(37,551)	(20,617)	(95,771)	(49,054)	(75,255)	(47,369)	(41,318)	(34,289)	