

LYNN MITCHELL G
Form 4
January 27, 2012

FORM 4

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

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person *
LYNN MITCHELL G

(Last) (First) (Middle)
9740 SCRANTON ROAD
(Street)

SAN DIEGO, CA 92121-1745

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
PRICESMART INC [PSMT]

3. Date of Earliest Transaction
(Month/Day/Year)
01/25/2012

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
 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 Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

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	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	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Derivative Securities (Instr. 3 and 4)
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Derivative Security			(A) or (D)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
			(A)	(D)				
Stock Option (right to buy)	\$ 67.2	01/25/2012	A	1,000	(1)	01/25/2018	Common Stock	1,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LYNN MITCHELL G 9740 SCRANTON ROAD SAN DIEGO, CA 92121-1745		X		

Signatures

/s/ John Heffner as
Attorney-In-Fact
Date: 01/27/2012

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) 1,000 stock options granted on January 25, 2012. The stock options will vest 20% per year beginning on the first anniversary (1/25/2013) of the date of grant.
 - (2) Not applicable.
- Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.
- ion of our loans to AEH and Coalbed was exchanged for Manx preferred equity, while our AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring. On June 30, 2012, Manx returned the investments in Coalbed and AEH to us and we contributed these investments to Wolf Energy Holdings, a newly-formed, separately owned holding company. Effective June 6, 2014, Appalachian Energy Holdings LLC was renamed Appalachian Energy LLC. We continue to fully reserve any income accrued for Manx. During the quarter ended June 30, 2013, we determined that the impairment of Manx was other-than-temporary and recorded a realized loss of \$9,397 for the amount that the amortized cost exceeded the fair value. The Board of Directors set the fair value of our investment in Manx at zero and \$346 as of June 30, 2014 and June 30, 2013, respectively.
- (13) On a fully diluted basis represents 10.00% of voting common shares.
 - (14) A portion of the positions listed was issued by an affiliate of the portfolio company.
 - (15) We own 99.9999% of AGC/PEP, LLC. AGC/PEP, LLC owns 2,037.65 out of a total of 83,818.69 shares (including 5,111 vested and unvested management options) of American Gilsonite Holding Company which owns

- 100% of American Gilsonite Company.
- (16) Syndicated investment which had been originated by another financial institution and broadly distributed. MITY Holdings of Delaware Inc. ("Mity Delaware"), an entity in which we own 100% of the common stock, owns 94.99% of the equity of MITY Enterprises, Inc. ("Mity"). Mity owns 100% of each of MITY-Lite, Inc., Broda Enterprises USA, Inc. and Broda Canada ULC. On June 23, 2014, Prospect made a new \$15,769 debt investment in Mity and Mity distributed proceeds to Mity Delaware as a return of capital. Mity Delaware used this distribution to pay down the senior secured debt of Mity Delaware to Prospect by the same amount. The
- (17) remaining amount of the senior secured debt due from Mity Delaware to Prospect, \$7,200, was then contributed to the capital of Mity Delaware. As a result of this transaction, Prospect held the \$15,769 Mity note. Effective June 23, 2014, Mity Enterprises, Inc. was renamed MITY, Inc. and Broda Enterprises USA, Inc. was renamed Broda USA, Inc. On June 23, 2014, Prospect also extended a new \$7,500 senior secured revolving facility to Mity, of which none was funded at closing.
- (18) The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower. On December 31, 2009, we sold our investment in Aylward Enterprises, LLC. AWC, LLC is the remaining
- (19) holding company with zero assets. Our remaining outstanding debt after the sale was written off on December 31, 2009 and no value has been assigned to the equity position as of June 30, 2014 and June 30, 2013. Boxercraft Incorporated ("Boxercraft") and BXC Company, Inc. (f/k/a BXC Holding Company) ("BXC") are joint borrowers on our senior secured investments. Effective as of March 28, 2014, we acquired voting control of BXC pursuant to a voting agreement and irrevocable proxy. Effective May 8, 2014, we acquired control of BXC by transferring shares held by the other equity holders of BXC to Prospect pursuant to an assignment agreement
- (20) entered into with such other equity holders. We own 86.7% of Series A preferred stock, 96.8% of Series B preferred stock, and 83.1% of the fully-diluted common stock of BXC. BXC owns 100% of the common stock of Boxercraft. We own a warrant to purchase 15% of all classes of equity of BXC, which currently consists of 3,755,000 shares of Series A preferred stock, 625,000 shares of Series B preferred stock, and 43,800 shares of voting common stock.
- We owned warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation ("Metal Buildings"), the former holding company of Borga, Inc. Metal Buildings owned 100% of Borga, Inc. On March 8,
- (21) 2010, we foreclosed on the stock in Borga, Inc. that was held by Metal Buildings, obtaining 100% ownership of Borga, Inc. On January 24, 2014, we contributed our holdings in Borga, Inc. to STI Holding, Inc., a wholly-owned holding company.
- Investment has been designated as an investment not "qualifying" under Section 55(a) of the Investment Company Act of 1940 (the "1940 Act"). Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time
- (22) such acquisition is made, qualifying assets represent at least 70% of our total assets. We monitor the status of these assets on an ongoing basis.
- (23) NCP Finance Limited Partnership, NCP Finance Ohio, LLC and certain affiliates thereof, are joint borrowers on our subordinated secured investment.

See notes to consolidated financial statements.

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

Endnote Explanations as of September 30, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

(24) On May 6, 2011, we made a secured first lien \$24,250 debt investment to NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) ("NMMB"), a \$2,800 secured debt and \$4,400 equity investment to NMMB Holdings, Inc. ("NMMB Holdings"). We owned 100% of the Series A Preferred Stock in NMMB Holdings. NMMB Holdings owned 100% of the Convertible Preferred Stock in NMMB. On December 13, 2013, we provided \$8,086 in preferred equity for the recapitalization of NMMB Holdings. After the restructuring, we received repayment of \$2,800 secured debt outstanding. We own 100% of the equity of NMMB Holdings as of June 30, 2014 and June 30, 2013. NMMB Holdings owns 92.93% and 83.48% of the fully diluted equity of NMMB as of June 30, 2014 and June 30, 2013, respectively. NMMB owns 100% of Refuel Agency, Inc. ("Refuel Agency"), which owns 100% of Armed Forces Communications, Inc. ("Armed Forces"). On June 12, 2014, Prospect made a new \$7,000 senior secured term loan to Armed Forces. Armed Forces distributed this amount to Refuel Agency as a return of capital. Refuel Agency distributed this amount to NMMB as a return of capital, which was used to pay down \$7,000 of NMMB's \$10,714 senior secured term loan to Prospect.

(25) 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 June 30, 2014 and June 30, 2013, we had \$143,597 and \$202,518, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.

(26) Stated interest rates are based on June 30, 2014 and June 30, 2013 one month or three month Libor rates plus applicable spreads based on the respective credit agreements. Interest rates are subject to change based on actual elections by the borrower for a Libor rate contract or Base Rate contract when drawing on the revolver.

(27) On July 30, 2010, we made a \$30,000 senior secured debt investment in Airmall Inc. (f/k/a AIRMALL USA Holdings, Inc.) ("Airmall"), a \$12,500 secured second lien in AMU Holdings Inc. ("AMU"), and acquired 100% of the Series A preferred stock and common stock of AMU. Our preferred stock in AMU has a 12.0% dividend rate which is paid from the dividends received from its operating subsidiary, Airmall. AMU owns 100% of the common stock in Airmall. On December 4, 2013, we sold a \$972 participation in both debt investments, equal to 2% of the outstanding principal amount of loans on that date. On June 13, 2014, Prospect made a new \$19,993 investment as a senior secured loan to Airmall. Airmall then distributed this amount to AMU as a return of capital, which AMU used to pay down the senior subordinated loan in the same amount. The minority interest held by a third party in AMU was exchanged for common stock of Airmall. As of June 30, 2014, we own 100% of the equity of AMU, which owns 98% of Airmall.

(28) Progrexion Marketing, Inc., Progrexion Teleservices, Inc., Progrexion ASG, Inc. Progrexion IP, Inc. and Efolks, LLC, are joint borrowers on our senior secured investment. Progrexion Holdings, Inc. and eFolks Holdings, Inc. are the guarantors of this debt investment.

