

PROSPECT CAPITAL CORP  
Form 10-Q  
November 08, 2016

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 quarterly period ended September 30, 2016

OR  
 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 43-2048643  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

10 East 40th Street, 42nd Floor  
New York, New York 10016  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212)  
448-0702

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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 Website, 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	Outstanding at November 8, 2016
\$0.001 par value	358,369,103

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#### FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results—are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when 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, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended June 30, 2016, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

## PART I

## Item 1. Financial Statements

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except share and per share data)

	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
Assets		
Investments at fair value:		
Control investments (amortized cost of \$1,870,228 and \$1,768,220, respectively)	\$ 1,867,823	\$ 1,752,449
Affiliate investments (amortized cost of \$8,530 and \$10,758, respectively)	6,966	11,320
Non-control/non-affiliate investments (amortized cost of \$4,422,436 and \$4,312,122, respectively)	4,234,807	4,133,939
Total investments at fair value (amortized cost of \$6,301,194 and \$6,091,100, respectively)	6,109,596	5,897,708
Cash	132,240	317,798
Receivables for:		
Interest, net	9,920	12,127
Other	197	168
Prepaid expenses	703	855
Deferred financing costs on Revolving Credit Facility (Note 4)	6,834	7,525
Total Assets	6,259,490	6,236,181
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	44,000	—
Prospect Capital InterNotes® (Notes 7 and 8)	930,814	893,210
Convertible Notes (Notes 5 and 8)	908,240	1,074,361
Public Notes (Notes 6 and 8)	736,821	699,368
Interest payable	33,086	40,804
Due to broker	80,397	957
Due to Prospect Capital Management (Note 13)	51,091	54,149
Due to Prospect Administration (Note 13)	1,719	1,765
Accrued expenses	2,764	2,259
Other liabilities	5,113	3,633
Dividends payable	29,836	29,758
Total Liabilities	2,823,881	2,800,264
Commitments and Contingencies (Note 3)	—	—
Net Assets	\$ 3,435,609	\$ 3,435,917
Components of Net Assets		
Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 358,042,158 and 357,107,231 issued and outstanding, respectively) (Note 9)	\$ 358	\$ 357
Paid-in capital in excess of par (Note 9)	3,973,957	3,967,397
Accumulated overdistributed net investment income	(11,643 )	(3,623 )
Accumulated net realized loss	(335,465 )	(334,822 )
Net unrealized loss	(191,598 )	(193,392 )
Net Assets	\$ 3,435,609	\$ 3,435,917
Net Asset Value Per Share (Note 16)	\$ 9.60	\$ 9.62



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

	Three Months Ended September 30,	
	2016	2015
Investment Income		
Interest income:		
Control investments	\$45,909	\$51,944
Affiliate investments	—	885
Non-control/non-affiliate investments	86,660	93,708
Structured credit securities	39,081	44,766
Total interest income	171,650	191,303
Dividend income:		
Control investments	2,240	3,213
Non-control/non-affiliate investments	144	2
Total dividend income	2,384	3,215
Other income:		
Control investments	2,940	2,409
Non-control/non-affiliate investments	2,858	3,324
Total other income (Note 10)	5,798	5,733
Total Investment Income	179,832	200,251
Operating Expenses		
Investment advisory fees:		
Base management fee (Note 13)	30,792	32,954
Income incentive fee (Note 13)	19,730	22,810
Interest and credit facility expenses	41,669	41,957
Allocation of overhead from Prospect Administration (Note 13)	3,533	4,178
Audit, compliance and tax related fees	1,395	1,877
Directors' fees	113	94
Other general and administrative expenses	3,681	5,139
Total Operating Expenses	100,913	109,009
Net Investment Income	78,919	91,242
Net Realized and Change in Unrealized Gains (Losses)		
Net realized gains (losses)		
Control investments	—	—
Affiliate investments	137	—
Non-control/non-affiliate investments	572	(2,134 )
Foreign currency transactions	5	(1 )
Net realized gains (losses)	714	(2,135 )
Net change in unrealized gains (losses)		
Control investments	13,345	(39,852 )
Affiliate investments	(2,126 )	105
Non-control/non-affiliate investments	(9,446 )	(21,197 )
Foreign currency translations	21	(331 )
Net change in unrealized gains (losses)	1,794	(61,275 )
Net Realized and Change in Unrealized Gains (Losses)	2,508	(63,410 )
Net realized losses on extinguishment of debt	(61 )	(15 )

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Net Increase in Net Assets Resulting from Operations	\$81,366	\$27,817
Net increase in net assets resulting from operations per share	\$0.23	\$0.08
Dividends declared per share	\$(0.25 )	\$(0.25 )

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except share data)

(Unaudited)

