ATLAS AIR WORLDWIDE HOLDINGS INC
Form 4
February 19, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Mayer Keith H.

(Last) (First) (Middle)

C/O ATLAS AIR WORLDWIDE HOLDINGS, INC., 2000 WESTCHESTER AVENUE

(Street)

PURCHASE, NY 10577

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ATLAS AIR WORLDWIDE HOLDINGS INC [AAWW]

3. Date of Earliest Transaction (Month/Day/Year)
02/17/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President & Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $0.01 par value	02/17/2015		A		594	A	$ 0	4,456	D	
Common Stock, $0.01 par value	02/17/2015		F		252	D	$ 48.22	4,204	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. P Der Sec (Ins
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Units	(1)	02/17/2015		M			594	(2)	02/14/2016	Common Stock	594	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Mayer Keith H. C/O ATLAS AIR WORLDWIDE HOLDINGS, INC. 2000 WESTCHESTER AVENUE PURCHASE, NY 10577			Vice President & Controller	

Signatures

/s/ Michael W. Borkowski Michael W. Borkowski, as Attorney-in-Fact	02/19/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Upon vesting, the Reporting Person is entitled to receive one share of Common Stock for each restricted stock unit.

(2) These restricted stock units vested on February 17, 2015 and were automatically converted into an equivalent number of shares of Common Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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—
%
Escrow Receivable
5,880

0.1
%
5,727

0.1
%

—

—
%
1,589

—
%
Warrants
1,682

—
%
3,041

—
%

2,273

—
%
9,153

0.1
%
Total Investments
$
6,590,026

100.0
%
$
6,602,771

100.0
%

Explanation of Responses:

$
6,371,522

100.0
%
$
6,253,739

100.0
%

(1) Participating Interest includes our participating equity investments, such as net profits interests, net operating income interests, net revenue interests, and overriding royalty interests.

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The following shows our investments in interest bearing securities by type of investment as of March 31, 2015 and June 30, 2014:

	March 31, 2015				June 30, 2014			
Type of Investment	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
First Lien	$3,730,000	59.8 %	$3,669,793	59.4 %	$3,581,784	59.5 %	$3,516,984	59.3 %
Second Lien	1,320,511	21.2 %	1,283,682	20.8 %	1,272,275	21.1 %	1,200,221	20.2 %
Unsecured	94,353	1.5 %	94,353	1.5 %	85,531	1.4 %	85,531	1.4 %
Small Business Loans	40,320	0.6 %	38,290	0.6 %	4,637	0.1 %	4,252	0.1 %
CLO Debt	28,485	0.5 %	32,958	0.5 %	28,118	0.5 %	33,199	0.6 %
CLO Residual Interest	1,019,332	16.4 %	1,061,992	17.2 %	1,044,656	17.4 %	1,093,985	18.4 %
Total Debt Investments	$6,233,001	100.0 %	$6,181,068	100.0 %	$6,017,001	100.0 %	$5,934,172	100.0 %

The following shows the composition of our investment portfolio by geographic location as of March 31, 2015 and June 30, 2014:

	March 31, 2015				June 30, 2014			
Geographic Location	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Canada	$15,000	0.2 %	$15,000	0.2 %	$15,000	0.2 %	$15,000	0.2 %
Cayman Islands	1,047,817	15.9 %	1,094,950	16.6 %	1,072,774	16.8 %	1,127,184	18.0 %
France	10,131	0.2 %	10,145	0.2 %	10,170	0.2 %	10,339	0.2 %
Midwest US	732,180	11.1 %	717,274	10.9 %	787,482	12.4 %	753,543	12.0 %
Northeast US	1,125,919	17.1 %	1,148,888	17.4 %	1,224,403	19.2 %	1,181,533	18.9 %
Puerto Rico	41,010	0.6 %	37,690	0.5 %	41,307	0.7 %	36,452	0.6 %
Southeast US	1,600,872	24.3 %	1,635,214	24.8 %	1,491,554	23.4 %	1,461,516	23.4 %
Southwest US	1,026,164	15.6 %	983,981	14.9 %	759,630	11.9 %	737,271	11.8 %
Western US	990,933	15.0 %	959,629	14.5 %	969,202	15.2 %	930,901	14.9 %
Total Investments	$6,590,026	100.0 %	$6,602,771	100.0 %	$6,371,522	100.0 %	$6,253,739	100.0 %

The following shows the composition of our investment portfolio by industry as of March 31, 2015 and June 30, 2014:

	March 31, 2015				June 30, 2014			
Industry	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Aerospace & Defense	$70,846	1.1 %	$79,086	1.2 %	$102,803	1.6 %	$102,967	1.6 %
Auto Finance	—	— %	—	— %	11,139	0.2 %	11,139	0.2 %
Automobile	12,381	0.2 %	12,500	0.2 %	22,296	0.4 %	22,452	0.4 %
Business Services	643,827	9.8 %	672,820	10.2 %	598,940	9.4 %	611,286	9.8 %
Chemicals	19,695	0.3 %	20,000	0.3 %	19,648	0.3 %	19,713	0.3 %
Commercial Services	199,171	3.0 %	188,010	2.8 %	301,610	4.7 %	301,610	4.8 %
Construction & Engineering	58,314	0.9 %	32,110	0.5 %	56,860	0.9 %	33,556	0.5 %
Consumer Finance	424,522	6.4 %	468,142	7.1 %	425,497	6.7 %	434,348	6.9 %
Consumer Services	201,433	3.1 %	178,329	2.7 %	502,862	7.9 %	504,647	8.1 %
Contracting	3,831	0.1 %	—	— %	3,831	0.1 %	—	— %
Diversified Financial Services(1)	162,210	2.5 %	159,834	2.4 %	42,574	0.7 %	42,189	0.7 %
Durable Consumer Products	378,452	5.7 %	373,074	5.7 %	377,205	5.9 %	375,329	6.0 %
Energy	67,859	1.0 %	56,554	0.9 %	77,379	1.2 %	67,637	1.1 %
Food Products	373,975	5.7 %	372,411	5.6 %	173,375	2.7 %	174,603	2.8 %
Healthcare	413,450	6.3 %	412,618	6.3 %	329,408	5.2 %	326,142	5.2 %
Hotels, Restaurants & Leisure	177,441	2.7 %	177,441	2.7 %	132,193	2.1 %	132,401	2.1 %
Machinery	396	— %	621	— %	396	— %	621	— %
Manufacturing	160,249	2.4 %	126,709	1.9 %	204,394	3.2 %	171,577	2.7 %
Media	372,086	5.6 %	358,069	5.4 %	362,738	5.7 %	344,278	5.5 %
Metal Services & Minerals	48,412	0.7 %	47,809	0.7 %	48,402	0.8 %	51,977	0.8 %
Oil & Gas Production	231,101	3.5 %	213,594	3.2 %	283,490	4.4 %	248,494	4.0 %
Personal & Nondurable Consumer Products	210,284	3.2 %	206,136	3.1 %	10,604	0.2 %	11,034	0.2 %
Pharmaceuticals	76,794	1.2 %	76,594	1.2 %	78,069	1.2 %	73,690	1.2 %
Property Management	5,880	0.1 %	3,752	0.1 %	57,500	0.9 %	45,284	0.7 %
Real Estate	581,106	8.8 %	627,235	9.5 %	353,506	5.5 %	355,236	5.7 %
Retail	63	— %	150	— %	14,231	0.2 %	14,625	0.2 %
Software & Computer Services	243,978	3.7 %	243,839	3.7 %	240,469	3.8 %	241,260	3.9 %
Telecommunication Services	79,226	1.2 %	79,249	1.2 %	79,630	1.2 %	79,654	1.3 %
Textiles, Apparel & Luxury Goods	253,675	3.8 %	253,675	3.8 %	275,023	4.3 %	259,690	4.2 %
Transportation	71,552	1.1 %	67,460	1.0 %	112,676	1.8 %	69,116	1.1 %
Subtotal	$5,542,209	84.1 %	$5,507,821	83.4 %	$5,298,748	83.2 %	$5,126,555	82.0 %
CLO Investments(1)	1,047,817	15.9 %	1,094,950	16.6 %	1,072,774	16.8 %	1,127,184	18.0 %
Total Investments	$6,590,026	100.0 %	$6,602,771	100.0 %	$6,371,522	100.0 %	$6,253,739	100.0 %

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

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Portfolio Investment Activity

During the nine months ended March 31, 2015, we acquired $671,970 of new investments, completed follow-on investments in existing portfolio companies totaling approximately $902,066, funded $38,500 of revolver advances, and recorded PIK interest of $16,485, resulting in gross investment originations of $1,629,021. The more significant of these transactions are briefly described below.

On July 17, 2014, we restructured our investments in BXC Company, Inc. ("BXC") and Boxercraft Incorporated ("Boxercraft"), a wholly-owned subsidiary of BXC. The existing Senior Secured Term Loan A and a portion of the existing Senior Secured Term Loan B were replaced with a new Senior Secured Term Loan A to Boxercraft. The remainder of the existing Senior Secured Term Loan B and the existing Senior Secured Term Loan C, Senior Secured Term Loan D, and Senior Secured Term Loan E were replaced with a new Senior Secured Term Loan B to Boxercraft. The existing Senior Secured Term Loan to Boxercraft was converted into Series D Preferred Stock in BXC.

On August 5, 2014, we made an investment of $39,105 to purchase 70.94% of the subordinated notes in CIFC Funding 2014-IV Investor, Ltd. in a co-investment transaction with Priority Income Fund, Inc., a closed-end fund managed by an affiliate of Prospect Capital Management L.P. (the "Investment Adviser").

On August 13, 2014, we provided $210,000 of first lien senior secured financing, of which $200,000 was funded at closing, to support the recapitalization of Trinity Services Group, Inc. ("Trinity"), a leading food services company in the H.I.G. Capital portfolio. We invested $100,000 in Term Loan A notes and $100,000 in Term Loan B notes. The Term Loan A bears interest in cash at the greater of 6.5% or LIBOR plus 5.5% and has a final maturity of August 13, 2019. The Term Loan B bears interest in cash at the greater of 11.5% or LIBOR plus 10.5% and has a final maturity of August 13, 2019. The $10,000 senior secured revolver, which was unfunded at closing, bears interest in cash at the greater of 9.0% or LIBOR plus 8.0% and had an original final maturity of February 13, 2015, which was extended to April 13, 2015.

On August 19, 2014 and August 27, 2014, we made a combined $10,670 follow-on investment in UPRC to acquire Michigan Storage, LLC, a portfolio of seven self-storage facilities located in Michigan. We invested $1,281 of equity through UPH Property Holdings, LLC and $9,389 of debt directly to UPRC. The senior secured term loan bears interest in cash at the greater of 6.0% or LIBOR plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019. These properties were subsequently contributed to NPRC.

On August 29, 2014, we made a first lien senior secured investment of $44,000 to support the recapitalization of BNN Holdings Corp. ("Biotronic"). We invested an equal amount in Term Loan A notes and Term Loan B notes. The Term Loan A bears interest in cash at the greater of 6.5% or LIBOR plus 5.5% and has a final maturity of August 29, 2019. The Term Loan B bears interest in cash at the greater of 11.5% or LIBOR plus 10.5% and has a final maturity of August 29, 2019. As part of the recapitalization, we received repayment of the $28,950 loan previously outstanding.

On September 10, 2014, we made a $55,869 follow-on first lien senior secured debt investment in Onyx Payments ("Onyx"), of which $50,869 was funded at closing, to fund an acquisition. We invested an additional $25,028 in Term Loan A notes and $25,841 in Term Loan B notes. The Term Loan A bears interest in cash at the greater of 6.5% or LIBOR plus 5.5% and has a final maturity of September 10, 2019. The Term Loan B bears interest in cash at the greater of 13.5% or LIBOR plus 12.5% and has a final maturity of September 10, 2019. The $5,000 senior secured revolver, which was unfunded at closing, originally bore interest in cash at the greater of 9.0% or LIBOR plus 7.75%. Effective November 25, 2014, the terms of the revolver changed to the greater of 9.0% or LIBOR plus 8.0%. The revolver has a final maturity of September 10, 2015.

On September 26, 2014, we provided $215,000 of first lien senior secured financing, of which $202,500 was funded at closing, to Pacific World Corporation ("Pacific World"), a supplier of nail and beauty care products to food, drug, mass, and value retail channels worldwide. The $200,000 term loan originally bore interest in cash at the greater of 8.0% or LIBOR plus 7.0%. On December 31, 2014, the outstanding $200,000 term loan was split into equal tranches of Term Loan A notes and Term Loan B notes. The Term Loan A bears interest in cash at the greater of 6.0% or LIBOR plus 5.0% and has a final maturity of September 26, 2020. The Term Loan B bears interest in cash at the greater of 10.0% or LIBOR plus 9.0% and has a final maturity of September 26, 2020. The $15,000 senior secured revolver, of which $2,500 was funded at closing, bears interest in cash at the greater of 8.0% or LIBOR plus 7.0% and has a final maturity of September 26, 2020.

On September 29, 2014, we made a second lien secured investment of $144,000 to support the recapitalization of PGX Holdings, Inc. ("Progrexion"). The second lien term loan bears interest in cash at the greater of 10.0% or LIBOR plus

9.0% and has a final maturity of September 29, 2021. As part of the recapitalization, we received repayment of the $436,647 loan previously outstanding.

On September 29, 2014, we made a $22,618 follow-on investment in UPRC to acquire Canterbury Green Apartments Holdings, LLC, a multi-family property located in Fort Wayne, Indiana. We invested $3,393 of equity through UPH and $19,225 of debt directly to UPRC. The senior secured term loan bears interest in cash at the greater of 6.0% or LIBOR plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On September 30, 2014, we made a $26,431 follow-on first lien senior secured debt investment in Harbortouch Payments, LLC (“Harbortouch”) to support an acquisition. The Term Loan C bears interest in cash at the greater of 13.0% or LIBOR plus 9.0% and has a final maturity of September 29, 2018.

On September 30, 2014, we made a $42,200 follow-on first lien senior secured debt investment in PrimeSport, Inc. (“PrimeSport”) to fund a dividend recapitalization. We invested an equal amount in Term Loan A notes and Term Loan B notes. The Term Loan A originally bore interest in cash at the greater of 7.5% or LIBOR plus 6.5% and had a final maturity of December 23, 2019. Effective February 11, 2015, we amended the terms of this investment to the greater of 7.0% or LIBOR plus 6.0% and extended the final maturity to February 11, 2021. The Term Loan B originally bore interest in cash at the greater of 11.5% or LIBOR plus 10.5% and interest payment in kind of 1.0% and had a final maturity of December 23, 2019. Effective November 1, 2014, we amended the terms of this investment to the greater of 12.0% or LIBOR plus 11.0%, and on February 11, 2015, we extended the final maturity to February 11, 2021.

On September 30, 2014 and October 29, 2014, we made a combined $22,688 follow-on investment in UPRC to acquire Columbus OH Apartment Holdco, LLC, a portfolio of eight multi-family residential properties located in Ohio. We invested $3,398 of equity through UPH and $19,290 of debt directly to UPRC. The senior secured term loan bears interest in cash at the greater of 6.0% or LIBOR plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On October 6, 2014, we made a $35,221 follow-on first lien senior secured debt investment in Onyx to fund an acquisition. We invested an equal amount in Term Loan A notes and Term Loan B notes. The Term Loan A bears interest in cash at the greater of 6.5% or LIBOR plus 5.5% and has a final maturity of September 10, 2019. The Term Loan B bears interest in cash at the greater of 13.5% or LIBOR plus 12.5% and has a final maturity of September 10, 2019.

On October 8, 2014, we made a $65,000 second lien secured debt investment in Capstone Logistics Acquisition, Inc., a logistics services portfolio company. The second lien term loan bears interest in cash at the greater of 8.75% or LIBOR plus 7.75% and has a final maturity of October 7, 2022.

On October 9, 2014, we made an investment of $50,743 to purchase 83.60% of the subordinated notes in Babson CLO Ltd. 2014-III in a co-investment transaction with Priority Income Fund, Inc.

On October 17, 2104, we made an investment of $48,994 to purchase 90.54% of the subordinated notes in Symphony CLO XV, Ltd.