(29) First Tower Holdings of Delaware, LLC ("First Tower Delaware"), an entity that we own 100% of the membership interests, owns 80.1% of First Tower Finance Company LLC ("First Tower Finance"), which owns 100% of First Tower, LLC ("First Tower"), the operating company. On June 24, 2014, Prospect made a new \$251,246 second lien term loan to First Tower. First Tower distributed this amount to First Tower Finance, which distributed this amount to First Tower Delaware as a return of capital. First Tower Delaware used the distribution to partially pay down the Senior Secured Revolving Credit Facility. The remaining \$23,712 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests held by Prospect in First Tower Delaware. Southern Management Corporation, Thaxton Investment Corporation, Southern Finance of Tennessee, Inc., Covington Credit of Texas, Inc., Covington Credit, Inc., Covington Credit of Alabama, Inc., Covington Credit of Georgia, Inc., Southern Finance of South Carolina, Inc. and Quick Credit Corporation, are joint borrowers on our senior secured investment. SouthernCo, Inc. is the guarantor of this debt investment.

(31)

We own 2.8% (13,220 shares) of the Mineral Fusion Natural, LLC, a subsidiary of Caleel + Hayden, LLC, common and preferred interest.

(32) APH Property Holdings, LLC ("APH"), an entity that we own 100% of the membership interests, owns 100% of the common equity of American Property REIT Corp. (f/k/a American Property Holdings Corp.) ("APRC"), a qualified REIT which holds investments in several real estate properties. Effective as of April 1, 2014, Prospect made a new \$167,162 senior term loan to APRC. APRC then distributed this amount to APH as a return of capital which was used to pay down the Senior Term Loan from APH by the same amount. See Note 3 for further discussion of the properties held by APRC.

See notes to consolidated financial statements.

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

Endnote Explanations as of September 30, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

(33) CCPI Holdings Inc. ("CCPI Holdings"), an entity that we own 100% of the common stock, owns 94.98% and 95.13% of CCPI Inc. ("CCPI"), the operating company, at June 30, 2014 and June 30, 2013, respectively. On June 13, 2014, Prospect made a new \$8,218 senior secured note to CCPI. CCPI then distributed this amount to CCPI Holdings as a return of capital which was used to pay down the \$8,216 senior secured note from CCPI Holdings to Prospect. The remaining \$2 was distributed to Prospect as a return of capital of Prospect's equity investment in CCPI Holdings.

(34) Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), an entity that we own 100% of the membership interests, owns 74.75% of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) ("Credit Central"), which owns 100% of each of Credit Central, LLC, Credit Central South, LLC, Credit Central of Texas, LLC, and Credit Central of Tennessee, LLC, the operating companies. On June 26, 2014, Prospect made a new \$36,333 second lien term loan to Credit Central. Credit Central then distributed this amount to Credit Central Delaware as a return of capital which was used to pay down the Senior Secured Revolving Credit Facility from Credit Central Delaware by the same amount. The remaining amount of the Senior Secured Revolving Credit Facility, \$3,874, was then converted into additional membership interests in Credit Central Delaware.

(35) Valley Electric Holdings I, Inc. ("Valley Holdings I"), an entity that we own 100% of the common stock, owns 100% of Valley Electric Holdings II, Inc. ("Valley Holdings II"). Valley Holdings II owns 94.99% and 96.3% of Valley Electric Company, Inc. ("Valley Electric"), as of June 30, 2014 and June 30, 2013, respectively. 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"). On June 24, 2014, Valley Holdings II and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Prospect made a new \$20,471 senior secured loan to Valley Electric. Valley Electric then distributed this amount to Valley Holdings I, via Valley Holdings II, as a return of capital which was used to pay down the senior secured note of Valley Holdings I by the same amount. The remaining principal amount of the senior secured note, \$16,754, was then contributed to the capital of Valley Holdings I.

(36) Nationwide Acceptance Holdings LLC ("Nationwide Holdings"), an entity that we own 100% of the membership interests, owns 93.79% of Nationwide Acceptance LLC ("Nationwide"), the operating company. On June 18, 2014, Prospect made a new \$14,820 second lien term loan to Nationwide. Nationwide distributed this amount to Nationwide Holdings as a return of capital. Nationwide Holdings used the distribution to pay down the Senior Secured Revolving Credit Facility. The remaining \$9,888 of the Senior Secured Revolving Credit Facility was then converted into additional membership interests in Nationwide Holdings.

(37) On April 15, 2013, assets previously held by H&M Oil & Gas, LLC ("H&M") were assigned to Wolf Energy, LLC ("Wolf Energy") in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826. We received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

(38) CP Holdings of Delaware LLC, an entity that we own 100% of the membership interests, owns 82.9% of CP Energy Services Inc. ("CP Energy"), which owns 100% of several other subsidiaries. CP Energy owns directly or indirectly 100% of each of CP Well Testing Services, LLC ("CP Well Testing"), CP Well Testing, LLC, Fluid Management Services, Inc., Fluid Management Services LLC, Wright Transport, Inc., Wright Foster Disposals,

LLC, Foster Testing Co, Inc., ProHaul Transports, LLC, Artexoma Logistics, LLC, Wright Trucking, Inc. On April 1, 2014, Prospect made new loans to CP Well, ProHaul Transports, LLC and Wright Trucking, Inc. and Foster Testing Co, Inc. as co-borrowers, comprised of two first lien loans in the amount of \$11,035 and \$72,238 and a second lien loan in the amount of \$15,000. The proceeds of these loans were used to repay CP Well Testing's senior secured term loan and CP Energy's senior secured term loan from Prospect. CP Holdings continues to own 82.9% of the equity of CP Energy at June 30, 2014.

- (39) Wind River Resources Corporation and Wind River II Corporation are joint borrowers on our senior secured loan. NPH Property Holdings, LLC ("NPH"), an entity that we own 100% of the membership interests, owns 100% of the common equity of National Property REIT Corp. (f/k/a National Property Holdings Corp.) ("NPRC"), a property REIT which holds investments in several real estate properties, and 100% of the membership interests of NPH Property Holdings II, LLC, a Delaware single member limited liability company structured to enable subsidiaries
- (40) of NPRC to invest in peer-to-peer consumer loans. Effective as of April 1, 2014, Prospect made a new \$104,460 senior term loan to NPRC. NPRC then distributed this amount to NPH as a return of capital which was used to pay down the Senior Term Loan from NPH by the same amount. See Note 3 for further discussion of the properties held by NPRC.

See notes to consolidated financial statements.

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

Endnote Explanations as of September 30, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

(41) UPH Property Holdings, LLC (“UPH”), an entity that we own 100% of the membership interests, owns 100% of the common equity of United Property REIT Corp. (f/k/a United Property Holdings Corp.) (“UPRC”), a property REIT which holds investments in several real estate properties. Effective as of April 1, 2014, Prospect made a new \$19,027 senior term loan to UPRC. UPRC then distributed this amount to UPH as a return of capital which was used to pay down the Senior Term Loan from UPH by the same amount. See Note 3 for further discussion of the properties held by UPRC.

(42) On April 4, 2008, we acquired a controlling equity interest in ARRM Services, Inc (f/k/a ARRM Holdings Inc.) (“ARRM”), which owns 100% of Ajax Rolled Ring & Machine, LLC (“Ajax”), the operating company. As of June 30, 2014, we control 79.53% of the fully-diluted common, 85.76% of the Series A and 100% of the Series B Preferred equity of ARRM and the fair value of our senior secured debt issued to Ajax was \$19,337.

(43) Our wholly-owned subsidiary, Prospect Small Business Lending LLC, purchases a series of small business whole loans on recurring basis, originated by OnDeck Capital, Inc., an online small business lender.

(44) Harbortouch Holdings of Delaware Inc. (“Harbortouch Delaware”), an entity that we own 100% of the common stock, owns 100% of the Class C voting units of Harbortouch Payments, LLC (“Harbortouch”), which provide for a 53.5% residual profits allocation. Harbortouch management owns 100% of the Class B and Class D voting units of Harbortouch, which provide for a 46.5% residual profits allocation. Harbortouch owns 100% of Credit Card Processing USA, LLC. On April 1, 2014, Prospect made a new \$137,226 senior secured term loan to Harbortouch. Harbortouch then distributed this amount to Harbortouch Delaware as a return of capital which was used to pay down the \$123,000 senior secured note from Harbortouch Delaware to Prospect. The remaining \$14,226 was distributed to Prospect as a return of capital of Prospect’s equity investment in Harbortouch Delaware.