	Three Months Ended September 30,	
	2016	2015
<b>Operations</b>		
Net investment income	\$78,919	\$91,242
Net realized gains (losses)	653	(2,150 )
Net change in unrealized gains (losses)	1,794	(61,275 )
Net Increase in Net Assets Resulting from Operations	81,366	27,817
<b>Distributions to Shareholders</b>		
Distribution from net investment income	(89,428 )	(89,115 )
Net Decrease in Net Assets Resulting from Distributions to Shareholders	(89,428 )	(89,115 )
<b>Common Stock Transactions</b>		
Offering costs from issuance of common stock	—	118
Repurchase of common stock under stock repurchase program	—	(31,530 )
Value of shares issued through reinvestment of dividends	7,754	3,682
Net Increase (Decrease) in Net Assets Resulting from Common Stock Transactions	7,754	(27,730 )
Total Decrease in Net Assets	(308 )	(89,028 )
Net assets at beginning of period	3,435,917	3,703,049
Net Assets at End of Period	\$3,435,609	\$3,614,021
<b>Common Stock Activity</b>		
Shares repurchased under stock repurchase program	—	(4,358,750 )
Shares issued through reinvestment of dividends	934,927	490,473
Net shares issued (repurchased) due to common stock activity	934,927	(3,868,277 )
Shares issued and outstanding at beginning of period	357,107,231	359,090,759
Shares Issued and Outstanding at End of Period	358,042,158	355,222,482

See notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2016	2015
Operating Activities		
Net increase in net assets resulting from operations	\$81,366	\$27,817
Net realized losses on extinguishment of debt	61	15
Net realized (gains) losses on investments and foreign currency transactions	(714 )	2,135
Net change in unrealized (gains) losses on investments and foreign currency transactions	(1,794 )	61,275
Amortization of discounts and premiums, net	23,439	24,072
Accretion of discount on Public Notes (Note 6)	64	49
Amortization of deferred financing costs	3,631	3,556
Payment-in-kind interest	(5,439 )	(1,279 )
Structuring fees	(3,028 )	(3,556 )
Change in operating assets and liabilities:		
Payments for purchases of investments	(338,683 )	(340,908)
Proceeds from sale of investments and collection of investment principal	114,331	436,919
Decrease in interest receivable, net	2,207	6,029
(Increase) decrease in other receivables	(29 )	1,978
Decrease in prepaid expenses	152	32
Increase in due to broker	79,440	28,475
Decrease in interest payable	(7,718 )	(4,020 )
(Decrease) increase in due to Prospect Administration	(46 )	1,177
Decrease in due to Prospect Capital Management	(3,058 )	(2,388 )
Increase (decrease) in accrued expenses	505	(45 )
Increase in other liabilities	1,480	3,021
Net Cash (Used in) Provided by Operating Activities	(53,833 )	244,354
Financing Activities		
Borrowings under Revolving Credit Facility (Note 4)	44,000	200,000
Principal payments under Revolving Credit Facility (Note 4)	—	(412,000)
Issuances of Public Notes, net of original issue discount (Note 6)	37,466	—
Redemptions of Convertible Notes (Note 5)	(167,500 )	—
Issuances of Prospect Capital InterNotes® (Note 7)	38,917	48,134
Redemptions of Prospect Capital InterNotes®, net (Note 7)	(1,979 )	(628 )
Financing costs paid and deferred	(1,033 )	(891 )
Cost of shares repurchased under stock repurchase program	—	(31,530 )
Offering costs from issuance of common stock	—	118
Dividends paid	(81,596 )	(85,755 )
Net Cash Used in Financing Activities	(131,725 )	(282,552)
Net Decrease in Cash	(185,558 )	(38,198 )
Cash at beginning of period	317,798	110,026
Cash at End of period	\$132,240	\$71,828
Supplemental Disclosures		
Cash paid for interest	\$44,542	\$43,004
Non-Cash Financing Activities		