On October 21, 2014, we made a $22,500 first lien senior secured debt investment in Hollander Sleep Products, LLC, a manufacturer of bed pillows and mattress pads in the United States. The first lien term loan bears interest in cash at the greater of 9.0% or LIBOR plus 8.0% and has a final maturity of October 21, 2020.

On November 17, 2014, we made a $35,000 follow-on first lien senior secured debt investment in System One Holdings, LLC, of which $23,500 was funded at closing, to fund a dividend recapitalization. We invested an additional $23,500 of first lien term loan which bears interest in cash at the greater of 10.5% or LIBOR plus 9.5% and has a final maturity of November 17, 2020. We also provided $11,500 of delayed draw term loan commitment to support a future dividend recapitalization. The delayed draw term loan, which was unfunded at closing, would increase the existing first lien term loan and bear the same terms and conditions as the initial loan, if drawn.

On November 25, 2014, we made a $127,000 follow-on first lien senior secured debt investment in InterDent, Inc. (“InterDent”), of which $120,000 was funded at closing, as part of an add-on acquisition growth and recapitalization strategy. We invested an additional $60,000 in Term Loan A notes and $60,000 in Term Loan B notes. The Term Loan A bears interest in cash at the greater of 6.25% or LIBOR plus 5.25% and has a final maturity of August 3, 2017. The Term Loan B bears interest in cash at the greater of 11.25% or LIBOR plus 10.25% and has a final maturity of August 3, 2017. We also provided $7,000 of delayed draw term loan commitment to support future acquisitions. The delayed draw term

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loan, which was unfunded at closing, was fully drawn on December 23, 2014, increasing the existing Term Loan A and Term Loan B on a pro rata basis and bearing the same terms and conditions as the initial loans.

On December 19, 2014, we provided a $25,000 loan to support the growth of Security Alarm Financing Enterprises, L.P., a national security alarm company. The senior subordinated note bears interest in cash at the greater of 11.5% or LIBOR plus 9.5% and has a final maturity of December 19, 2020.

On January 16, 2015, we made a $13,871 follow-on investment in NPRC to acquire five additional properties in Michigan Storage, LLC, a portfolio of twelve self-storage facilities located in Michigan. We invested $2,061 of equity through NPH Property Holdings, LLC and $11,810 of debt directly to NPRC. The senior secured term loan bears interest in cash at the greater of 6.0% or LIBOR plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On February 11, 2015, we made a $20,268 follow-on first lien senior secured debt investment in PrimeSport to support its acquisition by a new financial sponsor. We invested an additional $10,680 in Term Loan A notes and $9,588 in Term Loan B notes.The Term Loan A bears interest in cash at the greater of 7.0% or LIBOR plus 6.0% and has a final maturity of February 11, 2021. The Term Loan B bears interest in cash at the greater of 12.0% or LIBOR plus 11.0% and has a final maturity of February 11, 2021.

On March 30, 2015, we made a $74,700 follow-on first lien senior secured debt investment in Instant Web, LLC (“IWCO”), of which $58,700 was funded at closing, to support a recapitalization of the business. We invested an additional $22,100 in Term Loan A notes, $22,100 in Term Loan B notes, and $14,500 in Term Loan C notes. The Term Loan A bears interest in cash at the greater of 5.5% or LIBOR plus 4.5% and has a final maturity of March 28, 2019. The Term Loan B bears interest in cash at the greater of 12.0% or LIBOR plus 11.0% and has a final maturity of March 28, 2019. The Term Loan C bears interest in cash at the greater of 12.75% or LIBOR plus 11.75% and has a final maturity of March 28, 2019. We also provided $16,000 of delayed draw term loan commitment to support a future dividend recapitalization. The delayed draw term loan, which was unfunded at closing, would increase the existing Term Loan A and Term Loan B on a pro rata basis and bear the same terms and conditions as the initial loans, if drawn.

In addition to the purchases noted above, during the nine months ended March 31, 2015, we made twenty-nine follow-on investments in NPRC totaling $174,500 to support the online consumer lending initiative. We invested $39,425 of equity through NPH Property Holdings, LLC and $135,075 of debt directly to NPRC and its wholly-owned subsidiaries.

Additionally, during the nine months ended March 31, 2015, our wholly-owned subsidiary PSBL purchased $62,154 of small business whole loans from OnDeck and Direct Capital.

During the nine months ended March 31, 2015, we received full repayments on ten investments, sold ten investments, and received several partial prepayments and amortization payments totaling $1,195,344, net of realized losses totaling $150,973. The more significant of these transactions are briefly described below.

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

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

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

On August 1, 2014, we sold our investments in Airmall Inc. (“Airmall”) for net proceeds of $51,379 and realized a loss of $3,473 on the sale. In addition, there is $6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized as an additional realized loss if it is not received. On October 22, 2014, we received a tax refund of $665 related to our investment in Airmall for which we realized a gain of the same amount.

On August 20, 2014, we sold the assets of Borga, Inc. (“Borga”), a wholly-owned subsidiary of STI Holding, Inc., for net proceeds of $382 and realized a loss of $2,589 on the sale. On December 29, 2014, Borga was dissolved.

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

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

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

On August 25, 2014, we sold Boxercraft, a wholly-owned subsidiary of BXC, for net proceeds of $750 and realized a net loss of $16,949 on the sale.

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On September 15, 2014, Echelon Aviation LLC (“Echelon”) repaid $37,313 of the $78,121 loan receivable to us.
On October 3, 2014, we sold our $35,000 investment in Babson CLO Ltd. 2011-I and realized a loss of $6,410 on the sale.
On October 7, 2014, Grocery Outlet, Inc. repaid the $14,457 loan receivable to us.
On October 10, 2014, ARRM Services, Inc. (“ARRM”) sold Ajax Rolled Ring & Machine, LLC (“Ajax”) to a third party and repaid the $19,337 loan receivable to us and we recorded a realized loss of $23,560 related to the sale. Concurrent with the sale, our ownership increased to 100% of the outstanding equity of ARRM Services, Inc. which was renamed SB Forging Company, Inc. (“SB Forging”). As such, we began consolidating SB Forging on October 11, 2014. In addition, there is $3,000 being held in escrow which will be recognized as additional gain if and when received.
On October 20, 2014, we sold our $22,000 investment in Galaxy XII CLO, Ltd. and realized a loss of $2,435 on the sale.
On December 4, 2014, we sold our $29,075 investment in Babson CLO Ltd. 2012-I and realized a loss of $3,767 on the sale.
On December 4, 2014, we sold our $27,850 investment in Babson CLO Ltd. 2012-II and realized a loss of $2,949 on the sale.
On December 24, 2014, Focus Products Group International, LLC repaid the $19,745 loan receivable to us.
On February 13, 2015, CRT MIDCO, LLC repaid the $46,754 loan receivable to us.
In addition to the repayments noted above, during the nine months ended March 31, 2015, we received partial repayments of $31,365 of the NPRC loan previously outstanding and $5,577 as a return of capital on the equity investment in NPRC.
The following table provides a summary of our investment activity for each quarter within the three years ending June 30, 2015:

Quarter Ended	Acquisitions(1)	Dispositions(2)
September 30, 2012	$ 747,937	$ 158,123
December 31, 2012	772,125	349,269
March 31, 2013	784,395	102,527
June 30, 2013	798,760	321,615
September 30, 2013	556,843	164,167
December 31, 2013	608,153	255,238
March 31, 2014	1,343,256	197,947
June 30, 2014	444,104	169,617
September 30, 2014	887,205	863,144
December 31, 2014	522,705	224,076
March 31, 2015	219,111	108,124

(1) Includes investments in new portfolio companies, follow-on investments in existing portfolio companies, refinancings and PIK interest.
(2) Includes sales, scheduled principal payments, prepayments and refinancings.

Investment Valuation

In determining the fair value of our portfolio investments at March 31, 2015, the Audit Committee considered valuations from the independent valuation firms and from management having an aggregate range of $6,339,186 to $6,744,849, excluding money market investments.
In determining the range of value for debt instruments except CLOs, management and the independent valuation firm generally estimate corporate and security credit ratings and identify corresponding yields to maturity for each loan from relevant market data. A discounted cash flow analysis was then prepared using the appropriate yield to maturity as the discount rate, to determine range of value. For non-traded equity investments, the enterprise value was determined by applying EBITDA

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multiples or book value multiples for similar guideline public companies and/or similar recent investment transactions. For stressed equity investments, a liquidation analysis was prepared.

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

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties, comparable multiples for recent sales of companies within the industry and discounted cash flow models for our investments in CLOs. The composite of all these analyses, applied to each investment, was a total valuation of $6,602,771.

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

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment. Transactions between our controlled investments and us have been detailed in Note 14 to the accompanying consolidated financial statements. Several control investments in our portfolio are under enhanced scrutiny by our senior management and our Board of Directors and are discussed below.

American Property REIT Corp.

APRC is a Maryland corporation and a qualified REIT for federal income tax purposes. APRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. APRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. APRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity. As of March 31, 2015, we own 100% of the fully-diluted common equity of APRC.

During the nine months ended March 31, 2015, we did not provide any additional financing to APRC for the acquisition of real estate properties. On November 26, 2014, APRC transferred its investment in one property to NPRC. As a result, our investment in APRC related to this property also transferred to NPRC. The investment transferred consisted of $10,237 of equity and $65,586 of debt. There was no gain or loss realized on the transaction. In addition, during the nine months ended March 31, 2015, we received $8 as a return of capital on the equity investment in APRC. As of March 31, 2015, our investment in APRC had an amortized cost of $131,455 and a fair value of $143,516.

As of March 31, 2015, APRC's real estate portfolio was comprised of thirteen multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by APRC as of March 31, 2015.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	1557 Terrell Mill Road, LLC	Marietta, GA	12/28/2012	$ 23,500	$ 15,229
2	5100 Live Oaks Blvd, LLC	Tampa, FL	1/17/2013	63,400	39,600
3	Lofton Place, LLC	Tampa, FL	4/30/2013	26,000	16,965
4	Vista Palma Sola, LLC	Bradenton, FL	4/30/2013	27,000	17,550
5	Arlington Park Marietta, LLC	Marietta, GA	5/8/2013	14,850	9,650
6	Cordova Regency, LLC	Pensacola, FL	11/15/2013	13,750	9,026
7	Crestview at Oakleigh, LLC	Pensacola, FL	11/15/2013	17,500	11,488
8	Inverness Lakes, LLC	Mobile, AL	11/15/2013	29,600	19,400
9	Kings Mill Pensacola, LLC	Pensacola, FL	11/15/2013	20,750	13,622
10	Plantations at Pine Lake, LLC	Tallahassee, FL	11/15/2013	18,000	11,817
11	Verandas at Rock Ridge, LLC	Birmingham, AL	11/15/2013	15,600	10,205
12	Plantations at Hillcrest, LLC	Mobile, AL	1/17/2014	6,930	4,993
13	Crestview at Cordova, LLC	Pensacola, FL	1/17/2014	8,500	4,972
14	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
				$ 287,099	$ 184,517

Due to an increase in same property values driven by an increase in net operating income and a decrease in observed market capitalization rates for the properties, the Board of Directors increased the fair value of our investment in APRC to $143,516 as of March 31, 2015, a premium of $12,061 to its amortized cost, compared to the $3,392 unrealized appreciation recorded at June 30, 2014.

First Tower Finance Company LLC

We own 80.1% of First Tower Finance Company LLC ("First Tower Finance"), which owns 100% of First Tower, LLC ("First Tower"), the operating company. First Tower is a multiline specialty finance company based in Flowood, Mississippi with over 170 branch offices.

On June 15, 2012, we acquired 80.1% of First Tower businesses for $110,200 in cash and 14,518,207 unregistered shares of our common stock. Based on our share price of $11.06 at the time of issuance, we acquired our 80.1% interest in First Tower for approximately $270,771. The assets of First Tower acquired include, among other things, the subsidiaries owned by First Tower, which hold finance receivables, leaseholds, and tangible property associated with First Tower's businesses. As part of the transaction, we received $4,038 in structuring fee income from First Tower. On October 18, 2012, we funded an additional $20,000 of senior secured debt to support seasonally high demand during the holiday season. On December 30, 2013, we funded an additional $10,000 to again support seasonal demand and received $8,000 of structuring fees related to the renegotiation and expansion of First Tower's revolver with a third party which was recognized as other income. As of March 31, 2015, First Tower had total assets of approximately $608,732 including $395,891 of finance receivables net of unearned charges. As of March 31, 2015, First Tower's total debt outstanding to parties senior to us was $264,432.

Due to First Tower's maintained positive momentum driven by strong volumes and historically low delinquencies, the Board of Directors increased the fair value of our investment in First Tower Finance to $355,130 as of March 31, 2015, a premium of $37,411 to its amortized cost, compared to the $7,134 unrealized appreciation recorded at June 30, 2014.

Harbortouch Payments, LLC

Harbortouch is a merchant processor headquartered in Allentown, Pennsylvania. The company offers a range of payment processing equipment and services that facilitate the exchange of goods and services provided by small to medium-sized merchants located in the United States for payments made by credit, debit, prepaid, electronic gift, and loyalty cards. Harbortouch provides point-of-sale equipment free of cost to merchants and then manages the process whereby transaction information is sent to a consumer's bank from the point-of-sale (front-end processing), and then funds are transferred from the consumer’s account to the merchant’s account (back-end processing).

On March 31, 2014, we acquired a controlling interest in Harbortouch for $147,898 in cash and 2,306,294 unregistered shares of our common stock. We funded $130,796 of senior secured term debt, $123,000 of subordinated term debt and $24,898 of equity at closing. As part of the transaction, we received $7,536 of structuring fee income from Harbortouch. On April 1, 2014, we restructured our investment in Harbortouch and $14,226 of equity was converted into additional debt investment. On September 30, 2014, we made a $26,431 follow-on investment in Harbortouch to support an acquisition. As part of the transaction, we received $529 of structuring fee income and $50 of amendment fee income from Harbortouch which was recorded as other income. On December 19, 2014, we made an additional $1,292 equity investment in Harbortouch Class C voting units. As of March 31, 2015, we own 100% of the Class C voting units of Harbortouch, which provide for a 53.5% residual profits allocation.

Due to favorable industry trends that resulted in higher EBITDA multiples and a corresponding increase in Harbortouch's enterprise value, the Board of Directors increased the fair value of our investment in Harbortouch to $330,272 as of March 31, 2015, a premium of $30,633 to its amortized cost, compared to the $12,620 unrealized appreciation recorded at June 30, 2014.

National Property REIT Corp.

NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. NPRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity. Additionally, through its wholly-owned subsidiaries, NPRC invests in online consumer loans. As of March 31, 2015, we own 100% of the fully-diluted common equity of NPRC.

During the nine months ended March 31, 2015, we provided $135,075 and $39,425 of debt and equity financing, respectively, to NPRC to enable certain of its wholly-owned subsidiaries to invest in online consumer loans. In addition, during the nine months ended March 31, 2015, we received partial repayments of $31,365 of the NPRC loan previously outstanding and $5,577 as a return of capital on the equity investment in NPRC.

The online consumer loan investments held by certain of NPRC's wholly-owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from $1 to $35, with fixed interest rates and fixed terms of either 36 or 60 months. As of March 31, 2015, the investment in online consumer loans by certain of NPRC's wholly-owned subsidiaries had a fair value of $262,250. The average outstanding individual loan balance is approximately $9 and the loans mature on dates ranging from October 31, 2016 to March 30, 2020. Fixed interest rates range from 6.0% to 29.0% with a weighted-average current interest rate of 19.4%.

During the nine months ended March 31, 2015, we provided $11,810 and $2,061 of debt and equity financing, respectively, to NPRC for the acquisition of real estate properties. During the nine months ended March 31, 2015, APRC and UPRC transferred their investments in certain properties to NPRC. As a result, our investments in APRC and UPRC related to these properties also transferred to NPRC. The investments transferred consisted of $11,518 of equity and $75,030 of debt. There was no gain or loss realized on these transactions. As of March 31, 2015, our investment in NPRC had an amortized cost of $367,672 and a fair value of $389,801.