(45) Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”), an entity that we own 100% of the common equity, owns 70% of the equity of Arctic Energy Services, LLC (“Arctic Energy”), the operating company.

See notes to consolidated financial statements.

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

Endnote Explanations as of September 30, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than (46)25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2014 with these controlled investments are as follows:

Portfolio Company	Purchases*	Redemptions*	Sales	Interest income	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
AMU Holdings Inc.	\$7,600	\$(593)	\$(972)	\$6,579	\$12,000	\$—	\$—	\$(15,694)
APH Property Holdings, LLC	163,747	(118,186)	** —	18,788	—	5,946	—	3,393
Arctic Oilfield Equipment USA, Inc.	60,876	—	—	1,050	—	1,713	—	238
ARRM Services, Inc. (f/k/a ARRM Holdings Inc.)	25,000	(24,251)	—	(733)	—	148	—	(14,957)
AWC, LLC	—	—	—	—	—	—	—	—
BXC Company, Inc. (f/k/a BXC Holding Company)**	300	—	—	—	—	—	—	(3,796)
CCPI Holdings Inc.	—	(450)	—	3,312	500	71	—	(1,443)
CP Holdings of Delaware LLC	113,601	(100)	—	13,858	—	1,864	—	16,618
Credit Central Holdings of Delaware, LLC	2,500	(159)	—	7,845	4,841	521	—	(2,371)
Echelon Aviation LLC	92,628	—	—	2,809	—	2,771	—	—
Energy Solutions Holdings Inc.	16,000	(8,525)	—	8,245	—	2,480	—	(2,168)
First Tower Holdings of Delaware LLC	10,000	—	—	54,320	—	10,560	—	17,003
Gulf Coast Machine & Supply Company	28,450	(26,213)	—	1,449	—	—	—	(777)
Harbortouch Holdings of Delaware Inc.	278,694	—	—	6,879	—	7,536	—	12,620
The Healing Staff, Inc.	—	—	—	—	—	5,825	—	—
Manx Energy, Inc.	—	(450)	—	—	—	—	—	104
MITY Holdings of Delaware Inc.	47,985	—	—	4,693	—	1,049	—	1,127
Nationwide Acceptance Holdings LLC	4,000	—	—	4,429	5,000	1,854	—	772
NMMB Holdings, Inc.	8,086	(8,086)	—	2,051	—	—	—	(6,852)
NPH Property Holdings, LLC	40,425	85,724	** —	5,973	—	1,029	—	(2,088)
R-V Industries, Inc.	—	(2,339)	—	3,188	1,100	—	—	2,005
STI Holding, Inc.	—	(125)	—	—	3,246	—	—	(25)
UPH Property Holdings, LLC	1,405	22,562	** —	1,101	—	156	—	426

Explanation of Responses:

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Valley Electric Holdings I, Inc.	—	(200)	—	7,471	—	148	—	(23,304)
Wolf Energy Holdings Inc.	—	—	—	—	—	—	—	(1,350)
Total	\$901,297	\$(81,391)	\$(972)	\$153,307	\$26,687	\$43,671	\$—	\$(20,519)

*Purchase amounts do not include payment-in-kind interest. Repayment amounts include impairments.

**These amounts represent the investments transferred from APH to NPH and UPH, respectively.

***During the year ended June 30, 2014, we acquired control of BXC Company, Inc. (f/k/a BXC Holding Company). As such, this investment was a controlled investment for a part of the year and an affiliated investment for part of the year. See Note 14.

As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we (47) own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2014 with these affiliated investments are as follows:

Portfolio Company	Purchases	*Redemptions*	Sales	Interest income	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork)	\$—	\$(600)	\$—	\$2,974	\$—	\$—	\$—	\$(194)
BXC Holding Company***	—	(100)	—	1,384	—	17	—	(4,163)
Smart, LLC	—	—	—	—	—	—	—	(143)
Total	\$—	\$(700)	\$—	\$4,358	\$—	\$17	\$—	\$(4,500)

See notes to consolidated financial statements.

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

Endnote Explanations as of September 30, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than (48)25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2013 with these controlled investments are as follows:

Portfolio Company	Purchases*	Redemptions*	Sales	Interest income	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
AMU Holdings Inc.	\$—	\$ (600)	) \$—	\$ 5,822	\$—	\$—	\$—	\$ 7,266
APH Property Holdings, LLC	151,648	—	—	2,898	—	4,651	—	—
ARRM Holdings LLC	23,300	(19,065)	)—	5,176	—	155	—	(17,208)
AWC, LLC	—	—	—	—	—	—	—	—
Borga, Inc.	150	—	—	—	—	—	—	(232)
CCPI Holdings Inc.	34,081	(338)	)—	1,792	—	606	—	—
Credit Central Holdings of Delaware, LLC	47,663	—	—	3,893	—	1,680	—	2,799
Energy Solutions Holdings Inc.	—	(28,975)	)—	24,809	53,820	—	—	(71,197)
First Tower Holdings of Delaware LLC	20,000	—	—	52,476	—	2,426	—	(9,869)
The Healing Staff, Inc.	975	(13,092)	)—	2	—	—	(12,117)	)12,117
Manx Energy, Inc.	—	(10,528)	)—	—	—	—	(9,397)	)18,865
Nationwide Acceptance Holdings LLC	25,151	—	—	1,787	—	884	—	—
NMMB Holdings, Inc.	—	(5,700)	)—	3,026	—	—	—	(5,903)
R-V Industries, Inc.	32,750	—	—	781	24,462	143	—	1,463
Valley Electric Holdings I, Inc.	52,098	(100)	)—	3,511	—	1,325	—	—
Wolf Energy Holdings Inc.	50	—	—	452	—	4,951	11,826	(3,092)
Total	\$ 387,866	\$ (78,398)	) \$—	\$ 106,425	\$ 78,282	\$ 16,821	\$ (9,688)	) \$(64,991)

As defined in the 1940 Act, we are deemed to be an "Affiliated company" of these portfolio companies because we (49)own more than 5% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2013 with these affiliated investments are as follows:

Portfolio Company	Purchases*	Redemptions*	Sales	Interest income	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
BNN Holdings Corp. (f/k/a Biotronic NeuroNetwork)	\$ 30,000	\$ (26,676)	) \$—	\$ 3,159	\$—	\$ 600	\$—	\$ 672
BXC Holding Company	—	—	—	3,356	—	23	—	(9,414)
Smart, LLC	—	—	—	—	728	—	—	108
Total	\$ 30,000	\$ (26,676)) \$—	\$ 6,515	\$ 728	\$ 623	\$—	\$ (8,634)

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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Note 1. Organization

References herein to “we”, “us” or “our” refer to Prospect Capital Corporation (“Prospect”) and its subsidiaries unless the context specifically requires otherwise.

We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As a BDC, we have elected to be treated as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986 (the “Internal Revenue Code”). We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes.

On May 15, 2007, we formed a wholly-owned subsidiary, Prospect Capital Funding LLC (“PCF”), a Delaware limited liability company and a bankruptcy remote special purpose entity, which holds certain of our portfolio loan investments that are used as collateral for the Revolving Credit Facility at PCF. Our wholly-owned subsidiary, Prospect Small Business Lending LLC (“PSBL”), was formed on January 27, 2014 and purchases a series of small business whole loans on recurring basis, which are originated by OnDeck Capital, Inc. (“OnDeck”), an online small business lender.

Note 2. Significant Accounting Policies

Basis of Presentation

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-K, ASC 946, Financial Services—Investment Companies (“ASC 946”), and Articles 6 and 12 of Regulation S-X. The financial results of our portfolio investments are not consolidated in the financial statements.

Reclassifications

Certain reclassifications have been made in the presentation of prior consolidated financial statements and accompanying notes to conform to the presentation as of and for the year ended June 30, 2014.

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.

Basis of Consolidation

Under the 1940 Act, the regulations pursuant to Article 6 of Regulation S-X and ASC 946, 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 our accounts and the accounts of PCF and PSBL, our wholly-owned, closely-managed subsidiaries that are also investment companies. All intercompany balances and transactions have been eliminated in consolidation.