Value of shares issued through reinvestment of dividends	\$7,754	\$3,682
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See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)		
			Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>					
Control Investments (greater than 25.00% voting control)(40)					
Arctic Energy Services, LLC(15)	Wyoming / Oil & Gas Services	Class D Units (32,915 units)	\$ 31,640	\$ 20,167	0.6%
		Class E Units (21,080 units)	20,230	—	—%
		Class A Units (700 units)	9,006	—	—%
		Class C Units (10 units)	—	—	—%
CCPI Inc.(16)	Ohio / Manufacturing	Senior Secured Term Loan A (10.00%, due 12/31/2017)(3)	60,876	20,167	0.6%
		Senior Secured Term Loan B (12.00% plus 7.00% PIK, due 12/31/2017)(39)	12,200	12,200	0.4%
		Common Stock (14,857 shares)	9,320	9,320	0.3%
			6,759	20,722	0.5%
CP Energy Services Inc.(17)	Oklahoma / Oil & Gas Services	28,279	42,242	1.2%	
		Series B Convertible Preferred Stock (1,043 shares)	98,273	76,002	2.2%
		Common Stock (2,924 shares)	15,227	—	—%
Credit Central Loan Company, LLC(18)	South Carolina / Consumer Finance		113,500	76,002	2.2%
		Subordinated Term Loan (10.00% plus 10.00% PIK, due 6/26/2019)(13)(39)	<del>40,989</del>	50,510	1.5%
		Class A Shares (10,640,642 shares)(13)	13,731	9,341	0.3%
		Net Revenues Interest (25% of Net Revenues)(13)	—	4,069	0.1%
Echelon Aviation LLC	New York / Aerospace & Defense		56,720	63,920	1.9%
		Senior Secured Term Loan (11.75% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(10)(12)(39)	31,055	31,055	0.9%
		Membership Interest (99%)	19,907	23,988	0.7%
Edmentum Ultimate Holdings, LLC(19)	Minnesota / Consumer Services		50,962	55,043	1.6%
		Second Lien Revolving Credit Facility to Edmentum, Inc. – \$7,834 Commitment (5.00%, due 6/9/2020)(14)	—	—	—%
		Unsecured Senior PIK Note (8.50% PIK, due 6/9/2020)(39)	6,478	6,478	0.2%
		Unsecured Junior PIK Note (10.00% PIK, due 6/9/2020)(39)	<del>29,673</del>	24,766	0.7%
First Tower Finance Company LLC(20)	Mississippi / Consumer Finance	Class A Common Units (370,964 units)	6,577	4,241	0.1%
			36,128	35,485	1.0%
		Subordinated Term Loan to First Tower, LLC (10.00% plus 12.00% PIK, due	256,578	256,578	7.5%

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		6/24/2019)(13)(39)			
		Class A Shares (86,711,625 shares)(13)	70,476	95,275	2.7%
			327,054	351,853	10.2%
Freedom Marine Solutions, LLC(21)	Louisiana / Oil & Gas Services	Membership Interest (100%)	41,411	26,671	0.8%
			41,411	26,671	0.8%
Gulf Coast Machine & Supply Company	Texas / Manufacturing	Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), in non-accrual status effective 1/1/2015, due 10/12/2017)(10)(11)	<del>38,906</del>	7,394	0.2%
		Series A Convertible Preferred Stock (99,900 shares)	25,950	—	—%
			59,353	7,394	0.2%

See notes to consolidated financial statements.

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

Portfolio Company		Locale / Industry Investments(1)	September 30, 2016 (Unaudited)			
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>						
Control Investments (greater than 25.00% voting control)(40)						
MITY, Inc.(22)	Utah / Durable Consumer Products	Senior Secured Note A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 3/19/2019)(3)(10)(11)	\$ 18,250	\$ 18,250	\$ 18,250	0.5%
		Senior Secured Note B (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 3/19/2019)(3)(10)(11)(39)	16,442	16,442	16,442	0.5%
		Subordinated Unsecured Note to Broda Enterprises ULC (10.00%, due on demand)(13)	5,646	7,200	5,646	0.2%
		Common Stock (42,053 shares)		6,849	13,177	0.4%
				48,741	53,515	1.6%
				283,972	283,972	283,972
National Property REIT Corp.(23)	Various / Real Estate	Senior Secured Term Loan A (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(10)(11)(39)	212,819	212,819	212,819	6.2%
		Senior Secured Term Loan E (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 5.00% PIK, due 4/1/2019)(10)(11)(39)	135,818	135,818	135,818	4.0%
		Senior Secured Term Loan C to ACL Loan Holdings, Inc. (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 5.00% PIK, due 4/1/2019)(10)(11)(13)(39)	11,508	11,508	11,508	0.3%
		Senior Secured Term Loan C to American Consumer Lending Limited (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 5.00% PIK, due 4/1/2019)(10)(11)(13)(39)	—	188,444	267,511	7.7%
		Common Stock (1,656,276 shares)	—	—	68,362	2.0%
		Net Operating Income Interest (5% of Net Operating Income)			832,561	979,990
Nationwide Loan Company LLC(24)	Illinois / Consumer Finance	Senior Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2019)(13)(39)	16,819	16,819	16,819	0.5%
		Class A Shares (29,559,899 shares)(13)		16,292	20,690	0.6%
				33,111	37,509	1.1%