As of March 31, 2015, NPRC's real estate portfolio was comprised of ten multi-family properties and thirteen commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of March 31, 2015.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	146 Forest Parkway, LLC	Forest Park, GA	10/24/2012	$ 7,400	$ —
2	NPRC Carroll Resort, LLC	Pembroke Pines, FL	6/24/2013	225,000	157,500
3	APH Carroll 41, LLC	Marietta, GA	11/1/2013	30,600	22,173
4	Matthews Reserve II, LLC	Matthews, NC	11/19/2013	22,063	17,571
5	City West Apartments II, LLC	Orlando, FL	11/19/2013	23,562	18,533
6	Vinings Corner II, LLC	Smyrna, GA	11/19/2013	35,691	26,640
7	Uptown Park Apartments II, LLC	Altamonte Springs, FL	11/19/2013	36,590	27,471
8	Mission Gate II, LLC	Plano, TX	11/19/2013	47,621	36,148
9	St. Marin Apartments II, LLC	Coppell, TX	11/19/2013	73,078	53,863
10	APH Carroll Bartram Park, LLC	Jacksonville, FL	12/31/2013	38,000	28,500
11	APH Carroll Atlantic Beach, LLC	Atlantic Beach, FL	1/31/2014	13,025	8,951
12	23 Mile Road Self Storage, LLC	Chesterfield, MI	8/19/2014	5,804	4,350
13	36th Street Self Storage, LLC	Wyoming, MI	8/19/2014	4,800	3,600
14	Ball Avenue Self Storage, LLC	Grand Rapids, MI	8/19/2014	7,281	5,460
15	Ford Road Self Storage, LLC	Westland, MI	8/29/2014	4,642	3,480
16	Ann Arbor Kalamazoo Self Storage, LLC	Ann Arbor, MI	8/29/2014	4,458	3,345
17	Ann Arbor Kalamazoo Self Storage, LLC	Scio, MI	8/29/2014	8,927	6,695
18	Ann Arbor Kalamazoo Self Storage, LLC	Kalamazoo, MI	8/29/2014	2,363	1,775
19	Jolly Road Self Storage, LLC	Okemos, MI	1/16/2015	7,492	5,620
20	Eaton Rapids Road Self Storage, LLC	Lansing West, MI	1/16/2015	1,741	1,305
21	Haggerty Road Self Storage, LLC	Novi, MI	1/16/2015	6,700	5,025
22	Waldon Road Self Storage, LLC	Lake Orion, MI	1/16/2015	6,965	5,225
23	Tyler Road Self Storage, LLC	Ypsilanti, MI	1/16/2015	3,507	2,630
				$ 617,310	$ 445,860

Due to an increase in same property values driven by an increase in net operating income and a decrease in observed market capitalization rates for the properties, the Board of Directors increased the fair value of our investment in NPRC to $389,801 as of March 31, 2015, a premium of $22,129 to its amortized cost, compared to the $2,088 unrealized depreciation recorded at June 30, 2014.

United Property REIT Corp.

UPRC is a Delaware limited liability company and a qualified REIT for federal income tax purposes. UPRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. UPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. UPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity. As of March 31, 2015, we own 100% of the fully-diluted common equity of UPRC.

During the nine months ended March 31, 2015, we provided $48,473 and $8,172 of debt and equity financing, respectively, to UPRC for the acquisition of certain properties. On October 23, 2014, UPRC transferred its investments in certain properties to NPRC. As a result, our investment in UPRC related to these properties also transferred to NPRC. The investments transferred consisted of $1,281 of equity and $9,444 of debt. There was no gain or loss realized on these transactions. As of March 31, 2015, our investment in UPRC had an amortized cost of $70,165 and a fair value of $81,918.

Explanation of Responses:

As of March 31, 2015, UPRC's real estate portfolio was comprised of fifteen multi-families properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by UPRC as of March 31, 2015.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Atlanta Eastwood Village LLC	Stockbridge, GA	12/12/2013	$ 25,957	$ 19,785
2	Atlanta Monterey Village LLC	Jonesboro, GA	12/12/2013	11,501	9,193
3	Atlanta Hidden Creek LLC	Morrow, GA	12/12/2013	5,098	3,619
4	Atlanta Meadow Springs LLC	College Park, GA	12/12/2013	13,116	10,180
5	Atlanta Meadow View LLC	College Park, GA	12/12/2013	14,354	11,141
6	Atlanta Peachtree Landing LLC	Fairburn, GA	12/12/2013	17,224	13,575
7	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
8	Canterbury Green Apartments Holdings LLC	Fort Wayne, IN	9/29/2014	85,500	65,825
9	Abbie Lakes OH Partners, LLC	Canal Winchester, OH	9/30/2014	12,600	10,440
10	Kengary Way OH Partners, LLC	Reynoldsburg, OH	9/30/2014	11,500	11,000
11	Lakeview Trail OH Partners, LLC	Canal Winchester, OH	9/30/2014	26,500	20,142
12	Lakepoint OH Partners, LLC	Pickerington, OH	9/30/2014	11,000	10,080
13	Sunbury OH Partners, LLC	Columbus, OH	9/30/2014	13,000	10,480
14	Heatherbridge OH Partners, LLC	Blacklick, OH	9/30/2014	18,416	15,480
15	Jefferson Chase OH Partners, LLC	Blacklick, OH	9/30/2014	13,551	12,240
16	Goldenstrand OH Partners, LLC	Hilliard, OH	10/29/2014	7,810	8,040
				$ 288,532	$ 231,220

Due to an increase in same property values driven by an increase in net operating income and a decrease in observed market capitalization rates for the properties, the Board of Directors increased the fair value of our investment in UPRC to $81,918 as of March 31, 2015, a premium of $11,753 to its amortized cost, compared to the $426 unrealized appreciation recorded at June 30, 2014.

Valley Electric Company, Inc.

We own 94.99% of Valley Electric Company, Inc. ("Valley Electric") as of March 31, 2015. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. ("Valley"). Valley is a leading provider of specialty electrical services in the state of Washington and is among the top 50 electrical contractors in the U.S. The company, with its headquarters in Everett, Washington, offers a comprehensive array of contracting services, primarily for commercial, industrial, and transportation infrastructure applications, including new installation, engineering and design, design-build, traffic lighting and signalization, low to medium voltage power distribution, construction management, energy management and control systems, 24-hour electrical maintenance and testing, as well as special projects and tenant improvement services. Valley was founded in 1982 by the Ward family, who held the company until the end of 2012.

On December 31, 2012, we acquired 96.3% of the outstanding shares of Valley. We funded the recapitalization of Valley with $42,572 of debt and $9,526 of equity financing. Through the recapitalization, we acquired a controlling interest in Valley for $7,449 in cash and 4,141,547 unregistered shares of our common stock. On June 24, 2014, Prospect and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Valley management made an additional equity investment in Valley Electric, reducing our ownership to 94.99%.

Due to soft operating results, the Board of Directors decreased the fair value of our investment in Valley Electric to $32,110 as of March 31, 2015, a discount of $26,204 from its amortized cost, compared to the $23,304 unrealized depreciation recorded at June 30, 2014.

Equity positions in the portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results. Several of our controlled companies experienced such volatility and we recorded corresponding fluctuations in valuations during the nine months ended March 31, 2015. See above for discussions regarding the fluctuations in APRC, First Tower, Harbortouch, NPRC, and UPRC. During the nine months ended March 31, 2015, the value of our investment in CP Energy Services Inc. (”CP Energy”) decreased by $29,555 as a result of depressed earnings resulting from softness of the energy markets; Gulf Coast Machine & Supply Company (“Gulf Coast”) decreased by $11,760 due to a

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decline in operating results; and R-V Industries, Inc. ("R-V") decreased by $15,995 due to lower sales profitability. In total, thirteen of the controlled investments are valued at the original investment amounts or higher, and six of the controlled investments have been valued at discounts to the original investment. Overall, at March 31, 2015, control investments are valued at $35,707 above their amortized cost.

We hold one affiliate investment at March 31, 2015. Our affiliate portfolio company did not experience a significant change in valuation during the nine months ended March 31, 2015.

With the non-control/non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is generally limited on the high side to each loan's par value, plus any prepayment premia that could be imposed. Many of the debt investments in this category have not experienced a significant change in value, as they were previously valued at or near par value. Non-control/non-affiliate investments did not experience significant changes and are generally performing as expected or better than expected. During the nine months ended March 31, 2015, the value of one of our non-control/non-affiliate investments, Edmentum, Inc. ("Edmentum"), depreciated by $24,855 due to a decline in operating results. Overall, at March 31, 2015, non-control/non-affiliate investments are valued at $23,865 below their amortized cost.

Capitalization

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt as of March 31, 2015 consists of: a Revolving Credit Facility availing us of the ability to borrow debt subject to borrowing base determinations; Convertible Notes which we issued in December 2010, February 2011, April 2012, August 2012, December 2012 and April 2014; Public Notes which we issued in May 2012, March 2013 and April 2014; and Prospect Capital InterNotes® which we may issue from time to time. Our equity capital is comprised entirely of common equity.

The following table shows the maximum draw amounts and outstanding borrowings of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of March 31, 2015 and June 30, 2014.

	March 31, 2015		June 30, 2014	
	Maximum Draw Amount	Amount Outstanding	Maximum Draw Amount	Amount Outstanding
Revolving Credit Facility	$ 885,000	$ 317,700	$ 857,500	$ 92,000
Convertible Notes	1,239,500	1,239,500	1,247,500	1,247,500
Public Notes	648,045	648,045	647,881	647,881
Prospect Capital InterNotes®	778,718	778,718	785,670	785,670
Total	$ 3,551,263	$ 2,983,963	$ 3,538,551	$ 2,773,051

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of March 31, 2015.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$ 317,700	$ —	$ —	$ 317,700	$ —
Convertible Notes	1,239,500	150,000	497,500	200,000	392,000
Public Notes	648,045	—	—	300,000	348,045
Prospect Capital InterNotes®	778,718	—	45,750	276,962	456,006
Total Contractual Obligations	$ 2,983,963	$ 150,000	$ 543,250	$ 1,094,662	$ 1,196,051

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

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

Historically, we have funded a portion of our cash needs through borrowings from banks, issuances of senior securities, including secured, unsecured and convertible debt securities, or issuances of common equity. For flexibility, we maintain a universal shelf registration statement that allows for the public offering and sale of our debt securities, common stock, preferred stock, subscription rights, and warrants and units to purchase such securities in an amount up to $5,000,000 less issuances to date. As of March 31, 2015, we can issue up to $4,873,355 of additional debt and equity securities in the public market under this shelf registration. We may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Each of our Unsecured Notes (as defined below) are our general, unsecured obligations and rank equal in right of payment with all of our existing and future unsecured indebtedness and will be senior in right of payment to any of our subordinated indebtedness that may be issued in the future. The Unsecured Notes are effectively subordinated to our existing secured indebtedness, such as our credit facility, and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of any of our subsidiaries.

Revolving Credit Facility

On March 27, 2012, we closed on an extended and expanded credit facility with a syndicate of lenders through PCF (the “2012 Facility”). The lenders had extended commitments of $857,500 under the 2012 Facility as of June 30, 2014, which was increased to $877,500 in July 2014. The 2012 Facility included an accordion feature which allowed commitments to be increased up to $1,000,000 in the aggregate. Interest on borrowings under the 2012 Facility was one-month LIBOR plus 275 basis points with no minimum LIBOR floor. Additionally, the lenders charged a fee on the unused portion of the 2012 Facility equal to either 50 basis points if at least half of the credit facility is drawn or 100 basis points otherwise.

On August 29, 2014, we renegotiated the 2012 Facility and closed an expanded five and a half year revolving credit facility (the “2014 Facility” and collectively with the 2012 Facility, the “Revolving Credit Facility”). The lenders have extended commitments of $885,000 under the 2014 Facility as of March 31, 2015. The 2014 Facility includes an accordion feature which allows commitments to be increased up to $1,500,000 in the aggregate. The revolving period of the 2014 Facility extends through March 2019, with an additional one year amortization period (with distributions allowed) after the completion of the revolving period. During such one year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one year amortization period, the remaining balance will become due, if required by the lenders.

The 2014 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2014 Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2014 Facility. The 2014 Facility also requires the maintenance of a minimum liquidity requirement. As of March 31, 2015, we were in compliance with the applicable covenants.

Interest on borrowings under the 2014 Facility is one-month LIBOR plus 225 basis points with no minimum LIBOR floor. Additionally, the lenders charge a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility is drawn or 100 basis points otherwise. The 2014 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

As of March 31, 2015 and June 30, 2014, we had $739,066 and $780,620, respectively, available to us for borrowing under the Revolving Credit Facility, of which the amount outstanding was $317,700 and $92,000, respectively. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of $885,000. As of March 31, 2015, the investments used as collateral for the Revolving Credit Facility had an aggregate fair value of $1,609,258, which represents 24.2% of our total investments and money market funds. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and as such, these investments are not available to our general creditors. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred $8,885 of new fees and $3,539 of fees carried over for continuing participants from the previous facility, which are being amortized over the term of the facility in accordance with ASC 470-50, of which $10,983 remains to be amortized and is included within deferred financing costs on the Consolidated Statement of Assets and Liabilities as of March 31, 2015. In accordance with ASC 470-50, we expensed $332 of fees relating to credit providers in the 2012 Facility who did not commit to the 2014 Facility.

During the three months ended March 31, 2015 and March 31, 2014, we recorded $3,545 and $3,243, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense. During the nine months ended March 31, 2015 and March 31, 2014, we recorded $10,803 and $8,319, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

Convertible Notes

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

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

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

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

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

On April 11, 2014, we issued $400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were $387,500. On January 30, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. The net gain on extinguishment of debt we recorded in the three and nine months ended March 31, 2015 was $342.

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

	2015 Notes	2016 Notes	2017 Notes	2018 Notes	2019 Notes	2020 Notes
Initial conversion rate(1)	88.0902	78.3699	85.8442	82.3451	79.7766	80.6647
Initial conversion price	$ 11.35	$ 12.76	$ 11.65	$ 12.14	$ 12.54	$ 12.40
Conversion rate at March 31, 2015(1)(2)	89.9752	80.2196	86.9426	83.6661	79.8248	80.6647
Conversion price at March 31, 2015(2)(3)	$ 11.11	$ 12.47	$ 11.50	$ 11.95	$ 12.53	$ 12.40
Last conversion price calculation date	12/21/2014	2/18/2015	4/16/2014	8/14/2014	12/21/2014	4/11/2014
Dividend threshold amount (per share)(4)	$ 0.101125	$ 0.101150	$ 0.101500	$ 0.101600	$ 0.110025	$ 0.110525

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

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

(3) The conversion price in effect at March 31, 2015 was calculated on the last anniversary of the issuance and will be adjusted again on the next anniversary, unless the exercise price shall have changed by more than 1% before the anniversary.

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

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

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

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

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

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Convertible Notes through and including the maturity date.

In connection with the issuance of the Convertible Notes, we incurred $39,167 of fees which are being amortized over the terms of the notes, of which $22,462 remains to be amortized and is included within deferred financing costs on the Consolidated Statement of Assets and Liabilities as of March 31, 2015.

During the three months ended March 31, 2015 and March 31, 2014, we recorded $18,572 and $13,378, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense. During the nine months ended March 31, 2015 and March 31, 2014, we recorded $55,776 and $40,048, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

Public Notes

On May 1, 2012, we issued $100,000 aggregate principal amount of unsecured notes that mature on November 15, 2022 (the “2022 Notes”). The 2022 Notes bear interest at a rate of 6.95% per year, payable quarterly on February 15, May 15, August 15 and November 15 of each year, beginning August 15, 2012. Total proceeds from the issuance of the 2022 Notes, net of underwriting discounts and offering costs, were $97,000. On April 10, 2015, we provided notice of our intent to redeem 100% of the 2022 Notes outstanding (see Recent Developments).

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

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

The 2022 Notes, the 2023 Notes and the 5.00% 2019 Notes (collectively, the “Public Notes”) are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes, we incurred $11,367 of fees which are being amortized over the term of the notes, of which $9,507 remains to be amortized and is included within deferred financing costs on the Consolidated Statement of Assets and Liabilities as of March 31, 2015.