On May 6, 2014, we announced in our filing on Form 10-Q for the quarter ended March 31, 2014 that the SEC Staff had asserted certain of our wholly-owned holding companies were investment companies, such companies were required to be consolidated in our historical financial results and financial position, and restatement of such financial statements was needed. At that time, we disclosed that we disagreed with the views of the SEC Staff and wished to appeal the conclusion through the Office of the Chief Accountant. On June 10, 2014, based on those discussions with the Office of the Chief Accountant, we concluded the following:

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Our historical non-consolidation of wholly-owned and substantially wholly-owned holding companies did not require restatement of our prior period financial statements.

Upon our adoption of ASU 2013-08 for the fiscal year ended June 30, 2015, we will begin consolidating on a prospective basis certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy.

The following companies will be consolidated: AMU Holdings Inc.; APH Property Holdings, LLC; Arctic Oilfield Equipment USA, Inc.; CCPI Holdings Inc.; CP Holdings of Delaware LLC; Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC; Harbortouch Holdings of Delaware Inc.; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc.; NPH Property Holdings, LLC; STI Holding, Inc.; UPH Property Holdings, LLC; Valley Electric Holdings I, Inc.; Valley Electric Holdings II, Inc.; and Wolf Energy Holdings Inc.

Any operating companies owned by the holding companies will not be consolidated. We do not expect this consolidation to have any material effect on our financial position or results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include funds deposited with financial institutions and short-term, highly-liquid 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 25% or more 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

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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 LLC (the "Investment Adviser") and that of the independent valuation firms; and
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.

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

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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. 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

The Fair Value Option within ASC 825, Financial Instruments, specifically ASC 825-10-25, permits an entity to elect fair value as the initial and subsequent measurement attribute for eligible assets and liabilities for which the assets and liabilities are measured using another measurement attribute. For our non-investment assets and liabilities, we have elected not to value them at fair value as would be permitted by ASC 825-10-25.

Senior Convertible Notes

We have recorded the Senior Convertible Notes (see Note 5) at their contractual amounts. The Senior Convertible Notes were analyzed for any features that would require their accounting to be bifurcated and such features were determined to be immaterial.

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 continues to accrete until maturity or repayment of the respective loans (see Note 3). As of June 30, 2014, the purchase discount from the assets acquired from Patriot has been fully accreted.

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, are likely to remain current. As of June 30, 2014, approximately 0.1% 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.

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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.

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 Internal Revenue 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. Based on our tax returns, we had an excise tax liability of \$1,918 for the calendar year ended December 31, 2012 and none for the calendar year ended December 31, 2013. As of June 30, 2014, we had a prepaid excise tax balance of \$2,200 because we have made estimated excise tax payments in excess of our expected excise tax liability for the calendar year ending December 31, 2014.

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 Internal Revenue 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 June 30, 2013 and 2014 and for the years then ended, we did not have a liability for any unrecognized tax benefits, respectively. 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 Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® (collectively, our "Senior 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 Senior Notes over the respective expected life or maturity.

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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 June 2013, the FASB issued Accounting Standards Update 2013-08, Financial Services — Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure Requirements (“ASU 2013-08”). The update clarifies the approach to be used for determining whether an entity is an investment company and provides new measurement and disclosure requirements. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier application is prohibited. The adoption of the amended guidance in ASU 2013-08 is not expected to have a significant effect on our consolidated financial statements and disclosures.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The update supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The adoption of the amended guidance in ASU 2014-09 is not expected to have a significant effect on our consolidated financial statements and disclosures.

Note 3. Portfolio Investments

At June 30, 2014, we had investments in 143 long-term portfolio investments, which had an amortized cost of \$6,371,522 and a fair value of \$6,253,739. At June 30, 2013, we had investments in 124 long-term portfolio investments, which had an amortized cost of \$4,255,778 and a fair value of \$4,172,852.

The original cost basis of debt placements and equity securities acquired, including follow-on investments for existing portfolio companies, totaled \$2,952,456 and \$3,103,217 during the years ended June 30, 2014 and June 30, 2013, respectively. Debt repayments and proceeds from sales of equity securities of approximately \$787,069 and \$931,534 were received during the years ended June 30, 2014 and June 30, 2013, respectively.

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The following table shows the composition of our investment portfolio as of June 30, 2014 and June 30, 2013:

	June 30, 2014		June 30, 2013	
	Cost	Fair Value	Cost	Fair Value
Revolving Line of Credit	\$3,445	\$2,786	\$9,238	\$8,729
Senior Secured Debt	3,578,339	3,514,198	2,262,327	2,207,091
Subordinated Secured Debt	1,272,275	1,200,221	1,062,386	1,024,901
Subordinated Unsecured Debt	85,531	85,531	88,470	88,827
Small Business Whole Loans(1)	4,637	4,252	—	—
CLO Debt	28,118	33,199	27,667	28,589
CLO Residual Interest	1,044,656	1,093,985	660,619	658,086
Equity(2)	354,521	319,567	145,071	156,629
Total Investments	\$6,371,522	\$6,253,739	\$4,255,778	\$4,172,852

(1) Our wholly-owned subsidiary, PSBL, purchases a series of small business whole loans on recurring basis, which are originated by OnDeck.

(2) Includes our investments in preferred stock, common stock, membership interests, net profits interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants, unless specifically stated otherwise.

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	\$—	\$—	\$2,786	\$2,786
Senior Secured Debt	—	—	3,514,198	3,514,198
Subordinated Secured Debt	—	—	1,200,221	1,200,221
Subordinated Unsecured Debt	—	—	85,531	85,531
Small Business Whole Loans	—	—	4,252	4,252
CLO Debt	—	—	33,199	33,199
CLO Residual Interest	—	—	1,093,985	1,093,985
Equity	168	—	319,399	319,567
Total Investments	\$168	\$—	\$6,253,571	\$6,253,739

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	\$—	\$—	\$8,729	\$8,729
Senior Secured Debt	—	—	2,207,091	2,207,091
Subordinated Secured Debt	—	—	1,024,901	1,024,901
Subordinated Unsecured Debt	—	—	88,827	88,827
CLO Debt	—	—	28,589	28,589
CLO Residual Interest	—	—	658,086	658,086
Equity	112	—	156,517	156,629
Total Investments	\$112	\$—	\$4,172,740	\$4,172,852

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The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2014:

	Fair Value Measurements Using Unobservable Inputs (Level 3)								
	Control Investments	Affiliate Investments	Non-Control/Non-Affiliate Investments	Total					
Fair value as of June 30, 2013	\$ 811,634	\$ 42,443	\$ 3,318,663	\$ 4,172,740					
Total realized loss, net	—	—	(3,346)	(3,346)					
Change in unrealized depreciation	(20,519)	(4,500)	(9,894)	(34,913)					
Net realized and unrealized loss	(20,519)	(4,500)	(13,240)	(38,259)					
Purchases of portfolio investments	901,297	—	2,036,014	2,937,311					
Payment-in-kind interest	11,796	90	3,259	15,145					
Accretion (amortization) of discounts and premiums	—	399	(46,696)	(46,297)					
Repayments and sales of portfolio investments	(82,363)	(700)	(704,006)	(787,069)					
Transfers within Level 3(1)	18,609	(5,611)	(12,998)	—					
Transfers in (out) of Level 3(1)	—	—	—	—					
Fair value as of June 30, 2014	\$ 1,640,454	\$ 32,121	\$ 4,580,996	\$ 6,253,571					
	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Small Business Loans	CLO Debt	CLO Residual Interest	Equity	Total
Fair value as of June 30, 2013	\$8,729	\$2,207,091	\$1,024,901	\$88,827	\$—	\$28,589	\$658,086	\$156,517	\$4,172,740
Total realized (loss) gain, net	—	(1,593)	(7,558)	—	—	—	1,183	4,622	(3,346)
Change in unrealized (depreciation) appreciation	(150)	(8,907)	(34,566)	(357)	(386)	4,159	51,864	(46,570)	(34,913)
Net realized and unrealized (loss) gain	(150)	(10,500)	(42,124)	(357)	(386)	4,159	53,047	(41,948)	(38,259)
Purchases of portfolio investments	14,850	1,692,384	554,973	—	6,540	—	453,492	215,072	2,937,311
Payment-in-kind interest	—	13,850	428	867	—	—	—	—	15,145
Accretion (amortization) of discounts and premiums	—	683	2,065	73	—	451	(49,569)	—	(46,297)
Repayments and sales of portfolio investments	(20,643)	(389,310)	(270,022)	(73,879)	(1,902)	—	(21,071)	(10,242)	(787,069)
Transfers within Level 3(1)	—	—	(70,000)	70,000	—	—	—	—	—
	—	—	—	—	—	—	—	—	—