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NMMB, Inc.(25)	New York / Media	Senior Secured Note (14.00%, due 5/6/2021)	3,714	3,714	3,404	0.1%
		Senior Secured Note to Armed Forces Communications, Inc. (14.00%, due 5/6/2021)	7,000	7,000	6,416	0.2%
		Series A Preferred Stock (7,200 shares)		7,200	28	—%
		Series B Preferred Stock (5,669 shares)		5,669	35	—%
			23,583	9,883	0.3%	
R-V Industries, Inc.	Pennsylvania / Manufacturing	Senior Subordinated Note (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 6/12/2018)(3)(10)(11)	28,622	28,622	28,622	0.8%
		Common Stock (545,107 shares)		5,087	4,824	0.1%
		Warrant (to purchase 200,000 shares of Common Stock, expires 6/30/2017)		1,681	1,769	0.1%
				35,390	35,215	1.0%
USES Corp.(26)	Texas / Commercial Services	Senior Secured Term Loan A (9.00% PIK, in non-accrual status effective 4/1/2016, due 3/31/2019)	26,683	26,158	26,683	0.8%
		Senior Secured Term Loan B (15.50% PIK, in non-accrual status effective 4/1/2016, due 3/31/2019)	36,905	35,568	15,704	0.4%
		Common Stock (268,962 shares)		—	—	—%
				61,726	42,387	1.2%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)				
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>							
<b>Control Investments (greater than 25.00% voting control)(40)</b>							
Valley Electric Company, Inc.(27)	Washington / Construction & Engineering	Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2019)(3)(10)(11)(39)	\$ 10,430	\$ 10,430	\$ 10,430	0.3%	
		Senior Secured Note (10.00% plus 8.50% PIK, due 6/23/2019)(39)	24,199	24,199	20,101	0.6%	
		Common Stock (50,000 shares)		26,204	—	—%	
				60,833	30,531	0.9%	
Wolf Energy, LLC	Kansas / Oil & Gas Production	Senior Secured Promissory Note secured by assets formerly owned by H&M (18.00%, in non-accrual status effective 4/15/2013, due 4/15/2018)	38,257	—	—	—%	
		Membership Interest (100%)	—	—	—	—%	
		Net Profits Interest (8% of Equity Distributions)(4)	—	—	16	—%	
			—	—	16	—%	
			\$ 1,870,228	\$ 1,867,823	54.3%		
<b>Affiliate Investments (5.00% to 24.99% voting control)(41)</b>							
Targus International, LLC(28)	California / Durable Consumer Products	Senior Secured Term Loan A (15.00% PIK, in non-accrual status effective 10/1/15, due 12/31/2019)(8)		\$ 1,371	\$ 1,263	\$ 1,371	—%
		Senior Secured Term Loan B (15.00% PIK , in non-accrual status effective 10/1/15, due 12/31/2019)(8)		4,113	3,788	4,113	0.2%
		Common Stock (1,262,737 shares)			3,479	1,482	—%
				8,530	6,966	0.2%	
				\$ 8,530	\$ 6,966	0.2%	

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)		
			Amortized Value	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>					
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)					
AFI Shareholder, LLC (f/k/a Aircraft Fasteners International, LLC)	California / Machinery	Class A Units (32,500 units)	\$ 309	\$ 617	—%
			309	617	—%
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)(8)(10)(11)	<del>11,640</del>	11,771	0.3%
			11,640	11,771	0.3%
American Gilsonite Company(29)	Utah / Metal Services & Minerals	Membership Interest (1.93%)	—	—	—%
			—	—	—%
Apidos CLO IX	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.72%, due 7/15/2023)(5)(13)	<del>29,625</del>	18,919	0.6%
			19,651	18,919	0.6%
Apidos CLO XI	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 11.36%, due 1/17/2023)(5)(13)	<del>29,137</del>	25,439	0.7%
			29,137	25,439	0.7%
Apidos CLO XII	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 13.25%, due 4/15/2025)(5)(13)	<del>33,070</del>	29,888	0.9%
			33,470	29,888	0.9%
Apidos CLO XV	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 9.22%, due 10/20/2025)(5)(13)	<del>30,624</del>	24,264	0.7%
			30,624	24,264	0.7%
Apidos CLO XXII	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 16.19%, due 10/20/2027)(5)(6)(13)	<del>26,336</del>	24,751	0.7%
			26,735	24,751	0.7%
Arctic Glacier U.S.A., Inc.	Minnesota / Food Products	Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 11/10/2019)(3)(10)(11)	150,000	149,324	4.3%
			150,000	149,324	4.3%
			<del>20,308</del>	\$ 9,568	0.3%