During the three months ended March 31, 2015 and March 31, 2014, we recorded $9,493 and $5,591, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense. During the nine months ended March 31, 2015 and March 31, 2014, we recorded $28,440 and $16,764, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

Prospect Capital InterNotes®

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

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

During the nine months ended March 31, 2015, we issued $74,967 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $73,730. These notes were issued with stated interest rates ranging from 4.25% to 4.75% with a weighted average interest rate of 4.58%. These notes mature between May 15, 2020 and September 15, 2020. All notes issued during the nine months ended March 31, 2015 mature 5.5 years from the original date of issuance.

During the nine months ended March 31, 2014, we issued $407,208 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $400,062. These notes were issued with stated interest rates ranging from 3.75% to 6.75% with a weighted average interest rate of 5.14%. These notes mature between October 15, 2016 and October 15, 2043. The following table summarizes the Prospect Capital InterNotes® issued during the nine months ended March 31, 2014.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate		Maturity Date Range
3	$5,710	4.00%	4.00	%	October 15, 2016
3.5	3,149	4.00%	4.00	%	April 15, 2017
4	36,992	3.75%–4.00%	3.96	%	November 15, 2017 – March 15, 2018
5	195,965	4.75%–5.00%	4.96	%	July 15, 2018 – August 15, 2019
5.5	43,820	4.75%–5.00%	4.77	%	February 15, 2019 – August 15, 2019
6.5	1,800	5.50%	5.50	%	February 15, 2020
7	47,227	5.25%–5.75%	5.50	%	July 15, 2020 – March 15, 2021
7.5	1,996	5.75%	5.75	%	February 15, 2021
10	13,691	5.75%–6.50%	6.02	%	January 15, 2024 – March 15, 2024
12	2,978	6.00%	6.00	%	November 15, 2025 – December 15, 2025
15	2,495	6.00%	6.00	%	August 15, 2028 – November 15, 2028
18	4,062	6.00%–6.25%	6.21	%	July 15, 2031 – August 15, 2031
20	2,791	6.00%	6.00	%	September 15, 2033 – October 15, 2033
25	24,382	6.25%–6.50%	6.45	%	August 15, 2038 – March 15, 2039
30	20,150	6.50%–6.75%	6.60	%	July 15, 2043 – October 15, 2043
	$407,208				

During the nine months ended March 31, 2015, we redeemed $76,931 aggregate principal amount of our Prospect Capital InterNotes® at par with a weighted average interest rate of 6.06% in order to replace debt with higher interest rates with debt with lower interest rates. As a result of these transactions, we recorded a loss in the amount of the difference between the reacquisition price and the net carrying amount of the Prospect Capital InterNotes®, net of the proportionate amount of unamortized debt issuance costs. The net loss on extinguishment of debt we recorded in the three and nine months ended March 31, 2015 was $1,220 and $1,556, respectively. During the nine months ended March 31, 2015, we repaid $4,988 aggregate principal amount of our Prospect Capital InterNotes® at par in accordance with the Survivor’s Option, as defined in the InterNotes® Offering prospectus.

The following table summarizes the Prospect Capital InterNotes® outstanding as of March 31, 2015.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate		Maturity Date Range
3	$5,710	4.00%	4.00	%	October 15, 2016
3.5	3,109	4.00%	4.00	%	April 15, 2017
4	45,690	3.75%–4.00%	3.92	%	November 15, 2017 – May 15, 2018
5	212,784	4.25%–5.00%	4.91	%	July 15, 2018 – August 15, 2019
5.5	78,787	4.25%–5.00%	4.60	%	February 15, 2019 – September 15, 2020
6.5	1,800	5.50%	5.50	%	February 15, 2020
7	185,497	4.00%–5.85%	5.13	%	September 15, 2019 – May 15, 2021
7.5	1,996	5.75%	5.75	%	February 15, 2021
10	36,925	3.27%–7.00%	6.11	%	March 15, 2022 – May 15, 2024
12	2,978	6.00%	6.00	%	November 15, 2025 – December 15, 2025
15	17,400	5.00%–6.00%	5.14	%	May 15, 2028 – November 15, 2028
18	22,804	4.125%–6.25%	5.52	%	December 15, 2030 – August 15, 2031
20	4,630	5.75%–6.00%	5.90	%	November 15, 2032 – October 15, 2033
25	36,579	6.25%–6.50%	6.39	%	August 15, 2038 – May 15, 2039
30	122,029	5.50%–6.75%	6.23	%	November 15, 2042 – October 15, 2043
	$778,718				

During the nine months ended March 31, 2014, we repaid $3,341 aggregate principal amount of our Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. During the year ended June 30, 2014, we repaid $6,869 aggregate principal amount of our Prospect Capital InterNotes® in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. In connection with the issuance of the 5.00% 2019 Notes, $45,000 of previously-issued Prospect Capital InterNotes® were exchanged for the 5.00% 2019 Notes.

The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2014.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate		Maturity Date Range
3	$5,710	4.00%	4.00	%	October 15, 2016
3.5	3,149	4.00%	4.00	%	April 15, 2017
4	45,751	3.75%–4.00%	3.92	%	November 15, 2017 – May 15, 2018
5	212,915	4.25%–5.00%	4.91	%	July 15, 2018 – August 15, 2019
5.5	3,820	5.00%	5.00	%	February 15, 2019
6.5	1,800	5.50%	5.50	%	February 15, 2020
7	256,903	4.00%–6.55%	5.39	%	June 15, 2019 – May 15, 2021
7.5	1,996	5.75%	5.75	%	February 15, 2021
10	41,952	3.23%–7.00%	6.18	%	March 15, 2022 – May 15, 2024
12	2,978	6.00%	6.00	%	November 15, 2025 – December 15, 2025
15	17,465	5.00%–6.00%	5.14	%	May 15, 2028 – November 15, 2028
18	25,435	4.125%–6.25%	5.49	%	December 15, 2030 – August 15, 2031
20	5,847	5.625%–6.00%	5.85	%	November 15, 2032 – October 15, 2033
25	34,886	6.25%–6.50%	6.39	%	August 15, 2038 – May 15, 2039
30	125,063	5.50%–6.75%	6.22	%	November 15, 2042 – October 15, 2043
	$785,670				

In connection with the issuance of the Prospect Capital InterNotes®, we incurred $19,936 of fees which are being amortized over the term of the notes, of which $17,966 remains to be amortized and is included within deferred financing costs on the Consolidated Statement of Assets and Liabilities as of March 31, 2015.

During the three months ended March 31, 2015 and March 31, 2014, we recorded $10,603 and $9,535, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense. During the nine months ended March 31, 2015 and March 31, 2014, we recorded $32,352 and $23,279, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Net Asset Value

During the nine months ended March 31, 2015, we issued $156,699 of additional equity, net of underwriting and offering costs, by issuing 16,034,804 shares of our common stock. During the nine months ended March 31, 2015, we sold 14,845,556 shares of our common stock at an average price of $9.89 per share, and raised $146,827 of gross proceeds, under our ATM Program. Net proceeds were $145,500 after commissions to the broker-dealer on shares sold and offering costs. During the nine months ended March 31, 2015, we issued 1,189,248 shares of our common stock in connection with the dividend reinvestment plan. The following table shows the calculation of net asset value per share as of March 31, 2015 and June 30, 2014.

	March 31, 2015	June 30, 2014
Net assets	$3,694,588	$3,618,182
Shares of common stock issued and outstanding	358,661,441	342,626,637
Net asset value per share	$10.30	$10.56

Results of Operations

Net increase in net assets resulting from operations for the three months ended March 31, 2015 and March 31, 2014 was $81,492 and $82,101, respectively. These results are relatively stable from year to year, but have significant fluctuations within the components of the change. The significant increase in the asset base resulted in an additional $28,617 of interest income which was offset by increased interest costs from the leverage utilized of $10,466 and increased base management fees of $4,970. Also reducing the net increase in net assets resulting from operations for the three months ended March 31, 2015 versus March 31, 2014 were significant declines in the dividends received from Credit Central and Nationwide, and a decrease in other income of $21,375. The decrease in other income is primarily from a reduction in structuring fees from lower origination levels and purchases of online consumer and commercial loans, which do not generate structuring fees. (See "Investment Income" for more details on our originations in each period.) These decreases were partially offset by an $11,351 favorable decrease in net realized and unrealized losses on investments. (See "Net Realized Gains (Losses)" and "Net Change in Unrealized Appreciation (Depreciation)" for further discussion.)

Net increase in net assets resulting from operations for the three months ended March 31, 2015 and March 31, 2014 was $0.23 and $0.26 per weighted average share, respectively. During the three months ended March 31, 2015, the decrease is primarily due to a $0.07 per weighted average share decrease in other income driven by reduced structuring fees and a $0.02 per weighted average share increase in interest and credit facility expenses. These decreases were partially offset by a $0.04 per weighted average share favorable decrease in net realized and unrealized losses on investments and a $0.02 per weighted average share decrease in income incentive fees.

Net increase in net assets resulting from operations for the nine months ended March 31, 2015 and March 31, 2014 was $251,570 and $247,363, respectively. These results are again relatively stable from year to year, but have significant fluctuations within the components of the change. The significant increase in the asset base resulted in an additional $116,047 of interest income which was offset by increased interest costs from the leverage utilized of $38,961 and increased base management fees of $24,049. Also reducing the net increase in net assets resulting from operations for the nine months ended March 31, 2015 versus March 31, 2014 were significant declines in the dividends received from Airmall, Credit Central and Nationwide, and a decrease in other income of $35,280. The decrease in other income is primarily from a reduction in structuring fees from lower origination levels and purchases of online consumer and commercial loans, which do not generate structuring fees. (See "Investment Income" for more details on our originations in each period.) These decreases were partially offset by a $5,267 favorable decrease in net realized and unrealized losses on investments. (See “Net Realized Gains (Losses)” and “Net Change in Unrealized Appreciation (Depreciation)” for further discussion.)

Net increase in net assets resulting from operations for the nine months ended March 31, 2015 and March 31, 2014 was $0.71 and $0.86 per weighted average share, respectively. During the nine months ended March 31, 2015, the decrease is primarily due to a $0.15 per weighted average share decrease in other income driven by reduced structuring fees and a $0.07

per weighted average share decrease in dividend income received from our investments in Airmall, Credit Central and Nationwide. These decreases were partially offset by a $0.05 per weighted average share decrease in income incentive fees and a $0.02 per weighted average share favorable decrease in net realized and unrealized losses on investments. While we seek to maximize gains and minimize losses, our investments in portfolio companies can expose our capital to risks greater than those we may anticipate. These companies are typically not issuing securities rated investment grade, have limited resources, have limited operating history, have concentrated product lines or customers, are generally private companies with limited operating information available and are likely to depend on a small core of management talents. Changes in any of these factors can have a significant impact on the value of the portfolio company.

Investment Income

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

Investment income, which consists of interest income, including accretion of loan origination fees and prepayment penalty fees, dividend income and other income, including settlement of net profits interests, overriding royalty interests and structuring fees, was $191,350 and $190,327 for the three months ended March 31, 2015 and March 31, 2014, respectively. Investment income was $592,254 and $529,451 for the nine months ended March 31, 2015 and March 31, 2014, respectively. During the three and nine months ended March 31, 2015, the increase in investment income is primarily the result of a larger income producing portfolio.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest income	$ 184,993	$ 156,376	$ 557,947	$ 441,900
Dividend income	1,371	7,590	5,607	23,571
Other income	4,986	26,361	28,700	63,980
Total investment income	$ 191,350	$ 190,327	$ 592,254	$ 529,451
Average debt principal of performing investments	$ 6,248,211	$ 4,959,427	$ 6,161,906	$ 4,536,199
Weighted average interest rate earned on performing assets	11.84 %	12.61 %	11.90 %	12.80 %

Average interest income producing assets increased from $4,959,427 for the three months ended March 31, 2014 to $6,248,211 for the three months ended March 31, 2015. The average interest earned on interest bearing performing assets decreased from 12.61% for the three months ended March 31, 2014 to 11.84% for the three months ended March 31, 2015. Average interest income producing assets increased from $4,536,199 for the nine months ended March 31, 2014 to $6,161,906 for the nine months ended March 31, 2015. The average interest earned on interest bearing performing assets decreased from 12.80% for the nine months ended March 31, 2014 to 11.90% for the nine months ended March 31, 2015. The decrease in returns during the respective periods is primarily due to originations at lower rates than our average existing portfolio yield and, to a lesser extent, a decline in prepayment penalty income.

Investment income is also generated from dividends and other income. Dividend income decreased from $7,590 for the three months ended March 31, 2014 to $1,371 for the three months ended March 31, 2015. The decrease in dividend income is primarily attributed to a $1,841 and $3,861 decrease in the level of dividends received from our investments in Credit Central and Nationwide, respectively. We received dividends of $159 and $2,000 from Credit

Central during the three months ended March 31, 2015 and March 31, 2014, respectively. We received dividends of $1,139 and $5,000 from Nationwide during the three months ended March 31, 2015 and March 31, 2014, respectively. The dividends received from Credit Central and Nationwide during the three months ended March 31, 2014 include distributions as part of follow-on financings in March 2014 for which we provided an additional $2,500 and $4,000, respectively.

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Dividend income decreased from $23,571 for the nine months ended March 31, 2014 to $5,607 for the nine months ended March 31, 2015. The decrease in dividend income is primarily attributed to a $12,000 decrease in the level of dividends received from our investment in Airmall. We received dividends of $12,000 from Airmall during the nine months ended March 31, 2014. No such dividends were received during the nine months ended March 31, 2015 related to our investment in Airmall. The decrease in dividend income is further attributed to a $4,841 and $2,556 decrease in the level of dividends received from our investments in Credit Central and Nationwide, respectively. We received dividends of $159 and $5,000 from Credit Central during the nine months ended March 31, 2015 and March 31, 2014, respectively. We received dividends of $2,444 and $5,000 from Nationwide during the nine months ended March 31, 2015 and March 31, 2014, respectively. The decrease in dividend income was partially offset by dividends of $1,929 received from our investment in First Tower during the nine months ended March 31, 2015. No dividends were received from First Tower during the nine months ended March 31, 2014.

Other income has come primarily from structuring fees, royalty interests, and settlement of net profits interests. Income from other sources decreased from $26,361 for the three months ended March 31, 2014 to $4,986 for the three months ended March 31, 2015. The decrease is primarily due to a $21,292 decrease in structuring fees. These fees are primarily generated from originations and will fluctuate as levels of originations and types of loan originations fluctuate. The decrease is primarily from a reduction in structuring fees from lower origination levels and purchases of online consumer and commercial loans, which do not generate structuring fees. Total originations decreased from $1,343,256 in the three months ended March 31, 2014 to $219,111 in the three months ended March 31, 2015. During the three months ended March 31, 2014 and March 31, 2015, total originations included $17,320 and $88,249, respectively, of investments in online consumer and commercial loans. As a result, structuring fees fell from $24,659 in the three months ended March 31, 2014 to $3,367 in the three months ended March 31, 2015. The structuring fees recognized during the three months ended March 31, 2015 resulted from follow-on investments in existing portfolio companies, primarily from our investments in IWCO, NPRC, and PrimeSport, as discussed above.

Income from other sources decreased from $63,980 for the nine months ended March 31, 2014 to $28,700 for the nine months ended March 31, 2015. The decrease is primarily due to a $28,511 decrease in structuring fees. These fees are primarily generated from originations and will fluctuate as levels of originations and types of originations fluctuate. The decrease is primarily from a reduction in structuring fees from lower origination levels and purchases of online consumer and commercial loans, which do not generate structuring fees. Total originations decreased from $2,508,252 in the nine months ended March 31, 2014 to $1,629,021 in the nine months ended March 31, 2015. During the nine months ended March 31, 2014 and March 31, 2015, total originations included $28,320 and $236,654, respectively, of investments in online consumer and commercial loans. As a result, structuring fees fell from $52,673 in the nine months ended March 31, 2014 to $24,162 in the nine months ended March 31, 2015. Included within the $24,162 of structuring fees recognized during the nine months ended March 31, 2015 is a $3,000 fee from Airmall related to the sale of the operating company for which a fee was received in August 2014 and a $2,000 fee from Ajax related to the sale of the operating company for which a fee was received in October 2014. The remaining $19,162 of structuring fees recognized during the nine months ended March 31, 2015 resulted from follow-on investments in existing portfolio companies and new originations, primarily from our investments in InterDent, IWCO, Pacific World, PrimeSport, Trinity, and UPRC, as discussed above. To a lesser extent, the decrease in other income resulted from a decrease in miscellaneous income due to the receipt of $5,000 of legal cost reimbursement from a litigation settlement during the nine months ended March 31, 2014 which had been expensed in prior years. No such income was received during the nine months ended March 31, 2015.