Transfers in
(out) of Level
3(1)

Fair value as of June 30, 2014	\$2,786	\$3,514,198	\$1,200,221	\$85,531	\$4,252	\$33,199	\$1,093,985	\$319,399	\$6,253,571
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(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2013:

	Fair Value Measurements Using Unobservable Inputs (Level 3)												
	Control Investments	Affiliate Investments	Non-Control/Non-Affiliate Investments	Total	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Small Business Loans	CLO Residual Interest	Equity	Total	
Fair value as of June 30, 2012	\$ 564,489	\$ 46,116	\$ 1,483,487	\$ 2,094,092	\$ 868	\$ 1,080,053	\$ 488,113	\$ 73,195	\$ —	\$ 27,717	\$ 218,009	\$ 206,137	\$ 2,094,092
Total realized loss, net	(9,688)	—	(16,672)	(26,360)	—	(21,545)	(22,001)	—	—	—	—	17,186	(26,360)
Change in unrealized depreciation	(64,991)	(8,634)	(4,192)	(77,817)	(232)	3,197	19,265	(222)	—	464	(5,981)	(94,308)	(77,817)
Net realized and unrealized loss	(74,679)	(8,634)	(20,864)	(104,177)	(232)	(18,348)	(2,736)	(222)	—	464	(5,981)	(77,122)	(104,177)
Purchases of portfolio investments	387,866	30,000	2,674,404	3,092,270	21,143	1,626,172	812,025	133,700	—	—	440,050	59,180	3,092,270
Payment-in-kind interest	2,668	715	7,564	10,947	—	4,401	3,687	2,859	—	—	—	—	10,947
Accretion of discounts and premiums	—	922	10,095	11,017	—	1,747	2,346	508	—	408	6,008	—	11,017
Repayments and sales of portfolio investments	(68,710)	(26,676)	(836,023)	(931,409)	(13,050)	(499,900)	(265,568)	(121,213)	—	—	—	(31,678)	(931,409)
Transfers within Level 3(1)	—	—	—	—	—	12,966	(12,966)	—	—	—	—	—	—
Transfers in (out) of Level 3(1)	—	—	—	—	—	—	—	—	—	—	—	—	—
Fair value as of June 30, 2013	\$ 811,634	\$ 42,443	\$ 3,318,663	\$ 4,172,740	\$ 8,729	\$ 2,207,091	\$ 1,024,901	\$ 88,827	\$ —	\$ 28,589	\$ 658,086	\$ 156,517	\$ 4,172,740

Explanation of Responses:

Fair value as of
June 30, 2013

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred. For the year ended June 30, 2014 and 2013, the net increase in unrealized depreciation on the investments that use Level 3 inputs was \$55,956 and \$77,488 for investments still held as of June 30, 2014 and 2013, respectively.

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The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2014 were as follows:

Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input		Weighted Average
			Input	Range	
Senior Secured Debt	\$2,550,073	Yield Analysis	Market Yield	5.5%-20.3%	11.1%
Senior Secured Debt	560,485	EV Analysis	EBITDA Multiple	3.5x-9.0x	7.1x
Senior Secured Debt	110,525	EV Analysis	N/A	N/A	N/A
Senior Secured Debt	3,822	Liquidation Analysis	N/A	N/A	N/A
Senior Secured Debt	292,079	Net Asset Value Analysis	Capitalization Rate	4.5%-10.0%	7.4%
Subordinated Secured Debt	832,181	Yield Analysis	Market Yield	8.7%-14.7%	10.9%
Subordinated Secured Debt	353,220	EV Analysis	EBITDA Multiple	4.5x-8.2x	6.2x
Subordinated Secured Debt	14,820	EV Analysis	Book Value Multiple	8.4x-8.9x	8.6x
Subordinated Unsecured Debt	85,531	Yield Analysis	Market Yield	7.4%-14.4%	12.1%
Small Business Whole Loans	4,252	Yield Analysis	Market Yield	75.5%-79.5%	77.5%
CLO Debt	33,199	Discounted Cash Flow	Discount Rate	4.2%-5.8%	4.9%
CLO Residual Interest	1,093,985	Discounted Cash Flow	Discount Rate	10.4%-23.7%	16.8%
Equity	237,162	EV Analysis	EBITDA Multiple	0.0x-15.3x	5.3x
Equity	3,171	Yield Analysis	Market Yield	13.7%-16.5%	15.1%
Equity	63,157	Net Asset Value Analysis	Capitalization Rate	4.5%-10.0%	7.4%
Equity	14,107	Discounted Cash Flow	Discount Rate	8.0%-10.0%	9.0%
Net Profits Interest	213	Liquidation Analysis	N/A	N/A	N/A
Escrow Receivable	1,589	Discounted Cash Flow	Discount Rate	6.6%-7.8%	7.2%
Total Level 3 Investments	\$6,253,571				

The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2013 were as follows:

Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input		Weighted Average
			Input	Range	
Senior Secured Debt	\$1,616,485	Yield Analysis	Market Yield	5.7%-20.8%	10.8%
Senior Secured Debt	468,082	EV Analysis	EBITDA Multiple	3.3x-8.8x	6.7x
Senior Secured Debt	5,361	Liquidation Analysis	N/A	N/A	N/A
Senior Secured Debt	125,892	Net Asset Value Analysis	Capitalization Rate	5.0%-10.0%	7.5%
Subordinated Secured Debt	962,702	Yield Analysis	Market Yield	7.7%-19.8%	11.6%
Subordinated Secured Debt	62,199	EV Analysis	EBITDA Multiple	3.3x-7.0x	4.4x
Subordinated Unsecured Debt	69,127	Yield Analysis	Market Yield	6.1%-14.6%	10.7%
	19,700	EV Analysis	EBITDA Multiple	5.5x-6.5x	6.0x

Explanation of Responses:

Subordinated					
Unsecured Debt					
CLO Debt	28,589	Discounted Cash Flow	Discount Rate	12.1%-20.1%	15.7%
CLO Residual Interest	658,086	Discounted Cash Flow	Discount Rate	11.3%-19.8%	15.3%
Equity	151,855	EV Analysis	EBITDA Multiple	0.1x-8.8x	3.9x
Escrow Receivable	4,662	Discounted Cash Flow	Discount Rate	6.5%-7.0%	6.8%
Total Level 3 Investments	\$4,172,740				

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 earnings before income tax, depreciation and amortization (“EBITDA”) multiples for similar guideline public companies and/or similar recent investment transactions. For stressed equity investments, a liquidation analysis was prepared.

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In determining the range of value for our investments in CLOs, management and the independent valuation firm used 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. 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 significant unobservable input used to value our investments based on the yield analysis and discounted cash flow analysis, is the market yield (or applicable discount rate) used to discount the estimated future cash flows expected to be received from the underlying investment, which includes both future principal and interest payments. Significant increases or decreases in the discount rate would result in a decrease or increase, respectively, in the fair value measurement. Included in the consideration and selection of market yields or discount rates are the following factors: risk of default, rating of the investment and comparable company investments, and call provisions.

The significant unobservable inputs used to value our investments based on the EV analysis may include market multiples of specified financial measures such as EBITDA of identified guideline public companies, implied valuation multiples from precedent M&A transactions, and/or discount rates applied in a discounted cash flow analysis. The independent valuation firm identifies a population of publicly traded companies with similar operations and key attributes to that of the portfolio company. Using valuation and operating metrics of these guideline public companies and/or as implied by relevant precedent transactions, a range of multiples of the latest twelve months EBITDA, or other measure, is typically calculated. The independent valuation firm utilizes the determined multiples to estimate the portfolio company's EV based on, generally, the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Significant increases or decreases in the multiple may result in an increase or decrease, respectively, in EV, which may increase or decrease the fair value estimate of the debt and/or equity investment, as applicable. In certain instances, a discounted cash flow analysis may be considered in estimating EV, in which case, discount rates based on a weighted average cost of capital and application of the Capital Asset Pricing Model may be utilized.