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Ark-La-Tex Wireline Services, LLC	Louisiana / Oil & Gas Services	Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), in non-accrual status effective 4/1/2016, due 4/8/2019)(10)(12)			
		Senior Secured Term Loan B (12.50% (LIBOR + 11.50% with 1.00% LIBOR floor), in non-accrual status effective 4/1/2016, due 4/8/2019)(10)(12)	23,239	—	—%
Armor Holding II LLC	New York / Diversified Financial Services	Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 12/26/2020)(3)(8)(10)(11)	43,945	9,568	0.3%
			<del>6,900</del>	6,912	0.2%
			6,912	6,912	0.2%
Atlantis Health Care Group (Puerto Rico), Inc.	Puerto Rico / Healthcare	Revolving Line of Credit – \$7,000 Commitment (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 8/21/2017)(10)(11)(14)	2,350	2,350	0.1%
		Senior Term Loan (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 2/21/2018)(3)(10)(11)	38,067	38,067	1.1%
Babson CLO Ltd. 2014-III	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 13.09%, due 1/15/2026)(5)(6)(13)	40,417	40,417	1.2%
			<del>42,250</del>	40,630	1.2%
			42,771	40,630	1.2%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)		
			Amortized Value	Carrying Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>					
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)					
BNN Holdings, Corp.	Michigan / Healthcare	Escrow Receivable	\$ —	—\$486	—%
			—	486	—%
Broder Bros., Co.	Pennsylvania / Textiles, Apparel & Luxury Goods	Senior Secured Term Loan A (7.00% (LIBOR + 5.75% with 1.25% LIBOR floor), due 6/03/2021)(3)(10)(12)	119,999	\$ 119,999	3.5%
		Senior Secured Term Loan B (13.50% (LIBOR + 12.25% with 1.25% LIBOR floor), due 6/03/2021)(10)(12)	120,983	120,983	3.5%
			240,982	240,982	7.0%
Brookside Mill CLO Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.67%, due 4/17/2025)(5)(13)	<del>20,000</del>	18,083	0.5%
			19,432	18,083	0.5%
California Street CLO IX Ltd. (f/k/a Symphony CLO IX Ltd.)	Cayman Islands / Structured Finance	Preference Shares (Residual Interest, current yield 15.77%, due 4/16/2022)(5)(13)	<del>37,800</del>	34,132	1.0%
			37,813	34,132	1.0%
Capstone Logistics Acquisition, Inc.	Georgia / Business Services	Second Lien Term Loan (9.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due 10/7/2022)(3)(8)(10)(12)	<del>101,320</del>	101,033	2.9%
			101,319	101,033	2.9%
Carlyle Carlyle Global Market Strategies CLO 2016-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 15.69%, due 10/20/2029)(5)(6)(13)	<del>32,800</del>	29,717	0.9%
			29,854	29,717	0.9%
Cent CLO 17 Limited	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.17%, due 1/30/2025)(5)(13)	<del>18,870</del>	16,504	0.5%
			18,616	16,504	0.5%
Cent CLO 20 Limited	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 9.27%, due 1/25/2026)(5)(13)	<del>30,288</del>	25,591	0.7%
			32,288	25,591	0.7%
Cent CLO 21 Limited	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 8.66%, due 7/27/2026)(5)(6)(13)	<del>38,328</del>	28,947	0.8%
			37,278	28,947	0.8%

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CIFC Funding 2013-III, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.62%, due 10/24/2025)(5)(13)	<del>34,700</del>	28,775	0.8%
			31,703	28,775	0.8%
CIFC Funding 2013-IV, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 15.24%, due 11/27/2024)(5)(13)	<del>33,666</del>	32,209	0.9%
			33,065	32,209	0.9%
CIFC Funding 2014-IV Investor, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 13.72%, due 10/17/2026)(5)(6)(13)	<del>30,980</del>	29,141	0.8%
			30,980	29,141	0.8%
Cinedigm DC Holdings, LLC	New York / Software & Computer Services	Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(10)(11)(39)	<del>65,590</del>	65,640	1.9%
			65,590	65,640	1.9%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)			
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
Coverall North America, Inc.	Florida / Commercial Services	Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(10)(11)	\$24,000	\$24,000	\$24,000	0.7%
		Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(10)(11)	25,000	25,000	25,000	0.7%
				49,000	49,000	1.4%
Crosman Corporation	New York / Manufacturing	Senior Secured Term Loan A (9.22% (LIBOR + 8.70% with .30% LIBOR floor) plus 4.00% PIK, due 8/5/2020)(3)(10)(12)(39)	54,673	54,673	54,673	1.6%
		Senior Secured Term Loan B (16.22% (LIBOR + 15.70% with .30% LIBOR floor) plus 4.00% PIK, due 8/5/2020)(10)(12)(39)	41,656	41,656	41,656	1.2%
				96,329	96,329	2.8%
CURO Group Holdings Corp. (f/k/a Speedy Cash Holdings Corp.)	Canada / Consumer Finance	Senior Unsecured Notes (12.00%, due 11/15/2017)(8)(13)	15,000	15,000	7,076	0.2%
				15,000	7,076	0.2%
Easy Gardener Products, Inc.	Texas / Durable Consumer Products	Senior Secured Term Loan (10.84% (LIBOR + 10.00% with .25% LIBOR floor), due 09/30/2020)(3)(10)(11)	17,325	17,325	17,325	0.5%
				17,325	17,325	0.5%
Empire Today, LLC	Illinois / Durable Consumer Products	Senior Secured Note (11.375%, due 2/1/2017)(8)	50,426	50,189	50,426	1.5%
				50,189	50,426	1.5%
Fleetwash, Inc.	New Jersey / Business Services	Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/30/2019)(3)(10)(11)	23,402	23,402	23,402	0.7%
		Delayed Draw Term Loan – \$15,000 Commitment (expires 4/30/2019)(10)(14)	—	—	—	—%
Focus Brands, Inc.	Georgia / Consumer			23,402	23,402	0.7%
		Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR	18,000	17,891	18,000	0.5%