Operating Expenses

Our primary operating expenses consist of investment advisory fees (base management and income incentive fees), borrowing costs, legal and professional fees and other operating and overhead-related expenses. These expenses include our allocable portion of overhead under the Administration Agreement with Prospect Administration under which Prospect Administration provides administrative services and facilities for us. Our investment advisory fees compensate the Investment Adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions. Operating expenses were $103,909 and $91,804 for the three months ended March 31, 2015 and March 31, 2014, respectively. Operating expenses were $319,025 and $256,376 for the nine months ended March 31, 2015 and March 31, 2014, respectively. The base management fee was $33,679 and $28,709 for the three months ended March 31, 2015 and March 31, 2014, respectively, holding consistent at $0.09 per weighted average share. The $4,970 increase is directly related to our growth in total assets. The base management fee was $100,878 and $76,829 for the nine months ended March 31, 2015 and March 31, 2014, respectively ($0.29 and $0.27 per weighted average share, respectively). The $24,049 increase is directly related to our growth in total assets and the $0.02 per weighted average share increase is also attributable to our increase in leverage.

For the three months ended March 31, 2015 and March 31, 2014, we incurred $21,860 and $24,631 of income incentive fees, respectively ($0.06 and $0.08 per weighted average share, respectively). This decrease was driven by a corresponding decrease in pre-incentive fee net investment income from $123,154 for the three months ended March 31, 2014 to $109,301 for

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the three months ended March 31, 2015 ($0.39 and $0.30 per weighted average share, respectively), primarily due to a decrease in dividend and other income. For the nine months ended March 31, 2015 and March 31, 2014, we incurred $68,307 and $68,269 of income incentive fees, respectively ($0.19 and $0.24 per weighted average share, respectively). Income income fees remained stable year-over-year on a dollars basis, but the per share decrease was driven by a corresponding decrease in pre-incentive fee net investment income from $1.19 per weighted average share for the nine months ended March 31, 2014 to $0.97 per weighted average share for the nine months ended March 31, 2015, primarily due to a decrease in dividend and other income. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement.

During the three months ended March 31, 2015 and March 31, 2014, we incurred $42,213 and $31,747, respectively, of expenses related to our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our "Notes"). During the nine months ended March 31, 2015 and March 31, 2014, we incurred $127,371 and $88,410, respectively, of expenses related to our Notes. These expenses are related directly to the leveraging capacity put into place for each of those periods and the levels of indebtedness actually undertaken in those periods.

The table below describes the various expenses of our Notes and the related indicators of leveraging capacity and indebtedness during these periods.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest on borrowings	$37,605	$27,206	$112,319	$75,826
Amortization of deferred financing costs	2,913	2,812	9,601	7,810
Accretion of discount on Public Notes	47	45	164	133
Facility commitment fees	1,648	1,684	5,287	4,641
Total interest and credit facility expenses	$42,213	$31,747	$127,371	$88,410
Average principal debt outstanding	$2,879,132	$1,921,384	$2,819,457	$1,756,678
Weighted average stated interest rate on borrowings(1)	5.22 %	5.66 %	5.31 %	5.76 %
Weighted average interest rate on borrowings(2)	5.86 %	6.61 %	6.02 %	6.71 %
Revolving Credit Facility amount at beginning of period	$810,000	$650,000	$857,500	$552,500

(1) Includes only the stated interest expense.

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

The increase in interest expense for the three and nine months ended March 31, 2015 is primarily due to utilizing more debt including the issuance of additional Prospect Capital InterNotes®, the 5.00% 2019 Notes, and the 2020 Notes for which we incurred an incremental $10,095 and $36,218 of collective interest expense, respectively. The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) decreased from 5.66% for the three months ended March 31, 2014 to 5.22% for the three months ended March 31, 2015. The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) decreased from 5.76% for the nine months ended March 31, 2014 to 5.31% for the nine months ended March 31, 2015. This decrease is primarily due to issuances of debt at lower rates.

The allocation of overhead expense from Prospect Administration was $6,021 and $3,986 for the three months ended March 31, 2015 and March 31, 2014, respectively. The allocation of overhead expense from Prospect Administration was $14,772 and $11,958 for the nine months ended March 31, 2015 and March 31, 2014, respectively. During the three and nine months ended March 31, 2015, Prospect Administration received payments of $3,037 and $6,358, respectively, directly from our portfolio companies for legal, tax and portfolio level accounting services. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration, resulting in net overhead expense of $2,984 and $8,414 during the three and nine months ended March 31, 2015, respectively. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by these amounts. As our portfolio continues to grow, we expect Prospect Administration to continue to increase the size of its administrative and financial staff.

Excise tax expense was $1,000 and $3,000 for the three and nine months ended March 31, 2014, respectively. There was an excise tax benefit of $793 for the three months ended March 31, 2015, and an excise tax expense of $982 for the nine months ended March 31, 2015. We are in the process of amending our historical excise tax returns, which resulted in a reversal of $793 of previously recognized expense during the three months ended March 31, 2015. We previously paid $4,500 of excise taxes for the undistributed ordinary income retained at December 31, 2012. As of March 31, 2014 and March 31, 2015, we had a deposit with the IRS of $1,218 for excise taxes as we had made excise tax payments in excess of the excise tax liability through March 31, 2014 and March 31, 2015, respectively.

Total operating expenses, net of investment advisory fees, interest and credit facility expenses, allocation of overhead from Prospect Administration and excise tax ("Other Operating Expenses") were $3,966 and $1,731 for the three months ended March 31, 2015 and March 31, 2014, respectively, holding consistent at $0.01 per weighted average share outstanding. Other Operating Expenses were $13,073 and $7,910 for the nine months ended March 31, 2015 and March 31, 2014, respectively. The increase of $5,163 during the nine months ended March 31, 2015 is primarily due to an increase in our legal fees related to the discussions with the SEC regarding consolidation and an increase in our investor relations expense due to increased proxy costs incurred for our larger investor base.

Net Investment Income

Net investment income represents the difference between investment income and operating expenses. Net investment income was $87,441 and $98,523 for the three months ended March 31, 2015 and March 31, 2014, respectively. The significant increase in the asset base resulted in an additional $28,617 of interest income which was offset by increased interest costs from the leverage utilized of $10,466 and increased base management fees of $4,970. Also reducing net investment income for the three months ended March 31, 2015 versus March 31, 2014 were significant declines in the dividends received from Credit Central and Nationwide, and a decrease in other income of $21,375. The decrease in other income is primarily from a reduction in structuring fees from lower origination levels and purchases of online consumer and commercial loans, which do not generate structuring fees. (Refer to "Investment Income" and "Operating Expenses" above for further discussion.)

Net investment income for the three months ended March 31, 2015 and March 31, 2014 was $0.24 and $0.31 per weighted average share, respectively. During the three months ended March 31, 2015, the decrease is primarily due to a $0.07 per weighted average share decrease in other income driven by reduced structuring fees and a $0.02 per weighted average share increase in interest and credit facility expenses. These decreases were partially offset by a $0.02 per weighted average share decrease in income incentive fees.

Net investment income was $273,229 and $273,075 for the nine months ended March 31, 2015 and March 31, 2014, respectively. The significant increase in the asset base resulted in an additional $116,047 of interest income which was offset by increased interest costs from the leverage utilized of $38,961 and increased base management fees of $24,049. Also reducing net investment income for the nine months ended March 31, 2015 versus March 31, 2014 were significant declines in the dividends received from Airmall, Credit Central and Nationwide, and a decrease in other income of $35,280. The decrease in other income is primarily from a reduction in structuring fees from lower origination levels and purchases of online consumer and commercial loans, which do not generate structuring fees. (Refer to "Investment Income" and "Operating Expenses" above for further discussion.)

Net investment income for the nine months ended March 31, 2015 and March 31, 2014 was $0.78 and $0.95 per weighted average share, respectively. During the nine months ended March 31, 2015, the decrease is primarily due to a $0.15 per weighted average share decrease in other income driven by reduced structuring fees and a $0.07 per weighted average share decrease in dividend income received from our investments in Airmall, Credit Central and Nationwide. These decreases were partially offset by a $0.05 per weighted average share decrease in income incentive fees.

Net Realized Gains (Losses)

During the three months ended March 31, 2015 and March 31, 2014, we recognized net realized gains (losses) on investments of $4,704 and $(1,600), respectively. The net realized gain during the three months ended March 31, 2015 was primarily due to a distribution related to our investment in NRG Manufacturing, Inc. ("NRG") for which we realized a gain $4,647. This gain was supplemented by other realized gains totaling $357, primarily from partial sales and the release of escrowed amounts due to us from other portfolio companies. These gains were partially offset by realized losses resulting from the impairments of certain investments for which we recognized total realized losses of $300.

During the three months ended March 31, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes and redeemed $58,711 aggregate principal amount of our Prospect Capital InterNotes®. As a result of these transactions, we

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recognized net realized losses of $878. We did not repurchase or redeem any of our debt during the three months ended March 31, 2014.

During the nine months ended March 31, 2015 and March 31, 2014, we recognized net realized losses on investments of $150,973 and $3,482, respectively. The net realized loss during the nine months ended March 31, 2015 was primarily due to the sale of our investments in Airmall, Ajax, Borga and BXC for which we recognized total realized losses of $46,571, and the sale of four of our CLO investments for which we realized total losses of $15,561, as discussed above. During the nine months ended March 31, 2015, we determined that the impairments of several of our investments (e.g., Appalachian Energy, Change Clean Energy Company, Coalbed, Manx, New Century Transportation, Stryker Energy, Wind River Resources Corporation, and Yatesville Coal Company) were other-than-temporary and recorded total realized losses of $96,700 (which were previously recognized as unrealized losses) for the amount that the amortized cost exceeded the fair value. These losses were partially offset by net realized gains from the proceeds collected on warrants redeemed from Snacks Parent Corporation, litigation settlements, partial sales, and the release of escrowed amounts due to us from several portfolio companies, for which we recognized total realized gains of $7,859.

During the nine months ended March 31, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes and redeemed $76,931 aggregate principal amount of our Prospect Capital InterNotes®. As a result of these transactions, we recognized net realized losses of $1,214. We did not repurchase or redeem any of our debt during the nine months ended March 31, 2014.

Net Change in Unrealized Appreciation (Depreciation)

Net change in unrealized depreciation was $9,775 and $14,822 for the three months ended March 31, 2015 and March 31, 2014, respectively. The variability in results is primarily due to the valuation of equity positions in our portfolio susceptible to significant changes in value, both increases as well as decreases, due to operating results. For the three months ended March 31, 2015, the $5,047 decrease in net change in unrealized depreciation was primarily the result of significant write-downs in our investments in CP Energy, Edmentum, Gulf Coast, and R-V. These instances of unrealized depreciation were partially offset by unrealized appreciation related to APRC, Echelon, First Tower, and UPRC.

Net change in unrealized appreciation (depreciation) was $130,528 and $(22,230) for the nine months ended March 31, 2015 and March 31, 2014, respectively. The variability in results is primarily due to the valuation of equity positions in our portfolio susceptible to significant changes in value, both increases as well as decreases, due to operating results. For the nine months ended March 31, 2015, the $152,758 increase in net change in unrealized appreciation was primarily the result of realizing losses that were previously unrealized related to the sale of our investments in Airmall, Ajax, Borga and BXC, and the impairment of certain investments for which we eliminated the unrealized depreciation balances related to these investments. We also experienced significant write-ups in our investments in First Tower, Harbortouch, and NPRC. These instances of unrealized appreciation were partially offset by unrealized depreciation related to CP Energy, Edmentum, Gulf Coast, R-V, and USES.

Financial Condition, Liquidity and Capital Resources

For the nine months ended March 31, 2015 and March 31, 2014, our operating activities used $88,389 and $1,547,828 of cash, respectively. There were no investing activities for the nine months ended March 31, 2015 and March 31, 2014. Financing activities provided $17,788 and $1,619,560 of cash during the nine months ended March 31, 2015 and March 31, 2014, respectively, which included dividend payments of $328,620 and $268,028, respectively.

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

Our primary sources of funds have historically been issuances of debt and equity. More recently, we have and may continue to fund a portion of our cash needs through repayments and opportunistic sales of our existing investment portfolio. We may also securitize a portion of our investments in unsecured or senior secured loans or other assets. Our objective is to put in place such borrowings in order to enable us to expand our portfolio. During the nine months ended March 31, 2015, we borrowed $1,187,000 and made repayments totaling $961,300 under our Revolving Credit Facility. As of March 31, 2015, we had $317,700 outstanding on our Revolving Credit Facility, $1,239,500 outstanding on our Convertible Notes, Public Notes with a carrying value of $648,045 and $778,718 outstanding on our Prospect Capital InterNotes®. (See "Capitalization" above.)

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 2.00%. As of March 31, 2015 and June 30, 2014, we had $89,400 and $72,118, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.

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

On November 4, 2014, our Registration Statement on Form N-2 was declared effective by the SEC. Under this Shelf Registration Statement, we can issue up to $4,873,355 of additional debt and equity securities in the public market as of March 31, 2015.

On August 29, 2014, we entered into an ATM Program with BB&T Capital Markets, Goldman Sachs, KeyBanc Capital Markets, and RBC Capital Markets through which we could sell, by means of at-the-market offerings from time to time, up to 50,000,000 shares of our common stock. During the period from September 8, 2014 through October 29, 2014 (with settlement dates of September 11, 2014 to November 3, 2014), we sold 9,490,975 shares of our common stock at an average price of $10.03 per share, and raised $95,149 of gross proceeds, under the ATM Program. Net proceeds were $94,500 after commissions to the broker-dealer on shares sold and offering costs.

On November 7, 2014, we entered into an ATM Program with BB&T Capital Markets, Goldman Sachs, KeyBanc Capital Markets, RBC Capital Markets and Santander Investment Securities through which we could sell, by means of at-the-market offerings from time to time, up to 50,000,000 shares of our common stock. During the period from November 12, 2014 through November 28, 2014, (with settlement dates of November 17, 2014 to December 3, 2014), we sold 5,354,581 shares of our common stock at an average price of $9.65 per share, and raised $51,678 of gross proceeds, under the ATM Program. Net proceeds were $51,000 after commissions to the broker-dealer on shares sold and offering costs. There have been no issuances under the ATM Program subsequent to December 3, 2014.

Off-Balance Sheet Arrangements

As of March 31, 2015, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than those which originate from 1) the investment advisory and management agreement and the administration agreement and 2) the portfolio companies.

Recent Developments

On April 2, 2015, we sold our $74,654 investment in American Broadband Holding Company. There was no gain or loss realized on the sale.

On April 8, 2015, we sold 60% of the outstanding principal balance of the senior secured Term Loan A investment in Trinity for $59,253. There was no gain or loss realized on the sale.

On April 10, 2015, Sandow Media, LLC repaid the $24,425 loan receivable to us.

On April 10, 2015, we provided notice of our intent to redeem $100,000 aggregate principal amount of the 2022 Notes on May 15, 2015. We expect to recognize approximately $2,599 of realized loss as a result of the call.

On April 11, 2015, we announced the then current conversion rate on the 2020 Notes as 80.6670 shares of common stock per $1 principal amount of the 2020 Notes converted, which is equivalent to a conversion price of approximately $12.40.

On April 15, 2015, we provided $48,500 of first lien senior secured financing, of which $43,500 was funded at closing, to USG Intermediate, LLC, an entrepreneur-owned direct marketing company.

On April 16, 2015, we made a $10,000 second lien secured debt investment in SESAC Holdco II LLC, a performance rights organization based in Nashville, Tennessee.

On April 16, 2015, Ikaria, Inc. repaid the $20,000 loan receivable to us.

On April 16, 2015, we announced the then current conversion rate on the 2017 Notes as 87.7516 shares of common stock per $1 principal amount of the 2017 Notes converted, which is equivalent to a conversion price of approximately $11.40.