The significant unobservable input used to value our investments based on the net asset value analysis is the capitalization rate applied to earnings measure of the underlying property. Significant increases or decreases in the discount rate would result in a decrease or increase, respectively, in the fair value measurement.

Changes in market yields, discount rates, capitalization rates or EBITDA multiples, each in isolation, may change the fair value of certain of our investments. Generally, an increase in market yields, discount rates or capitalization rate, or decrease in EBITDA multiples, may result in a decrease in the fair value of certain of our investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which we have recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the valuations currently assigned.

During the year ended June 30, 2014, the valuation methodology for ARRM (as defined in Note 14) changed to incorporate a weighted sale value evidenced by a pending transaction into the EV analysis which was solely used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in ARRM to \$25,536 as of June 30, 2014, a discount of \$21,014 from its amortized cost, compared to the \$6,057 unrealized depreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Gulf Coast (as defined in Note 14) changed to incorporate an EV analysis in place of the yield analysis used in previous periods. Management adopted the EV analysis due to a deterioration in operating results and resulting foreclosure culminating in our obtaining majority voting control of the company. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Gulf Coast to \$14,459 as of June 30, 2014, a discount of \$28,991 from its amortized cost, compared to the \$9,241 unrealized depreciation recorded at June 30, 2013.

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During the year ended June 30, 2014, the valuation methodology for ICON Health & Fitness, Inc. ("ICON") changed to incorporate limited secondary trade data in lieu of weighted broker quotes used previously, in addition to the yield analysis and EV analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in ICON to \$20,889 as of June 30, 2014, a discount of \$1,116 from its amortized cost, compared to the \$9,381 unrealized depreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for New Century Transportation, Inc. ("NCT") changed to a liquidation analysis in place of the yield analysis used in previous periods. Management adopted the liquidation analysis due to a deterioration in operating results and resulting credit impairment. In June 2014, NCT filed for bankruptcy. As we hold a second lien position and do not expect liquidation proceeds to exceed the first lien liability, we decreased the fair value of our investment in NCT to zero as of June 30, 2014, a discount of \$44,000 from its amortized cost, compared to the \$954 unrealized depreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Sandow Media, LLC ("Sandow") changed to incorporate an EV analysis in addition to the yield analysis used in previous periods. Management adopted the EV analysis due to a deterioration in operating results and resulting credit impairment. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Sandow to \$23,524 as of June 30, 2014, a discount of \$1,557 from its amortized cost, compared to being valued at an amount which was the same as cost as of June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Snacks Parent Corporation ("Snacks") changed to incorporate a weighted sale value evidenced by a pending transaction into the EV analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we increased the fair value of our investment in Snacks to \$1,819 as of June 30, 2014, a premium of \$1,228 from its amortized cost, compared to the \$5 unrealized appreciation recorded at June 30, 2013.

During the year ended June 30, 2014, the valuation methodology for Targus Group International, Inc. ("Targus") changed to incorporate weighted broker quotes in addition to the yield analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Targus to \$19,949 as of June 30, 2014, a discount of \$1,748 from its amortized cost, compared to the \$311 unrealized appreciation recorded at June 30, 2013.

During the year ended June 30, 2013, we provided \$125,892 and \$26,648 of debt and equity financing, respectively, to APH Property Holdings, LLC ("APH") for the acquisition of various real estate properties. During the year ended June 30, 2014, we provided \$135,350 and \$28,397 of debt and equity financing, respectively, to APH for the acquisition of certain properties. In December 2013, American Property REIT Corp. ("APRC"), a wholly-owned subsidiary of APH, distributed its investments in fourteen properties: eight to National Property REIT Corp. ("NPRC"), a wholly-owned subsidiary of NPH Property Holdings, LLC ("NPH"); and six to United Property REIT Corp. ("UPRC"), a wholly-owned subsidiary of UPH Property Holdings, LLC ("UPH"), two newly formed REIT holding companies which are discussed below. The investments transferred consisted of \$98,164 and \$20,022 of debt and equity financing, respectively. The eight investments transferred to NPRC from APRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. The six investments transferred to UPRC from APRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no gain or loss realized on these transactions.

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As of June 30, 2014, APRC's real estate portfolio was comprised of fourteen 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:

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Abbingtion Pointe	Marietta, GA	12/28/2012	\$ 23,500	\$ 15,275
2	Amberly Place	Tampa, FL	1/17/2013	63,400	39,600
3	Lofton Place	Tampa, FL	4/30/2013	26,000	16,965
4	Vista at Palma Sola	Bradenton, FL	4/30/2013	27,000	17,550
5	Arlington Park	Marietta, GA	5/8/2013	14,850	9,650
6	The Resort	Pembroke Pines, FL	6/24/2013	225,000	157,500
7	Cordova Regency	Pensacola, FL	11/15/2013	13,750	9,026
8	Crestview at Oakleigh	Pensacola, FL	11/15/2013	17,500	11,488
9	Inverness Lakes	Mobile, AL	11/15/2013	29,600	19,400
10	Kings Mill Apartments	Pensacola, FL	11/15/2013	20,750	13,622
11	Plantations at Pine Lake	Tallahassee, FL	11/15/2013	18,000	11,817
12	Verandas at Rocky Ridge	Birmingham, AL	11/15/2013	15,600	10,205
13	Crestview at Cordova	Pensacola, FL	1/17/2014	8,500	5,072
14	Plantations at Hillcrest	Mobile, AL	1/17/2014	6,930	5,094
15	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
				\$ 512,099	\$ 342,264

The eight investments transferred to NPRC from APRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. There was no gain or loss realized on these transactions. During the year ended June 30, 2014, we provided \$34,050 and \$6,375 of debt and equity financing, respectively, to NPH for the acquisition of certain properties and to invest in peer-to-peer consumer loans.

As of June 30, 2014, NPRC's real estate portfolio was comprised of nine 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:

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	146 Forest Parkway	Forest Park, GA	10/24/2012	\$ 7,400	\$ —
2	Bexley	Marietta, GA	11/1/2013	30,600	22,497
3	St. Marin	Coppell, TX	11/19/2013	73,078	53,863
4	Mission Gate	Plano, TX	11/19/2013	47,621	36,148
5	Vinings Corner	Smyrna, GA	11/19/2013	35,691	26,640
6	Central Park	Altamonte Springs, FL	11/19/2013	36,590	27,471
7	City West	Orlando, FL	11/19/2013	23,562	18,533
8	Matthews Reserve	Matthews, NC	11/19/2013	22,063	17,571
9	Indigo	Jacksonville, FL	12/31/2013	38,000	28,500
10	Island Club	Atlantic Beach, FL	1/31/2014	13,025	9,118
				\$ 327,630	\$ 240,341

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The six investments transferred to UPRC from APRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no gain or loss realized on these transactions. During the year ended June 30, 2014, we provided \$1,405 of equity financing to UPH for the acquisition of certain properties.

As of June 30, 2014, UPRC's real estate portfolio was comprised of six 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:

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Eastwood Village	Stockbridge, GA	12/12/2013	\$ 25,957	\$ 19,785
2	Monterey Village	Jonesboro, GA	12/12/2013	11,501	9,193
3	Hidden Creek	Morrow, GA	12/12/2013	5,098	3,619
4	Meadow Springs	College Park, GA	12/12/2013	13,116	10,180
5	Meadow View	College Park, GA	12/12/2013	14,354	11,141
6	Peachtree Landing	Fairburn, GA	12/12/2013	17,224	13,575
7	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
				\$ 88,655	\$ 67,493

On January 4, 2012, Energy Solutions (as defined in Note 14) sold its gas gathering and processing assets ("Gas Solutions") for a sale price of \$199,805, adjusted for the final working capital settlement, including a potential earnout of \$28,000 that may be paid based on the future performance of Gas Solutions. Through June 30, 2014, we have not accrued income for any portion of the \$28,000 potential payment. After expenses, including structuring fees of \$9,966 paid to us, Energy Solutions received \$158,687 in cash. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, distributions from Energy Solutions to us were required to be recognized as dividend income, in accordance with ASC 946, as cash distributions were received from Energy Solutions, to the extent there are current year earnings and profits sufficient to support such recognition. During the year ended June 30, 2013, we received distributions of \$53,820 from Energy Solutions which were recorded as dividend income. No such dividends were received during the year ended June 30, 2014.