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	Services	floor), due 8/21/2018)(8)(10)(12)		17,891	18,000	0.5%
Galaxy XV CLO, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 16.76%, due 4/15/2025)(5)(13)	39,275	28,658	29,503	0.9%
				28,658	29,503	0.9%
Galaxy XVI CLO, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.53%, due 11/16/2025)(5)(13)	24,575	18,900	18,168	0.5%
				18,900	18,168	0.5%
Galaxy XVII CLO, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.47%, due 7/15/2026)(5)(6)(13)	39,905	30,527	28,779	0.8%
				30,527	28,779	0.8%
Generation Brands Holdings, Inc.	Illinois / Durable Consumer Products	Subordinated Secured Term Loan (11.00% (LIBOR + 10.00% with 1.00% LIBOR floor), due 12/10/2022)(8)(10)(11)	19,000	18,459	19,000	0.6%
				18,459	19,000	0.6%
Global Employment Solutions, Inc.	Colorado / Business Services	Senior Secured Term Loan (10.25% (LIBOR + 9.25% with 1.00% LIBOR floor), due 6/26/2020)(3)(10)(12)	49,250	49,250	49,250	1.4%
				49,250	49,250	1.4%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)			
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
Halcyon Loan Advisors Funding 2012-1 Ltd.	Cayman Islands / Finance	Subordinated Notes (Residual Interest, Structured current yield 14.13%, due 8/15/2023)(5)(13)	\$23,188	\$17,575	\$16,637	0.5%
				17,575	16,637	0.5%
Halcyon Loan Advisors Funding 2013-1 Ltd.	Cayman Islands / Finance	Subordinated Notes (Residual Interest, Structured current yield 9.26%, due 4/15/2025)(5)(13)	40,400	30,747	26,838	0.8%
				30,747	26,838	0.8%
Halcyon Loan Advisors Funding 2014-1 Ltd.	Cayman Islands / Finance	Subordinated Notes (Residual Interest, Structured current yield 8.12%, due 4/18/2026)(5)(13)	24,500	17,613	14,751	0.4%
				17,613	14,751	0.4%
Halcyon Loan Advisors Funding 2014-2 Ltd.	Cayman Islands / Finance	Subordinated Notes (Residual Interest, Structured current yield 8.84%, due 4/28/2025)(5)(6)(13)	41,164	29,585	25,007	0.7%
				29,585	25,007	0.7%
Halcyon Loan Advisors Funding 2015-3 Ltd.	Cayman Islands / Finance	Subordinated Notes (Residual Interest, Structured current yield 12.37%, due 10/18/2027)(5)(6)(13)	39,598	35,736	31,619	0.9%
				35,736	31,619	0.9%
Harbortouch Payments, LLC	Pennsylvania / Business Services	Second Lien Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor) plus 3.00% PIK, due 5/31/2023)(3)(10)(11)(39) Escrow Receivable	27,711	27,711	28,404	0.9%
				—	1,629	—%
				27,711	30,033	0.9%
HarbourView CLO VII, Ltd.	Cayman Islands / Finance	Subordinated Notes (Residual Interest, Structured current yield 16.22%, due 11/18/2026)(5)(6)(13)	19,025	14,432	12,806	0.4%
				14,432	12,806	0.4%
Harley Marine Services, Inc.	Washington / Transportation	Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 12/20/2019)(3)(8)(10)(11)	9,000	8,894	8,352	0.2%
				8,894	8,352	0.2%
Hollander Sleep Products, LLC	Florida / Durable Consumer Products	Senior Secured Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 10/21/2020)(3)(10)(12)	21,860	21,860	20,293	0.6%
				21,860	20,293	0.6%
			16,830	16,830	16,830	0.5%