On April 23, 2015, we issued 131,971 shares of our common stock in connection with the dividend reinvestment plan.

During the period from April 1, 2015 through May 6, 2015, we made two follow-on investments in NPRC totaling $20,000 to support the online consumer lending initiative. We invested $5,500 of equity through NPH and $14,500 of debt directly to ACL Loan Holdings, Inc., a wholly-owned subsidiary of NPRC.

Explanation of Responses:

During the period from April 1, 2015 through May 6, 2015, our wholly-owned subsidiary PSBL purchased $13,779 of small business whole loans from OnDeck.

During the period from April 1, 2015 through May 6, 2015, we sold portions of two of our investments in syndicated debt totaling $20,500.

During the period from April 1, 2015 through May 6, 2015, we issued $25,045 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $24,632. In addition, we sold $5,075 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $4,991 with expected closing on May 7, 2015.

On May 6, 2015, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.08333 per share for May 2015 to holders of record on May 29, 2015 with a payment date of June 18, 2015;
- $0.08333 per share for June 2015 to holders of record on June 30, 2015 with a payment date of July 23, 2015;
- $0.08333 per share for July 2015 to holders of record on July 31, 2015 with a payment date of August 20, 2015; and
- $0.08333 per share for August 2015 to holders of record on August 31, 2015 with a payment date of September 17, 2015.

Critical Accounting Policies and Estimates

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) pursuant to the requirements for reporting on Form 10-Q, ASC 946, Financial Services—Investment Companies (“ASC 946”), and Articles 6, 10 and 12 of Regulation S-X. Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Our consolidated financial statements include the accounts of Prospect, PCF, PSBL, PYC, and the Consolidated Holding Companies. All intercompany balances and transactions have been eliminated in consolidation. The financial results of our non-substantially wholly-owned holding companies and operating portfolio company investments are not consolidated in the financial statements. Any operating companies owned by the Consolidated Holding Companies are not consolidated.

Use of Estimates

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

Cash and Cash Equivalents

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

Investment Classification

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

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

Investment Risks

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

Market Risk

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

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Prepayment Risk

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

Investment Valuation

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

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

Our non-CLO investments are valued utilizing a yield analysis, enterprise value (“EV”) analysis, net asset value analysis, liquidation analysis, discounted cash flow analysis, or a combination of methods, as appropriate. The yield analysis uses loan spreads and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV analysis, the EV of a portfolio company is first determined and allocated over the portfolio company’s securities in order of their preference relative to one another (i.e., “waterfall” allocation). To determine the EV, we typically use a market multiples approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent M&A transactions and/or a discounted cash flow analysis. The net asset value analysis is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The liquidation analysis is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company’s assets. The discounted cash flow analysis uses valuation techniques to convert future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts.
In applying these methodologies, additional factors that we consider in fair value pricing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company’s ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

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

Valuation of Other Financial Assets and Financial Liabilities

ASC 825, Financial Instruments, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the “Fair Value Option”). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 for further discussion of our financial liabilities that are measured using another measurement attribute.

Convertible Notes

We have recorded the Convertible Notes at their contractual amounts. The Convertible Notes were analyzed for any features that would require bifurcation and such features were determined to be immaterial. See Note 5 for further discussion.

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Revenue Recognition

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

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Accretion of such purchase discounts or amortization of premiums is calculated by the effective interest method as of the purchase date and adjusted only for material amendments or prepayments. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income. The purchase discount for portfolio investments acquired from Patriot Capital Funding, Inc. ("Patriot") was determined based on the difference between par value and fair value as of December 2, 2009, and continued to accrete until maturity or repayment of the respective loans. As of December 31, 2013, the purchase discount for the assets acquired from Patriot had been fully accreted. See Note 3 for further discussion.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, is likely to remain current. As of March 31, 2015, approximately 0.5% of our total assets are in non-accrual status.

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

Dividend income is recorded on the ex-dividend date.

Structuring fees and similar fees are recognized as income as earned, usually when paid. Structuring fees, excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 for further discussion.

Federal and State Income Taxes

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

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. For the calendar year ended December 31, 2014, we did not incur an excise tax expense because our distributions exceeded our annual taxable income. As of March 31, 2015, we had a deposit with the IRS of $1,218 for excise taxes as we had made excise tax payments in excess of our expected excise tax liability through March 31, 2015.

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

We follow ASC 740, Income Taxes (“ASC 740”). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of March 31, 2015 and for the three and nine months then ended, we did not have a liability for any tax benefits. Management’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2010 remain subject to examination by the Internal Revenue Service.

Dividends and Distributions

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

Financing Costs

We record origination expenses related to our Revolving Credit Facility and Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our “Unsecured Notes”) as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method for our Revolving Credit Facility and the effective interest method for our Unsecured Notes over the respective expected life or maturity. In the event that we modify or extinguish our debt before maturity, we follow the guidance in ASC 470-50, Modification and Extinguishments (“ASC 470-50”). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

We record registration expenses related to shelf filings as prepaid assets. These expenses consist principally of SEC registration fees, legal fees and accounting fees incurred. These prepaid assets are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed.

Guarantees and Indemnification Agreements

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

Per Share Information

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

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”). ASU 2014-15 will explicitly require management to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. ASU 2014-15 is effective for annual and interim periods ending after December 15, 2016. Early application is permitted. The adoption of the amended guidance in ASU 2014-15 is not expected to have a significant effect on our consolidated financial statements and disclosures.

In January 2015, the FASB issued Accounting Standards Update 2015-01, Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ("ASU 2015-01"). ASU 2015-01 simplifies income statement presentation by eliminating the need to determine whether to classify an item as an extraordinary item. ASU 2015-01 is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted; however, adoption must occur at the beginning of an annual period. The adoption of the amended guidance in ASU 2015-01 is not expected to have a significant effect on our consolidated financial statements and disclosures.

In February 2015, the FASB issued Accounting Standards Update 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 eliminates the deferral of FAS 167, which allowed reporting entities with interests in certain investment funds to follow the previous consolidation guidance in FIN 46(R), and makes other changes to both the variable interest model and the voting model. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. A reporting entity may apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the period of adoption or may apply the amendments retrospectively. We are currently evaluating the effect the adoption of the amended guidance in ASU 2015-02 may have on our consolidated financial statements and disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. The new guidance will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The new guidance must be applied on a retrospective basis to all prior periods presented in the financial statements. The adoption of the amended guidance in ASU 2015-03 is not expected to have a significant effect on our consolidated financial statements and disclosures.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the three months ended March 31, 2015, we did not engage in hedging activities.

REGISTRATION AND SETTLEMENT

The Depository Trust Company

All of the notes we offer will be issued in book-entry only form. This means that we will not issue certificates for notes, except in the limited case described below. Instead, we will issue global notes in registered form. Each global note will be held through DTC and will be registered in the name of Cede & Co., as nominee of DTC.

Accordingly, Cede & Co. will be the holder of record of the notes. Each note represented by a global note evidences a beneficial interest in that global note.

Beneficial interests in a global note will be shown on, and transfers are effected through, records maintained by DTC or its participants. In order to own a beneficial interest in a note, you must be an institution that has an account with DTC or have a direct or indirect account with such an institution. Transfers of ownership interests in the notes will be accomplished by making entries in DTC participants' books acting on behalf of beneficial owners.

So long as DTC or its nominee is the registered holder of a global note, DTC or its nominee, as the case may be, will be the sole holder and owner of the notes represented thereby for all purposes, including payment of principal and interest, under the indenture. Except as otherwise provided below, you will not be entitled to receive physical delivery of certificated notes and will not be considered the holder of the notes for any purpose under the indenture.

Accordingly, you must rely on the procedures of DTC and the procedures of the DTC participant through which you own your note in order to exercise any rights of a holder of a note under the indenture. The laws of some jurisdictions require that certain purchasers of notes take physical delivery of such notes in certificated form. Those limits and laws may impair the ability to transfer beneficial interests in the notes.

Each global note representing notes will be exchangeable for certificated notes of like tenor and terms and of differing authorized denominations in a like aggregate principal amount, only if (1) DTC notifies us that it is unwilling or unable to continue as depositary for the global notes or we become aware that DTC has ceased to be a clearing agency registered under the Exchange Act and, in any such case we fail to appoint a successor to DTC within 60 calendar days, (2) we, in our sole discretion, determine that the global notes shall be exchangeable for certificated notes or (3) an event of default has occurred and is continuing with respect to the notes under the indenture. Upon any such exchange, the certificated notes shall be registered in the names of the beneficial owners of the global note representing the notes.

The following is based on information furnished by DTC:

DTC will act as securities depositary for the notes. The notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Generally, one fully registered global note will be issued for all of the principal amount of the notes.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's direct participants deposit with DTC.

DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of direct participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, as well as by The New York Stock Exchange, Inc., the American Stock Exchange LLC, and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The DTC rules applicable to its

participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.
Purchases of the notes under the DTC system must be made by or through direct participants, which will receive a credit for the notes on DTC's records. The beneficial interest of each actual purchaser of each note is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase.

Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of beneficial interests in the notes are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their beneficial interests in notes, except in the event that use of the book-entry system for the notes is discontinued.

To facilitate subsequent transfers, all notes deposited by direct participants with DTC will be registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes; DTC's records reflect only the identity of the direct participants to whose accounts such notes will be credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of the notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the notes, such as redemption, tenders, defaults, and proposed amendments to the security documents. For example, beneficial owners of the notes may wish to ascertain that the nominee holding the notes for their benefit has agreed to obtain and transmit notices to beneficial owners. In the alternative, beneficial owners may wish to provide their names and addresses to the registrar of the notes and request that copies of the notices be provided to them directly. Any such request may or may not be successful.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the notes unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the regular record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

We will pay principal and or interest payments on the notes in same-day funds directly to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit direct participants' accounts on the applicable payment date in accordance with their respective holdings shown on DTC's records upon DTC's receipt of funds and corresponding
detail information. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of these participants and not of DTC or any other party, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is our responsibility, disbursement of such payments to direct participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of the direct or indirect participant.

We will send any redemption notices to DTC. If less than all of the notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such issue to be redeemed.

A beneficial owner, or its authorized representative, shall give notice to elect to have its notes repaid by us, through its direct or indirect participant, to the trustee, and shall effect delivery of such notes by causing the direct participant to transfer that participant's interest in the global note representing such notes, on DTC's records, to the trustee. The requirement for physical delivery of notes in connection with a demand for repayment will be deemed satisfied when the ownership rights in the global note representing such notes are transferred by the direct participants on DTC's records.

DTC may discontinue providing its services as securities depository for the notes at any time by giving us reasonable notice. Under such circumstances, if a successor securities depositary is not obtained, we will print and deliver certificated notes. We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). In that event, we will print and deliver certificated notes.

The information in this section concerning DTC and DTC's system has been obtained from sources that we believe to be reliable, but neither we, the Purchasing Agent nor any agent takes any responsibility for its accuracy.

Registration, Transfer and Payment of Certificated Notes

If we ever issue notes in certificated form, those notes may be presented for registration, transfer and payment at the office of the registrar or at the office of any transfer agent designated and maintained by us. We have originally designated

American Stock Transfer & Trust Company, LLC to act in those capacities for the notes. The registrar or transfer agent will make the transfer or registration only if it is satisfied with the documents of title and identity of the person making the request. There will not be a service charge for any exchange or registration of transfer of the notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange. At any time, we may change transfer agents or approve a change in the location through which any transfer agent acts. We also may designate additional transfer agents for any notes at any time.

We will not be required to: (1) issue, exchange or register the transfer of any note to be redeemed for a period of 15 days after the selection of the notes to be redeemed; (2) exchange or register the transfer of any note that was selected, called or is being called for redemption, except the unredeemed portion of any note being redeemed in part; or (3) exchange or register the transfer of any note as to which an election for repayment by the holder has been made, except the unrepaid portion of any note being repaid in part.

We will pay principal of and interest on any certificated notes at the offices of the paying agents we may designate from time to time. Generally, we will pay interest on a note by check on any interest payment date other than at stated maturity or upon earlier redemption or repayment to the person in whose name the note is registered at the close of business on the regular record date for that payment. We will pay principal and interest at stated maturity or upon earlier redemption or repayment in same-day funds against presentation and surrender of the applicable notes.

SUPPLEMENT TO MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary of U.S. federal income tax considerations supplements the discussion set forth under the heading “Material U.S. Federal Income Tax Considerations” in the accompanying prospectus and is subject to the qualifications and assumptions set forth therein.

The following is a general summary of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes. This discussion is based upon the Code, Treasury Regulations and judicial decisions and administrative interpretations thereof, all as of the date hereof and all of which are subject to change or differing interpretations, possibly with retroactive effect. No ruling from the Internal Revenue Service (“IRS”) has been or will be sought regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

This discussion applies only to a holder of notes that acquires the notes pursuant to this offering at their “issue price” within the meaning of the applicable provisions of the Code and who holds the notes as a capital asset (generally, property held for investment) under the Code. This discussion does not address any U.S. federal estate or gift tax consequences or any state, local or non-U.S. tax consequences. In addition, this discussion does not address all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances, or to investors subject to special treatment under U.S. federal income tax law, including, but not limited to:

- banks, insurance companies or other financial institutions;
- pension plans or trusts;
- U.S. noteholders (as defined below) whose functional currency is not the U.S. dollar;
- real estate investment trusts;
- regulated investment companies;
- persons subject to the alternative minimum tax;
- cooperatives;
- tax-exempt organizations;
- dealers in securities;
- expatriates;
- foreign persons or entities (except to the extent set forth below);
- persons deemed to sell the notes under the constructive sale provisions of the Code; or
- persons that hold the notes as part of a straddle, hedge, conversion transaction or other integrated investment.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) owns notes, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that owns the notes should consult their tax advisors as to the particular U.S. federal income tax consequences applicable to them.

We encourage investors to consult their tax advisors regarding the specific consequences of an investment in our notes, including tax reporting requirements, the applicability of U.S. federal, state or local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

Consequences to U.S. Noteholders

The following is a general summary of the material U.S. federal income tax consequences that will apply to you if you are a U.S. noteholder. Material U.S. federal income tax consequences to non-U.S. noteholders are described under “Consequences to Non-U.S. Noteholders” below. For purposes of this summary, the term “U.S. noteholder” means a beneficial owner of a note that is, for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the U.S., (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, that is created or organized under the laws of the U.S., any of the States or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (A) if a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of such trust, or (B) that has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

Stated interest and OID on the notes

Except as discussed below, a U.S. noteholder generally will be required to recognize stated interest as ordinary income at the time it is paid or accrued on the notes in accordance with its regular method of accounting for U.S. federal income tax purposes. In addition, if the notes' "issue price" (the first price at which a substantial amount of the notes is sold to investors) is less than their "stated redemption price at maturity" (the sum of all payments to be made on the notes other than "qualified stated interest") by more than a statutorily defined de minimis threshold, the notes will be issued with original issue discount

(“OID”) for U.S. federal income tax purposes. The term “qualified stated interest” generally means stated interest that is unconditionally payable at least annually at a single fixed rate or, if certain requirements are met (as described below), certain variable rates.

If the notes are issued with OID, a U.S. noteholder generally will be required to include the OID in gross income as ordinary interest income in advance of the receipt of cash attributable to that income and regardless of such holder’s regular method of tax accounting. Such OID will be included in gross income for each day during each taxable year in which the note is held using a constant yield-to-maturity method that reflects the compounding of interest. This means that the holder will have to include in income increasingly greater amounts of OID over time. Notice will be given in the applicable pricing supplement if we determine that a particular note will be issued with OID. We are required to provide information returns stating the amount of OID accrued on the notes held by persons of record other than certain exempt holders.

If the notes are “step-up notes” (i.e., notes with a fixed interest rate that increases at pre-determined intervals), the tax treatment described in the first sentence under “—Consequences to U.S. Noteholders—Stated interest and OID on the notes” assumes that we will have the right to call the notes at par (plus accrued but unpaid interest) on each date that the interest rate increases. If this is not the case, interest that exceeds the lowest rate payable under the step-up note may not be treated as qualified stated interest and, depending on the amount of such excess, may thus cause the step-up note to be treated as issued with OID, in which case the notes generally would be subject to the OID rules discussed above. Prospective investors are urged to consult their own tax advisors regarding the treatment of step-up notes or similar notes.