During the year ended June 30, 2014, Energy Solutions repaid the remaining \$8,500 of our subordinated secured debt to us. In addition to the repayment of principal, we received \$4,812 of make-whole fees for early repayment of the outstanding loan receivables, which was recorded as additional interest income during the year ended June 30, 2014. On November 25, 2013, we provided \$13,000 in senior secured debt financing for the recapitalization of our investment in Freedom Marine Services Holdings, LLC ("Freedom Marine"), a subsidiary of Energy Solutions. The subordinated secured loan to Jettco Marine Services, LLC ("Jettco"), a subsidiary of Freedom Marine, was replaced with a senior secured note to Vessel Holdings II, LLC ("Vessel II"), a new subsidiary of Freedom Marine. On December 3, 2013, we made a \$16,000 senior secured investment in Vessel Holdings III, LLC, another new subsidiary of Freedom Marine. Overall the restructuring of our investment in Freedom Marine provided approximately \$16,000 net senior secured debt financing to support the acquisition of two new vessels. We received \$2,480 of structuring fees from Energy Solutions related to the Freedom Marine restructuring which was recognized as other income during the year ended June 30, 2014.

During the three months ended December 31, 2012, we determined that the impairment of Integrated Contract Solutions, Inc. ("ICS") was other-than-temporary and recorded a realized loss of \$12,198 for the amount that the amortized cost exceeded the fair market value. Our remaining investment in The Healing Staff, Inc. ("THS"), an affiliate of ICS, was valued at zero as of June 30, 2014 and continues to provide staffing solutions for health care facilities and security staffing.

On November 30, 2012, we made a secured second lien investment of \$9,500 to support the recapitalization of R-V (as defined in Note 14). As part of the recapitalization, we received a dividend of \$11,073 for our investment in R-V's common stock.

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On March 28, 2013, we sold our investment in New Meatco Provisions, LLC for net proceeds of approximately \$1,965 and realized a loss of \$10,814 on the sale.

On April 30, 2013, we sold our investment in Fischbein, LLC for net proceeds of \$3,168, recognizing a realized gain of \$2,293 on the sale. In addition, there is \$155 being held in escrow which will be recognized as additional gain if and when received.

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On April 15, 2013, assets previously held by H&M Oil & Gas, LLC ("H&M") were assigned to Wolf Energy, LLC ("Wolf Energy") in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826. We received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

In June 2013, we determined that the impairment of Manx Energy, Inc. ("Manx") was other-than-temporary and recorded a realized loss of \$9,397 for the amount that the amortized cost exceeded the fair market value

On August 6, 2013, we received a distribution of \$3,252 related to our investment in NRG Manufacturing, Inc. for which we realized a gain of the same amount. This was a partial release of the amount held in escrow.

On October 31, 2013, we sold \$18,755 of the National Bankruptcy Services, LLC loan receivable. The loan receivable was sold at a discount and we realized a loss of \$7,853.

During the year ended June 30, 2013, we recognized \$1,481 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the \$1,481 recorded during the year ended June 30, 2013 is \$1,111 of normal accretion and \$370 of accelerated accretion resulting from the repayment of Hudson Products Holdings, Inc. During the year ended June 30, 2014, we recognized \$400 of interest income due to purchase discount accretion from the assets acquired from Patriot. No accelerated accretion was recorded during the year ended June 30, 2014. As of June 30, 2014, there is no more purchase discount from the assets acquired from Patriot that remains to be accreted. As of June 30, 2014, \$4,499,955 of our loans, at fair value, bear interest at floating rates and \$4,466,756 of those loans have Libor floors ranging from 1.25% to 6.00%.

At June 30, 2014, nine loan investments were on non-accrual status: BXC Company, Inc., STI Holding, Inc., THS, Manx, NCT, Stryker, Wind River, Wolf Energy and Yatesville. At June 30, 2013, eight loan investments were on non-accrual status: Borga, Inc., Jettco, THS, Manx, Stryker, Wind River, Wolf Energy and Yatesville. Principal balances of these loans amounted to \$163,533 and \$106,395 as of June 30, 2014 and June 30, 2013, respectively. The fair value of these loans amounted to \$6,150 and \$13,810 as of June 30, 2014 and June 30, 2013, respectively. The fair values of these investments represent approximately 0.1% and 0.3% of our total assets as of June 30, 2014 and June 30, 2013, respectively. For the years ended June 30, 2014, 2013 and 2012, the income foregone as a result of not accruing interest on non-accrual debt investments amounted to \$24,040, \$25,965 and \$25,460, respectively. Undrawn committed revolvers to our portfolio companies incur commitment fees ranging from 0.00% to 2.00%. As of June 30, 2014 and June 30, 2013, we have \$143,597 and \$202,518 of undrawn revolver commitments to our portfolio companies, respectively.

Unconsolidated Significant Subsidiaries

Our investments are generally in small and mid-sized companies in a variety of industries. In accordance with SEC Regulation S-X Rules 3-09 and 4-08(g), we must determine which of our unconsolidated majority-owned portfolio companies, if any, are considered "significant subsidiaries." In evaluating these investments, there are three tests utilized to determine if any of our investments are considered "significant subsidiaries": the investment test, the asset test and the income test. SEC Regulation S-X 3-09, as interpreted by the SEC, requires separate audited financial statements of an unconsolidated majority-owned subsidiary if any of the three tests exceed 20% and SEC Regulation S-X 4-08(g) requires summarized financial information if any of the three tests exceed 10%.

At June 30, 2014 and June 30, 2013, we had no single investment that represented greater than 10% of our total investment portfolio at fair value. At June 30, 2014 and June 30, 2013, we had no single investment whose assets represented greater than 10% of our total assets. Income, consisting of interest, dividends, fees, other investment income and realization of gains or losses, can fluctuate upon repayment or sale of an investment or the marking to fair value of an investment in any given year can be highly concentrated among several investments. After performing the

analysis, we determined that First Tower Holdings of Delaware LLC and its subsidiaries ("FT DE") generated more than 10% of our income, but less than 20% of our income, primarily due to the unrealized

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gain that was recognized on the investment for the year ended June 30, 2014. As such, we provide summarized financial information as follows:

	June 30, 2014	June 30, 2013	
Balance Sheet Data			
Cash and short-term investments	\$ 60,368	\$ 56,682	
Finance receivables, net	385,875	378,327	
Intangibles, including goodwill	137,696	161,008	
Other assets	14,066	14,303	
Total liabilities	611,237	545,778	
Member's equity/(deficit)	(13,233	) 64,542	
	Twelve Months Ended June 30,	2013	Period June 15, 2012 to
	2014		June 30, 2012
Summary of Operations			
Total revenue	\$ 201,725	\$ 188,672	\$ 6,947
Total expenses	237,884	211,573	11,674
Net loss	\$(36,159	) \$(22,901	) \$(4,727

As the SEC has not released details on the mechanics of how the calculations related to Rules 3-09 and 4-08(g) of Regulation S-X are to be completed, there is diversity in practice for the calculation. Based on our interpretation of Rule 3-09 of Regulation S-X and related calculations, we do not believe that audited financial statements are required for FT DE. We have included the audited financial statements of FT DE in Exhibit 99.1 in order to cover the possibility that the SEC will adopt an interpretation that would require such filing. We expect that the SEC will clarify the calculation method in the future.

Note 4. Revolving Credit Facility

On March 27, 2012, we closed on an expanded five-year \$650,000 revolving credit facility with a syndicate of lenders through PCF (the "2012 Facility"). The lenders have extended commitments of \$857,500 under the 2012 Facility as of June 30, 2014. The 2012 Facility includes an accordion feature which allows commitments to be increased up to \$1,000,000 in the aggregate. The revolving period of the 2012 Facility extends through March 2015, with an additional two year amortization period (with distributions allowed) after the completion of the revolving period. During such two year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two year amortization period, the remaining balance will become due, if required by the lenders.