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Inpatient Care Management Company LLC	Florida / Healthcare	Senior Secured Term Loan (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor), due 6/8/2021)(10)(12)	16,830	16,830	0.5%
		Senior Secured Term Loan A (5.50% (LIBOR + 4.50% with 1.00% LIBOR floor), due 3/28/2019)(10)(11)	122,444	122,444	3.6%
		Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 3/28/2019)(3)(10)(11)	158,100	158,100	4.6%
Instant Web, LLC	Minnesota / Media	Senior Secured Term Loan C-1 (12.75% (LIBOR + 11.75% with 1.00% LIBOR floor), due 3/28/2019)(10)(11)	27,000	27,000	0.8%
		Senior Secured Term Loan C-2 (13.50% (LIBOR + 12.50% with 1.00% LIBOR floor), due 3/28/2019)(10)(11)	25,000	25,000	0.7%
			332,544	332,544	9.7%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)			
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
InterDent, Inc.	California / Healthcare	Senior Secured Term Loan A (6.25% (LIBOR + 5.50% with 0.75% LIBOR floor), due 8/3/2017)(10)(12)	\$79,317	\$79,317	\$79,317	2.3%
		Senior Secured Term Loan B (11.25% (LIBOR + 10.50% with 0.75% LIBOR floor), due 8/3/2017)(3)(10)(12)	131,125	131,125	131,125	3.8%
JAC Holding Corporation	Michigan / Transportation	Senior Secured Note (11.50%, due 10/1/2019)(8)	2,868	2,868	2,868	0.1%
			2,868	2,868	2,868	0.1%
JD Power and Associates	California / Consumer Services	Second Lien Term Loan (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/7/2024)(8)(10)(11)	15,000	14,777	15,000	0.4%
			14,777	15,000	15,000	0.4%
Jefferson Mill CLO Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 9.47%, due 7/20/2027)(5)(6)(13)	19,500	16,821	13,174	0.4%
			16,821	13,174	13,174	0.4%
LaserShip, Inc.	Virginia / Transportation	Senior Secured Term Loan A (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor) plus 1.00% PIK, due 3/18/2019)(3)(10)(12)(39)	34,424	34,424	33,667	1.0%
		Senior Secured Term Loan B (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor) plus 1.00% PIK, due 3/18/2019)(3)(10)(12)(39)	21,129	21,129	20,664	0.6%
LCM XIV Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 16.10%, due 7/15/2025)(5)(13)	30,500	22,359	21,872	0.6%
			22,359	21,872	21,872	0.6%
Madison Park Funding IX, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 21.72%, due 8/15/2022)(5)(13)	43,110	29,343	28,543	0.8%
			29,343	28,543	28,543	0.8%
Matrixx Initiatives, Inc.	New Jersey / Pharmaceuticals	Senior Secured Term Loan A (7.50% (LIBOR + 6.00% with 1.50% LIBOR floor), due 8/9/2018)(3)(10)(11)	34,490	34,490	34,490	1.0%



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		Senior Secured Term Loan B (12.50% (LIBOR + 11.00% with 1.50% LIBOR floor), due 8/9/2018)(3)(10)(11)	45,562	45,562	45,562	1.3%
				80,052	80,052	2.3%
Maverick Healthcare Equity, LLC	Arizona / Healthcare	Preferred Units (1,250,000 units) Class A Common Units (1,250,000 units)	1,252	1,990	1,990	0.1%
			—	204	—	—%
			1,252	2,194	2,194	0.1%
Mineral Fusion Natural Brands(30)	Colorado / Personal & Nondurable Consumer Products	Membership Interest (1.43%)	—	197	197	—%
			—	197	197	—%
Mountain View CLO 2013-I Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.27% due 4/12/2024)(5)(13)	43,650	32,078	29,996	0.9%
				32,078	29,996	0.9%
Mountain View CLO IX Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.52%, due 7/15/2027)(5)(6)(13)	47,830	42,415	38,431	1.1%
				42,415	38,431	1.1%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)			
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
NCP Finance Limited Partnership(31)	Ohio / Consumer Finance	Subordinated Secured Term Loan (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(8)(10)(12)(13)	\$27,119	\$26,502	\$25,763	0.7%
				26,502	25,763	0.7%
Nixon, Inc.	California / Durable Consumer Products	Senior Secured Term Loan (9.50% plus 3.00% PIK, in non-accrual status effective 7/1/2016, due 4/16/2018)(3)(8)(39)	14,421	14,197	10,877	0.3%
				14,197	10,877	0.3%
Octagon Investment Partners XV, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 13.99%, due 1/19/2025)(5)(13)	32,921	25,527	22,633	0.7%
				25,527	22,633	0.7%
Octagon Investment Partners XVIII, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 16.76%, due 12/16/2024)(5)(6)(13)	28,200	19,391	17,805	0.5%
				19,391	17,805	0.5%
		Revolving Line of Credit – \$3,000 Commitment (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 12/31/2016)(10)(11)(14)	—	—	—	—%
Onyx Payments(32)	Texas / Diversified Financial Services	Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 9/10/2019)(3)(10)(11)	45,130	45,130	45,130	1.3%
		Senior Secured Term Loan A (6.00% (LIBOR + 5.00% with 1.00% LIBOR floor), due 9/10/2019)(10)(11)	25,000	25,000	25,000	0.7%
		Senior Secured Term Loan B (13.50% (LIBOR + 12.50% with 1.00% LIBOR floor), due 9/10/2019)(3)(10)(11)	56,889	56,889	56,889	1.7%
		Senior Secured Term Loan B (13.00% (LIBOR + 12.00% with 1.00% LIBOR floor), due 9/10/2019)(10)(11)	25,000	25,000	25,000	0.7%
				152,019	152,019	4.4%
Pacific World Corporation	California / Personal & Nondurable Consumer	Revolving Line of Credit – \$15,000 Commitment (8.00% (LIBOR + 7.00% with 1.00% LIBOR floor), due 9/26/2020)(10)(12)(14)	5,500	5,500	5,500	0.2%