If you own a note issued with de minimis OID (i.e., discount that is not OID), you generally must include the de minimis OID in income at the time principal payments on the notes are made in proportion to the amount paid. Any amount of de minimis OID that you have included in income will be treated as capital gain.

Short-term notes

Notes that have a fixed maturity of one year or less (“short-term notes”) will be subject to the following special rules. All of the interest on a short-term note is treated as part of the short-term note’s stated redemption price at maturity, thereby giving rise to OID. Thus, all short-term notes will be OID debt securities. OID will be treated as accruing on a short-term debt instrument ratably or, at the election of a U.S. noteholder, under a constant yield method.

A U.S. noteholder that uses the cash method of tax accounting (with certain exceptions) will generally not be required to include OID in respect of the short-term note in income on a current basis, though they may be required to include stated interest in income as the income is received. Such a U.S. noteholder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such a short-term note until the maturity of the note or its earlier disposition in a taxable transaction. In addition, such a U.S. noteholder will be required to treat any gain realized on a disposition of the note as ordinary income to the extent of the holder’s accrued OID on the note, and short-term capital gain to the extent the gain exceeds accrued OID. A U.S. noteholder that uses the cash method of tax accounting may, however, elect to include OID on a short-term note in income on a current basis. In such case, the limitation on the deductibility of interest described above will not apply. A U.S. noteholder that uses the accrual method of tax accounting and certain cash method holders generally will be required to include OID on a short-term note in income on a current basis.

Floating rate notes

In the case of a note that is a floating rate note (including a note based on LIBOR), special rules apply. In general, if a note qualifies for treatment as a “variable rate debt instrument” under Treasury Regulations and provides for stated interest that is unconditionally payable at least annually at a variable rate that, subject to certain exceptions, is a single “qualified floating rate” or “objective rate,” each as defined below, all stated interest on the note is treated as qualified stated interest. In that case, both the note’s “yield to maturity” and “qualified stated interest” will be determined, for purposes of calculating the accrual of OID, if any, as though the note will bear interest in all periods throughout its term at a fixed rate generally equal to the rate that would be applicable to interest payments on the note on its issue date or, in the case of an objective rate (other than a “qualified inverse floating rate”), the rate that reflects the yield to maturity that is reasonably expected for the note. A U.S. noteholder of a variable rate debt instrument would then recognize OID, if any, that is calculated based on the note’s assumed yield to maturity. If the interest actually accrued or paid during an accrual period exceeds or is less than the assumed fixed interest, the qualified stated interest allocable to that period is increased or decreased under rules set forth in Treasury Regulations. Special rules apply for determining the amount of OID for other variable rate debt instruments, such as instruments with more than one qualified floating rate or instruments with a single fixed rate and one or more qualified floating rates. U.S. noteholders should consult their own tax advisors with respect to the specific U.S. federal income tax considerations regarding any investment in a note that qualifies a "variable rate debt instrument."

A note will generally qualify as a variable rate debt instrument if (a) the note's issue price does not exceed the total noncontingent principal payments by more than the lesser of: (i) .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or (ii) 15% of the total noncontingent principal payments; (b) the note provides for stated interest, compounded or paid at least annually, only at one or more qualified floating rates, a single fixed rate and one or more qualified floating rates, a single objective rate, or a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) the value of the rate on any date during the term of the note is set no earlier than three months prior to the first day on which that value is in effect or no later than one year following that first day.

Generally, a rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the debt instrument is denominated. A rate that equals LIBOR or LIBOR plus or minus a fixed spread is, in general, a qualified floating rate. However, a rate (including a rate based on LIBOR) will generally not be a qualified floating rate if, among other circumstances:

- the rate is subject to one or more minimum or maximum rate floors or ceilings or one or more governors limiting the amount of increase or decrease in each case which are not fixed throughout the term of the note and which are reasonably expected as of the issue date to cause the rate in some accrual periods to be significantly higher or lower than the overall expected return on the note determined without the floor, ceiling, or governor; or
- the rate is a multiple of a qualified floating rate unless the multiple is a fixed multiple that is greater than 0.65 but not more than 1.35 (provided, however, that if a multiple of a qualified floating rate is not within such limits and thus is not itself a qualified floating rate, it may nevertheless qualify as an "objective rate").

If a note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the note, the qualified floating rates together constitute a single qualified floating rate.

Generally, an objective rate is a rate that is determined using a single fixed formula that is based on objective financial or economic information such as one or more qualified floating rates. An objective rate is a qualified inverse floating rate if that rate is equal to a fixed rate minus a qualified floating rate and variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. A variable rate will generally not qualify as an objective rate if, among other circumstances, it is reasonably expected that the average value of the variable rate during the first half of the term of the note will be either significantly less than or significantly greater than the average value of the rate during the final half of the term of the note.

If a floating rate note does not qualify as a "variable rate debt instrument," the note generally will be subject to taxation under special rules applicable to contingent payment debt instruments. U.S. noteholders should consult their own tax advisors with respect to the specific U.S. federal income tax considerations regarding such notes.

Sale, exchange, redemption or other taxable disposition of the notes

Subject to the special rules for short-term notes discussed above, upon the sale, exchange, redemption or other taxable disposition of a note, a U.S. noteholder generally will recognize capital gain or loss in an amount equal to the difference between (1) the sum of cash plus the fair market value of all other property received on such disposition (except to the extent such cash or property is attributable to accrued but unpaid interest, which, to the extent not previously included in income, generally will be taxable as ordinary income) and (2) its adjusted tax basis in the note. A U.S. noteholder's adjusted tax basis in a note generally will equal the price the U.S. noteholder paid for the note increased by OID (including with respect to a short-term note), if any, previously included in income with respect to that note, and reduced by any cash payments on the note other than qualified stated interest. Such capital gain or loss will be long-term capital gain or loss if, at the time of such taxable disposition, the U.S. noteholder has held the note for more than one year. The deductibility of capital losses is subject to limitations.

Medicare tax

Certain U.S. noteholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on all or a portion of their "net investment income," which includes interest on the notes and capital gains from the sale or other disposition of the notes.

Information reporting and backup withholding

In general, information reporting requirements will apply to certain payments of principal and interest (including OID) and to the proceeds of sale of a note paid to a U.S. noteholder (unless such noteholder is an exempt recipient). A backup withholding tax may apply to such payments if a U.S. noteholder fails to provide a taxpayer identification number or certification of exempt status, or if it is otherwise subject to backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. noteholder's United States federal income tax liability provided the required information is timely furnished to the IRS.

Consequences to Non-U.S. Noteholders

The following is a general summary of the material U.S. federal income tax consequences that will apply to you if you are a non-U.S. noteholder. A beneficial owner of a note that is not a partnership for U.S. federal income tax purposes (including any entity or arrangement otherwise treated as a partnership for U.S. federal income tax purposes) or a U.S. noteholder is referred to herein as a "non-U.S. noteholder."

Stated interest and OID on the notes

Stated interest and OID, if any, paid or accrued to a non-U.S. noteholder will generally not be subject to U.S. federal income or withholding tax if the interest or OID is not effectively connected with its conduct of a trade or business within the United States and is not considered contingent interest within the meaning of Section 871(h)(4)(A) of the Code (generally relating to interest payments that are determined by reference to the income, profits, receipts, cash flow, changes in the value of non-publicly-traded property or other attributes of, or distributions or similar payments paid by, the debtor or a related party), and the non-U.S. noteholder:

- does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- is not a "controlled foreign corporation" with respect to which we are, directly or indirectly, a "related person";
- is not a bank whose receipt of interest on the notes is described in section 881(c)(3)(A) of the Code; and
- provides its name and address, and certifies, under penalties of perjury, that it is not a U.S. person (on a properly executed IRS Form W-8BEN (or other applicable form)), or holds its notes through certain foreign intermediaries and satisfies the certification requirements of applicable Treasury Regulations.

If a non-U.S. noteholder does not qualify for an exemption under these rules, interest income and OID, if any, from the notes may be subject to withholding tax at the rate of 30% (or lower applicable treaty rate). Stated interest and OID, if any, effectively connected with a non-U.S. noteholder's conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, which is attributable to a United States permanent establishment), however, would not be subject to a 30% withholding tax so long as the non-U.S. noteholder provides us or our paying agent an adequate certification (currently on IRS Form W-8ECI); such payments of interest generally would be subject to U.S. federal income tax on a net basis at the rates applicable to U.S. persons generally. In addition, if a non-U.S. noteholder is a foreign corporation and the stated interest and OID, if any, is effectively connected with its conduct of a U.S. trade or business, it may also be subject to a 30% (or lower applicable treaty rate) branch profits tax on its effectively connected earnings and profits for the taxable year, subject to adjustments. To claim the benefit of a tax treaty, a non-U.S. noteholder must provide a properly executed IRS Form W-8BEN (or other applicable form) to us or our paying agent before the payment of stated interest or OID, and may be required to obtain a U.S. taxpayer identification number and provide documentary evidence issued by foreign governmental authorities to prove residence in the foreign country.

Sale, exchange, redemption or other taxable disposition of the notes

Any gain recognized by a non-U.S. noteholder on the sale, exchange, redemption or other taxable disposition of the notes (except with respect to accrued and unpaid interest, which would be taxed as described under "Consequences to Non-U.S. Noteholders—Stated interest and OID on the notes" above) generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with its conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment); or
- the non-U.S. noteholder is a nonresident alien individual present in the U.S. for 183 or more days in the taxable year within which the sale, exchange, redemption or other disposition takes place and certain other requirements are met.

If a non-U.S. noteholder is a holder described in the first bullet point above, the net gain derived from the sale, exchange, redemption or other taxable disposition of its notes generally will be subject to U.S. federal income tax on a net basis at the rates applicable to U.S. persons generally. In addition, if such non-U.S. noteholder is a foreign corporation, it may also be subject to a 30% (or lower applicable treaty rate) branch profits tax on its effectively connected earnings and profits for the taxable year, subject to adjustments. If a non-U.S. noteholder is a holder described in the second bullet point above, it will be subject to a flat 30% U.S. federal income tax on the gain derived from the sale, exchange, redemption or other taxable disposition of its notes, which may be offset by U.S. source capital losses, even though it is not considered a resident of the United States.

Information Reporting and Backup Withholding

Generally, we must report to the IRS and to a non-U.S. noteholder the amount of interest (including OID) on the notes paid to a non-U.S. noteholder and the amount of tax, if any, withheld with respect to those payments if the notes are in registered form. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which a non-U.S. noteholder resides under the provisions of an applicable income tax treaty.

In general, a non-U.S. noteholder will not be subject to backup withholding with respect to payments on the notes that we make to such noteholder provided that we do not have actual knowledge or reason to know that such noteholder is a U.S. person as defined under the Code, and we have received from you the statement described above under the fourth bullet point under “Consequences to Non-U.S. Noteholders—Stated interest and OID on the notes.”

In addition, no information reporting requirements or backup withholding will be required regarding the proceeds of the sale of a note made within the United States or conducted through certain United States-related financial intermediaries, if the payor receives the statement described above and does not have actual knowledge or reason to know that the non-U.S. noteholder is a U.S. person as defined under the Code, or the non-U.S. noteholder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a non-U.S. noteholder’s United States federal income tax liability provided the required information is timely furnished to the IRS.

Other withholding rules

Withholding at a rate of 30% will be required on interest in respect of, and after December 31, 2016, on gross proceeds from the sale of, notes held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain United States persons or by certain non-U.S. entities that are wholly or partially owned by United States persons and to withhold on certain payments. Accordingly, the entity through which notes are held will affect the determination of whether such withholding is required. An intergovernmental agreement between the United States and an applicable foreign country, or future guidance, may modify these requirements. Similarly, interest in respect of, and gross proceeds from the sale of, notes held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any “substantial United States owners” or (ii) provides certain information regarding the entity’s “substantial United States owners,” which we will in turn provide to the Secretary of the Treasury. Non-U.S. noteholders are encouraged to consult with their tax advisors regarding the possible implications of these requirements on their investment in notes.

Non-U.S. noteholders should consult any applicable income tax treaties that may provide for different rules. In addition, non-U.S. noteholders are urged to consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the notes.

CERTAIN CONSIDERATIONS APPLICABLE TO ERISA, GOVERNMENTAL AND OTHER PLAN INVESTORS

A fiduciary of a pension plan or other employee benefit plan (including a governmental plan, an individual retirement account or a Keogh plan) proposing to invest in the notes should consider this section carefully.

A fiduciary of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (commonly referred to as “ERISA”), should consider fiduciary standards under ERISA in the context of the particular circumstances of such plan before authorizing an investment in the notes. Such fiduciary should consider whether the investment is in accordance with the documents and instruments governing the plan.

In addition, ERISA and the Code prohibit certain transactions (referred to as “prohibited transactions”) involving the assets of a plan subject to ERISA or the assets of an individual retirement account or plan subject to Section 4975 of the Code (referred to as an “ERISA plan”), on the one hand, and persons who have certain specified relationships to the plan (“parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code), on the other. If we (or an affiliate) are considered a party in interest or disqualified person with respect to an ERISA plan, then the investment in notes by the ERISA plan may give rise to a prohibited transaction. The purchase and holding of notes by an ERISA plan may be subject to one or more statutory or administrative exemptions from the prohibited transaction rules under ERISA and the Code. Even if the conditions for relief under such exemptions were satisfied, however, there can be no assurance that such exemptions would apply to all of the prohibited transactions that may be deemed to arise in connection with a plan’s investment in the notes.

By purchasing and holding the notes, the person making the decision to invest on behalf of an ERISA plan is representing that the purchase and holding of the notes will not result in a prohibited transaction under ERISA or the Code. Therefore, an ERISA plan should not invest in the notes unless the plan fiduciary or other person acquiring securities on behalf of the ERISA plan determines that neither we nor an affiliate is a party in interest or a disqualified person or, alternatively, that an exemption from the prohibited transaction rules is available. If an ERISA plan engages in a prohibited transaction, the transaction may require “correction” and may cause the ERISA plan fiduciary to incur certain liabilities and the parties in interest or disqualified persons to be subject to excise taxes.

Employee benefit plans that are governmental plans and non-U.S. plans are not subject to ERISA requirements. However, non-U.S., federal, state or local laws or regulations governing the investment and management of the assets of governmental or non-U.S. plans may contain fiduciary and prohibited transaction requirements similar to those under ERISA and Section 4975 of the Code discussed above. By purchasing and holding the notes, the person making the decision to invest on behalf of such plans is representing that the purchase and holding of the notes will not violate any law applicable to such governmental or non-U.S. plan that is similar to the prohibited transaction provisions of ERISA or the Code.

If you are the fiduciary of an employee benefit plan or ERISA plan and you propose to invest in the notes with the assets of such employee benefit plan or ERISA plan, you should consult your own legal counsel for further guidance.

The sale of notes to an employee benefit plan is in no respect a representation by us, the Purchasing Agent or any other person that such an investment meets all relevant legal requirements with respect to investments by employee benefit plans generally or any particular plan or that such an investment is appropriate for employee benefit plans generally or any particular plan.

USE OF PROCEEDS

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

As of May 8, 2015, we had $102.7 million borrowings under our credit facility and, based on the assets currently pledged as collateral on the facility, approximately $705.1 million was available to us for borrowing under our credit facility. Interest on borrowings under the credit facility is one-month LIBOR plus 225 basis points, with no minimum LIBOR floor. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if at least 35% of the credit facility is used or 100 basis points otherwise.

SENIOR SECURITIES

Information about our senior securities is shown in the following table as of each fiscal year ended June 30 since the Company commenced operations and as of March 31, 2015.

	Total Amount Outstanding(1)	Asset Coverage per Unit(2)	Involuntary Liquidating Preference per Unit(3)	Average Market Value per Unit(4)
Credit Facility				
Fiscal 2015 (as of March 31, 2015, unaudited)	$317,700	$21,022	—	—
Fiscal 2014 (as of June 30, 2014)	92,000	69,470	—	—
Fiscal 2013 (as of June 30, 2013)	124,000	34,996	—	—
Fiscal 2012 (as of June 30, 2012)	96,000	22,668	—	—
Fiscal 2011 (as of June 30, 2011)	84,200	18,065	—	—
Fiscal 2010 (as of June 30, 2010)	100,300	8,093	—	—
Fiscal 2009 (as of June 30, 2009)	124,800	5,268	—	—
Fiscal 2008 (as of June 30, 2008)	91,167	5,712	—	—
Fiscal 2007 (as of June 30, 2007)	—	N/A	—	—
Fiscal 2006 (as of June 30, 2006)	28,500	4,799	—	—
Fiscal 2005 (as of June 30, 2005)	—	N/A	—	—
Fiscal 2004 (as of June 30, 2004)	—	N/A	—	—
2015 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$150,000	$44,524	—	—
Fiscal 2014 (as of June 30, 2014)	150,000	42,608	—	—
Fiscal 2013 (as of June 30, 2013)	150,000	28,930	—	—
Fiscal 2012 (as of June 30, 2012)	150,000	14,507	—	—
Fiscal 2011 (as of June 30, 2011)	150,000	10,140	—	—
2016 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$167,500	$39,872	—	—
Fiscal 2014 (as of June 30, 2014)	167,500	38,157	—	—
Fiscal 2013 (as of June 30, 2013)	167,500	25,907	—	—
Fiscal 2012 (as of June 30, 2012)	167,500	12,992	—	—
Fiscal 2011 (as of June 30, 2011)	172,500	8,818	—	—
2017 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$130,000	$51,373	—	—
Fiscal 2014 (as of June 30, 2014)	130,000	49,163	—	—
Fiscal 2013 (as of June 30, 2013)	130,000	33,381	—	—
Fiscal 2012 (as of June 30, 2012)	130,000	16,739	—	—
2018 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$200,000	$33,393	—	—
Fiscal 2014 (as of June 30, 2014)	200,000	31,956	—	—
Fiscal 2013 (as of June 30, 2013)	200,000	21,697	—	—
2019 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$200,000	$33,393	—	—
Fiscal 2014 (as of June 30, 2014)	200,000	31,956	—	—

Fiscal 2013 (as of June 30, 2013)	200,000	21,697	—	—
5.00% 2019 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$300,000	$22,262	—	—
Fiscal 2014 (as of June 30, 2014)	300,000	21,304	—	—

	Total Amount Outstanding(1)	Asset Coverage per Unit(2)	Involuntary Liquidating Preference per Unit(3)	Average Market Value per Unit(4)
2020 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$392,000	$17,037	—	—
Fiscal 2014 (as of June 30, 2014)	400,000	15,978	—	—
2022 Notes(5)				
Fiscal 2015 (as of March 31, 2015, unaudited)	$100,000	$66,875	—	$101,840
Fiscal 2014 (as of June 30, 2014)	100,000	63,912	—	103,920
Fiscal 2013 (as of June 30, 2013)	100,000	43,395	—	101,800
Fiscal 2012 (as of June 30, 2012)	100,000	21,761	—	99,560
2023 Notes				
Fiscal 2015 (as of March 31, 2015, unaudited)	$248,045	$26,925	—	—
Fiscal 2014 (as of June 30, 2014)	247,881	25,783	—	—
Fiscal 2013 (as of June 30, 2013)	247,725	17,517	—	—
Prospect Capital InterNotes®				
Fiscal 2015 (as of March 31, 2015, unaudited)	$778,718	$8,576	—	—
Fiscal 2014 (as of June 30, 2014)	785,670	8,135	—	—
Fiscal 2013 (as of June 30, 2013)	363,777	11,929	—	—
Fiscal 2012 (as of June 30, 2012)	20,638	105,442	—	—
All Senior Securities				
Fiscal 2015 (as of March 31, 2015, unaudited)	$2,983,963	$2,238	—	—
Fiscal 2014 (as of June 30, 2014)	2,773,051	2,305	—	—
Fiscal 2013 (as of June 30, 2013)	1,683,002	2,578	—	—
Fiscal 2012 (as of June 30, 2012)	664,138	3,277	—	—
Fiscal 2011 (as of June 30, 2011)	406,700	3,740	—	—

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

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

(3) This column is inapplicable.

(4) This column is inapplicable, except for the 2022 Notes. The average market value per unit is presented in thousands.

(5) We have provided notice of our intent to redeem the 2022 Notes on May 15, 2015.

RATIO OF EARNINGS TO FIXED CHARGES

For the three and nine months ended March 31, 2015 and the years ended June 30, 2014, 2013, 2012, 2011 and 2010, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the Three Months Ended March 31, 2015	For the Nine Months Ended March 31, 2015	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011	For the Year Ended June 30, 2010
Earnings to Fixed Charges(1)	2.91	2.98	3.45	3.89	5.95	7.72	3.34

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax expense including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

(1) Earnings include the net change in unrealized appreciation or depreciation. Net change in unrealized appreciation or depreciation can vary substantially from year to year. Excluding the net change in unrealized appreciation or depreciation, the earnings to fixed charges ratio would be 3.14 for the three months ended March 31, 2015, 1.96 for the nine months ended March 31, 2015, 3.72 for the year ended June 30, 2014, 4.91 for the year ended June 30, 2013, 6.79 for the year ended June 30, 2012, 7.29 for the year ended June 30, 2011, and 2.87 for the year ended June 30, 2010.

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PLAN OF DISTRIBUTION

Under the terms of the Fourth Amended and Restated Selling Agent Agreement dated November 7, 2014, which we refer to as the "Selling Agent Agreement," the notes will be offered from time to time by us to the Purchasing Agent for subsequent resale to agents, including Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and RBC Capital Markets, LLC and other dealers who are broker-dealers and securities firms. The agents, including the Purchasing Agent, and the additional agents named from time to time pursuant to the Selling Agent Agreement, are, or will be, parties to the Selling Agent Agreement. The notes will be offered for sale in the United States only. Dealers who are members of the selling group have executed a Master Selected Dealer Agreement with the Purchasing Agent. We also may appoint additional agents to sell the notes. Any sale of the notes through those additional agents, however, will be on the same terms and conditions to which the original agents have agreed. The Purchasing Agent will purchase the notes at a discount ranging from 0.4% to 3.8% of the non-discounted price for each note sold. However, we also may sell the notes to the Purchasing Agent at a discount greater than or less than the range specified above. The discount at which we sell the notes to the Purchasing Agent will be set forth in the applicable pricing supplement. The Purchasing Agent also may sell notes to dealers at a concession not in excess of the discount it received from us. In certain cases, the Purchasing Agent and the other agents and dealers may agree that the Purchasing Agent will retain the entire discount. We will disclose any particular arrangements in the applicable pricing supplement.

Following the solicitation of orders, each of the agents, severally and not jointly, may purchase notes as principal for its own account from the Purchasing Agent. Unless otherwise set forth in the applicable pricing supplement, these notes will be purchased by the agents and resold by them to one or more investors at a fixed public offering price. After the initial public offering of notes, the public offering price (in the case of notes to be resold at a fixed public offering price), discount and concession may be changed.

We have the sole right to accept offers to purchase notes and may reject any proposed offer to purchase notes in whole or in part. Each agent also has the right, in its discretion reasonably exercised, to reject any proposed offer to purchase notes in whole or in part. We reserve the right to withdraw, cancel or modify any offer without notice. We also may change the terms, including the interest rate we will pay on the notes, at any time prior to our acceptance of an offer to purchase.

Each agent, including the Purchasing Agent, may be deemed to be an "underwriter" within the meaning of the Securities Act. We have agreed to indemnify the agents against certain liabilities, including liabilities under the Securities Act, or to contribute to any payments they may be required to make in respect of such liabilities. We also have agreed to reimburse the agents for certain expenses.

No note will have an established trading market when issued. We do not intend to apply for the listing of the notes on any securities exchange. However, we have been advised by the agents that they may purchase and sell notes in the secondary market as permitted by applicable laws and regulations. The agents are not obligated to make a market in the notes, and they may discontinue making a market in the notes at any time without notice. Neither we nor the agents can provide any assurance regarding the development, liquidity or maintenance of any trading market for any notes. All secondary trading in the notes will settle in same-day funds. See "Registration and Settlement."

In connection with certain offerings of notes, the rules of the SEC permit the Purchasing Agent to engage in transactions that may stabilize the price of the notes. The Purchasing Agent will conduct these activities for the agents. These transactions may consist of short sales, stabilizing transactions and purchases to cover positions created by short sales. A short sale is the sale by the Purchasing Agent of a greater amount of notes than the amount the Purchasing Agent has agreed to purchase in connection with a specific offering of notes. Stabilizing transactions consist of certain bids or purchases made by the Purchasing Agent to prevent or retard a decline in the price of the notes while an offering of notes is in process. In general, these purchases or bids for the notes for the purpose of stabilization or to reduce a syndicate short position could cause the price of the notes to be higher than it might otherwise be in the absence of those purchases or bids. Neither we nor the Purchasing Agent makes any representation or prediction as to the direction or magnitude of any effect that these transactions may have on the price of any notes. In addition, neither we nor the Purchasing Agent makes any representation that, once commenced, these transactions will not be discontinued without notice. The Purchasing Agent is not required to engage in these activities and may end any of these activities at any time.

Some of the agents and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the agents and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The agents and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LEGAL MATTERS

The legality of the notes will be passed upon for the Company by Joseph Ferraro, our General Counsel, Skadden, Arps, Slate, Meagher & Flom LLP (“Skadden, Arps”), New York, New York, and Venable LLP, as special Maryland counsel, Baltimore, Maryland, will pass on certain matters for the Company. Troutman Sanders LLP will pass on certain matters for the agents. Skadden, Arps and Venable LLP each have from time to time acted as counsel for us and our subsidiaries and may do so in the future.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

AVAILABLE INFORMATION

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

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

INDEX TO FINANCIAL STATEMENTS

Financial Statements

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

	March 31, 2015 (Unaudited)	June 30, 2014 (Audited)
Assets		
Investments at fair value:		
Control investments (amortized cost of $1,792,504 and $1,719,242, respectively)	$1,828,211	$1,640,454
Affiliate investments (amortized cost of $45,370 and $31,829, respectively)	46,273	32,121
Non-control/non-affiliate investments (amortized cost of $4,752,152 and $4,620,451, respectively)	4,728,287	4,581,164
Total investments at fair value (amortized cost of $6,590,026 and $6,371,522, respectively)	6,602,771	6,253,739
Cash and cash equivalents	63,624	134,225
Receivables for:		
Interest, net	24,369	21,997
Other	1,604	2,587
Prepaid expenses	1,860	2,828
Deferred financing costs	60,918	61,893
Total Assets	6,755,146	6,477,269
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	317,700	92,000
Convertible Notes (Notes 5 and 8)	1,239,500	1,247,500
Public Notes (Notes 6 and 8)	648,045	647,881
Prospect Capital InterNotes® (Notes 7 and 8)	778,718	785,670
Dividends payable	29,887	37,843
Due to Prospect Administration (Note 13)	2,544	2,208
Due to Prospect Capital Management (Note 13)	1,391	3
Accrued expenses	3,335	4,790
Interest payable	35,386	37,459
Other liabilities	4,052	3,733
Total Liabilities	3,060,558	2,859,087
Net Assets	$3,694,588	$3,618,182
Components of Net Assets		
Common stock, par value $0.001 per share (1,000,000,000 common shares authorized; 358,661,441 and 342,626,637 issued and outstanding, respectively) (Note 9)	$359	$343
Paid-in capital in excess of par (Note 9)	3,972,249	3,814,634
Accumulated (overdistributed) underdistributed net investment income	(20,864)	42,086
Accumulated net realized loss on investments and extinguishment of debt	(269,901)	(121,098)
Net unrealized appreciation (depreciation) on investments	12,745	(117,783)
Net Assets	$3,694,588	$3,618,182
Net Asset Value Per Share (Note 16)	$10.30	$10.56

See notes to consolidated financial statements.
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Explanation of Responses:

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Investment Income				
Interest income:				
Control investments	$50,418	$38,129	$146,230	$107,848
Affiliate investments	973	727	2,814	3,622
Non-control/non-affiliate investments	94,556	85,811	290,665	243,343
CLO fund securities	39,046	31,709	118,238	87,087
Total interest income	184,993	156,376	557,947	441,900
Dividend income:				
Control investments	1,346	7,575	4,756	23,527
Affiliate investments	—	—	778	—
Non-control/non-affiliate investments	24	—	46	12
Money market funds	1	15	27	32
Total dividend income	1,371	7,590	5,607	23,571
Other income:				
Control investments	1,620	12,431	10,352	39,580
Affiliate investments	—	5	226	12
Non-control/non-affiliate investments	3,366	13,925	18,122	24,388
Total other income (Note 10)	4,986	26,361	28,700	63,980
Total Investment Income	191,350	190,327	592,254	529,451
Operating Expenses				
Investment advisory fees:				
Base management fee (Note 13)	33,679	28,709	100,878	76,829
Income incentive fee (Note 13)	21,860	24,631	68,307	68,269
Total investment advisory fees	55,539	53,340	169,185	145,098
Interest and credit facility expenses	42,213	31,747	127,371	88,410
Legal fees	(4)	306	1,554	483
Valuation services	401	490	1,310	1,378
Audit, compliance and tax related fees	648	336	2,239	1,704
Allocation of overhead from Prospect Administration (Note 13)	2,984	3,986	8,414	11,958
Insurance expense	121	90	373	273
Directors' fees	94	81	282	231
Excise tax	(793)	1,000	982	3,000
Other general and administrative expenses	2,706	428	7,315	3,841
Total Operating Expenses	103,909	91,804	319,025	256,376
Net Investment Income	87,441	98,523	273,229	273,075
Net realized gains (losses) on investments	4,704	(1,600)	(150,973)	(3,482)
Net change in unrealized (depreciation) appreciation on investments	(9,775)	(14,822)	130,528	(22,230)
Net realized and unrealized losses on investments	(5,071)	(16,422)	(20,445)	(25,712)
Net realized losses on extinguishment of debt	(878)	—	(1,214)	—
Net Increase in Net Assets Resulting from Operations	$81,492	$82,101	$251,570	$247,363
Net increase in net assets resulting from operations per share	$0.23	$0.26	$0.71	$0.86

Dividends declared per share	$(0.28)	$(0.33)	$(0.94)	$(0.99)

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)

	Nine Months Ended March 31, 2015	2014
Operations		
Net investment income	$273,229	$273,075
Net realized losses on investments	(150,973)	(3,482)
Net change in unrealized appreciation (depreciation) on investments	130,528	(22,230)
Net realized losses on extinguishment of debt	(1,214)	—
Net Increase in Net Assets Resulting from Operations	251,570	247,363
Distributions to Shareholders		
Distribution from net investment income	(331,863)	(289,875)
Distribution of return of capital	—	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	(331,863)	(289,875)
Common Stock Transactions		
Issuance of common stock, net of underwriting costs	146,085	890,331
Less: Offering costs from issuance of common stock	(585)	(1,187)
Value of shares issued to acquire controlled investments	—	45,914
Value of shares issued through reinvestment of dividends	11,199	12,336
Net Increase in Net Assets Resulting from Common Stock Transactions	156,699	947,394
Total Increase in Net Assets	76,406	904,882
Net assets at beginning of period	3,618,182	2,656,494
Net Assets at End of Period	$3,694,588	$3,561,376
Common Stock Activity		
Shares sold	14,845,556	80,343,264
Shares issued to acquire controlled investments	—	4,224,636
Shares issued through reinvestment of dividends	1,189,248	1,094,996
Total shares issued due to common stock activity	16,034,804	85,662,896
Shares issued and outstanding at beginning of period	342,626,637	247,836,965
Shares Issued and Outstanding at End of Period	358,661,441	333,499,861

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)

	Nine Months Ended March 31, 2015	2014
Operating Activities		
Net increase in net assets resulting from operations	$251,570	$247,363
Net realized losses on extinguishment of debt	1,214	—
Net realized losses on investments	150,973	3,482
Net change in unrealized (appreciation) depreciation on investments	(130,528)	22,230
Amortization of discounts and premiums, net	64,200	31,837
Accretion of discount on Public Notes (Note 6)	164	133
Amortization of deferred financing costs	9,601	7,810