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	Products	Senior Secured Term Loan A (6.00% (LIBOR + 5.00% with 1.00% LIBOR floor), due 9/26/2020)(10)(12)	97,994	97,994	94,364	2.7%
		Senior Secured Term Loan B (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/26/2020)(3)(10)(12)	97,994	97,994	83,137	2.4%
				201,488	183,001	5.3%
Pelican Products, Inc.	California / Durable Consumer Products	Second Lien Term Loan (9.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due 4/9/2021)(3)(8)(10)(12)	17,500	17,487	16,383	0.5%
				17,487	16,383	0.5%
		Revolving Line of Credit – \$1,000 Commitment (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 8/11/17)(10)(11)(14)	—	—	—	—%
PeopleConnect Intermediate, LLC (f/k/a Intelius, Inc.)	Washington / Software & Computer Services	Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(10)(11)	20,199	20,199	19,764	0.6%
		Senior Secured Term Loan B (12.50% (LIBOR + 11.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(10)(11)	20,849	20,849	20,154	0.6%
				41,048	39,918	1.2%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)			
			Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
<b>LEVEL 3 PORTFOLIO INVESTMENTS</b>						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
PGX Holdings, Inc.(33)	Utah / Consumer Services	Second Lien Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2021)(3)(10)(12)	\$ 135,000	\$ 135,000	\$ 135,000	3.9%
			135,000	135,000	135,000	3.9%
Photonis Technologies SAS	France / Aerospace & Defense	First Lien Term Loan (8.50% (LIBOR + 7.50% with 1.00% LIBOR floor), due 9/18/2019)(8)(10)(12)(13)	9,927	9,770	9,127	0.3%
			9,770	9,770	9,127	0.3%
Pinnacle (US) Acquisition Co. Limited	Texas / Software & Computer Services	Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 8/3/2020)(8)(10)(11)	7,037	6,925	5,188	0.2%
			6,925	6,925	5,188	0.2%
PlayPower, Inc.	North Carolina / Durable Consumer Products	Second Lien Term Loan (9.75% (LIBOR + 8.75% with 1.00% LIBOR floor), due 6/23/2022)(3)(8)(10)(11)	11,000	10,862	10,924	0.3%
			10,862	10,862	10,924	0.3%
Prime Security Services Borrower, LLC	Illinois / Consumer Services	Second Lien Term Loan (9.75% (LIBOR + 8.75% with 1.00% LIBOR floor), due 7/1/2022)(8)(10)(12)	5,192	5,067	5,192	0.2%
			5,067	5,067	5,192	0.2%
PrimeSport, Inc.	Georgia / Hotels, Restaurants & Leisure	Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 2/11/2021)(3)(10)(11)	53,546	53,546	53,546	1.6%
		Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 2/11/2021)(3)(10)(11)	74,500	74,500	72,741	2.1%
			128,046	128,046	126,287	3.7%
Prince Mineral Holding Corp.	New York / Metal Services & Minerals	Senior Secured Term Loan (11.50%, due 12/15/2019)(8)	10,000	9,939	9,004	0.3%
			9,939	9,939	9,004	0.3%
Royal Holdings, Inc.	Indiana / Chemicals	Second Lien Term Loan (8.50% (LIBOR + 7.50% with 1.00% LIBOR floor), due 6/19/2023)(8)(10)(11)	5,000	4,968	4,915	0.1%
			4,968	4,968	4,915	0.1%
SCS Merger Sub, Inc.			20,000	19,475	19,894	0.6%

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	Texas / Software & Computer Services	Second Lien Term Loan (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/30/2023)(3)(8)(10)(12)		19,475	19,894	0.6%
Security Alarm Financing Enterprises, L.P.(34)	California / Consumer Services	Subordinated Unsecured Notes (11.50% (LIBOR + 9.50% with 2.00% LIBOR floor), due 12/19/2020)(10)(12)	25,000	25,000	25,000	0.7%
				25,000	25,000	0.7%
SESAC Holdco II LLC	Tennessee / Media	Second Lien Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 4/22/2021)(3)(8)(10)(11)	10,000	9,885	9,885	0.3%
				9,885	9,885	0.3%
SITEL Worldwide Corporation	Tennessee / Business Services	Second Lien Term Loan (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 9/18/2022)(3)(8)(10)(11)	16,000	15,726	15,726	0.5%
				15,726	15,726	0.5%
Small Business Whole Loan Portfolio(36)	New York / Online Lending	1,012 Small Business Loans purchased from On Deck Capital, Inc.	15,810	15,810	15,206	0.4%
				15,810	15,206	0.4%

See notes to consolidated financial statements.

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

Portfolio Company	Locale / Industry	Investments(1)	September 30, 2016 (Unaudited)		
			Principal Value	Amortiz- Cost	Fair Value(2)

LEVEL 3 PORTFOLIO INVESTMENTS

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

Spartan Energy Services, Inc.	Louisiana / Oil & Gas Services	Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), in non-accrual status effective 4/1/2016, due 12/28/2017)(10)(12)	\$13,156		
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