The 2012 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 2012 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 2012 Facility. The 2012 Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2014, we were in compliance with the applicable covenants.

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Interest on borrowings under the 2012 Facility is one-month Libor plus 275 basis points with no minimum Libor floor. Additionally, the lenders charge 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. The 2012 Facility requires us to pledge assets as collateral in order to borrow under the credit facility. As of June 30, 2014 and 2013, we had \$780,620 and \$473,508, respectively, available to us for borrowing under the 2012 Facility, of which the amount outstanding was \$92,000 and \$124,000, respectively. As additional eligible investments are transferred to PCF and pledged under the 2012 Facility, PCF will generate additional availability up to the current commitment amount of \$857,500. As of June 30, 2014, the investments used as collateral for the 2012 Facility had an aggregate fair value of \$1,535,476, which represents 24.1% of our total investments, including cash and cash equivalents. 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 2012 Facility, we incurred \$14,154 of fees, including \$1,319 of fees carried over from the previous facility, which are being amortized over the term of the facility in accordance with ASC 470-50, Debt Modifications and Extinguishments, of which \$4,883 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$12,216, \$9,082 and \$14,883, respectively, of interest costs, unused fees and amortization of financing costs on the 2012 Facility as interest expense.

Note 5. Senior Convertible Notes

On December 21, 2010, we issued \$150,000 aggregate principal amount of senior 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 senior 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 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 senior 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 senior 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 senior 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.

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On April 11, 2014, we issued \$400,000 aggregate principal amount of senior 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.

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 “Senior Convertible Notes”) are listed below.

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	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 June 30, 2014(1)(2)	89.0157	79.3176	86.9426	82.8631	79.7865	80.6647
Conversion price at June 30, 2014(2)(3)	\$ 11.23	\$12.61	\$11.50	\$12.07	\$ 12.53	\$12.40
Last conversion price calculation date	12/21/2013	2/18/2014	4/16/2014	8/14/2013	12/21/2013	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 Senior 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.

The conversion price in effect at June 30, 2014 was calculated on the last anniversary of the issuance and will be (3) 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 Senior Convertible Notes.

No holder of Senior 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 Senior 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 Senior Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Senior 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 Senior Convertible Notes through and including the maturity date.

In connection with the issuance of the Senior Convertible Notes, we incurred \$39,558 of fees which are being amortized over the terms of the notes, of which \$27,824 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

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During the years ended June 30, 2014, 2013 and 2012, we recorded \$58,042, \$45,880 and \$22,197, respectively, of interest costs and amortization of financing costs on the Senior Convertible Notes as interest expense.

Note 6. Senior Unsecured Notes

On May 1, 2012, we issued \$100,000 aggregate principal amount of senior 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 March 15, 2013, we issued \$250,000 aggregate principal amount of senior 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 senior 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 was converted into 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 "Senior Unsecured Notes") are direct unsecured obligations and rank equally with all of our unsecured senior indebtedness from time to time outstanding.

In connection with the issuance of the Senior Unsecured Notes, we incurred \$11,358 of fees which are being amortized over the term of the notes, of which \$10,297 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$25,988, \$11,672 and \$1,178, respectively, of interest costs and amortization of financing costs on the Senior Unsecured Notes as interest expense.

Note 7. 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 senior obligations and rank equally with all of our unsecured senior indebtedness 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 year ended June 30, 2014, we issued \$473,762 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$465,314. These notes were issued with stated interest rates ranging from 3.75% to 6.75% with a weighted average interest rate of 5.12%. These notes mature between October 15, 2016 and October 15, 2043. Below is a summary of the Prospect Capital InterNotes® issued during the year ended June 30, 2014:

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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	217,915	4.25%–5.00%	4.91	% 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	62,409	5.25%–5.75%	5.44	% July 15, 2020 – May 15, 2021
7.5	1,996	5.75%	5.75	% February 15, 2021
10	23,850	5.75%–6.50%	5.91	% January 15, 2024 – May 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	34,886	6.25%–6.50%	6.39	% August 15, 2038 – May 15, 2039
30	20,150	6.50%–6.75%	6.60	% July 15, 2043 – October 15, 2043
	\$473,762			

During the year ended June 30, 2013, we issued \$343,139 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$334,244. These notes were issued with stated interest rates ranging from 3.28% to 6.625% with a weighted average interest rate of 5.59%. These notes mature between July 15, 2019 and June 15, 2043. Below is a summary of the Prospect Capital InterNotes® issued during the year ended June 30, 2013:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
7	\$190,937	4.00%–6.45%	5.35	% July 15, 2019 – June 15, 2020
10	1,489	3.28%–3.78%	3.37	% March 15, 2023 – April 15, 2023
15	15,000	5.00%	5.00	% May 15, 2028 – June 15, 2028
18	22,157	4.125%–6.00%	5.34	% December 15, 2030 – June 15, 2031
20	3,106	5.625%–5.75%	5.70	% November 15, 2032 – December 15, 2032
30	110,450	5.50%–6.625%	6.15	% November 15, 2042 – June 15, 2043
	\$343,139			

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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. 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. Below are 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%	4.92	% 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			

Below are the Prospect Capital InterNotes® outstanding as of June 30, 2013:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
7	\$194,937	4.00%–6.55%	5.37	% June 15, 2019 – June 15, 2020
10	18,127	3.28%–7.00%	6.56	% March 15, 2022 – April 15, 2023
15	15,000	5.00%	5.00	% May 15, 2028 – June 15, 2028
18	22,157	4.125%–6.00%	5.34	% December 15, 2030 – June 15, 2031
20	3,106	5.625%–5.75%	5.70	% November 15, 2032 – December 15, 2032
30	110,450	5.50%–6.625%	6.15	% November 15, 2042 – June 15, 2043
	\$363,777			

In connection with the issuance of the Prospect Capital InterNotes®, we incurred \$20,235 of fees which are being amortized over the term of the notes, of which \$18,889 remains to be amortized and is included within deferred financing costs on the Consolidated Statements of Assets and Liabilities as of June 30, 2014.

During the years ended June 30, 2014, 2013 and 2012, we recorded \$33,857, \$9,707 and \$276, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Note 8. Fair Value and Maturity of Debt Outstanding

The following table shows the Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® maximum draw amounts and outstanding borrowings as of June 30, 2014 and June 30, 2013:

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	June 30, 2014		June 30, 2013	
	Maximum Draw Amount	Amount Outstanding	Maximum Draw Amount	Amount Outstanding
Revolving Credit Facility	\$857,500	\$92,000	\$552,500	\$124,000
Senior Convertible Notes	1,247,500	1,247,500	847,500	847,500
Senior Unsecured Notes	647,881	647,881	347,725	347,725
Prospect Capital InterNotes®	785,670	785,670	363,777	363,777
Total	\$3,538,551	\$2,773,051	\$2,111,502	\$1,683,002

The following table shows the contractual maturities of our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured 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	\$—	\$—
Senior Convertible Notes	1,247,500	—	317,500	530,000	400,000
Senior Unsecured 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

The following table shows the contractual maturities of our Revolving Credit Facility, Senior Convertible Notes, Senior Unsecured Notes and Prospect Capital InterNotes® as of June 30, 2013:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	\$124,000	\$—	\$—	\$124,000	\$—
Senior Convertible Notes	847,500	—	150,000	297,500	400,000
Senior Unsecured Notes	347,725	—	—	—	347,725
Prospect Capital InterNotes®	363,777	—	—	—	363,777
Total Contractual Obligations	\$1,683,002	\$—	\$150,000	\$421,500	\$1,111,502

The fair values of our financial liabilities disclosed, but not carried, at fair value as of June 30, 2014 disaggregated into the three levels of the ASC 820 valuation hierarchy are as follows:

	Fair Value Hierarchy				Total
	Level 1	Level 2	Level 3		
Revolving Credit Facility(1)	\$—	\$92,000	\$—		\$92,000
Senior Convertible Notes(2)	—	1,293,495	—		1,293,495
Senior Unsecured Notes(2)	—	679,816	—		679,816
Prospect Capital InterNotes®(3)	—	766,660	—		766,660
Total	\$—	\$2,831,971	\$—		\$2,831,971

(1) The carrying value of our Revolving Credit Facility approximates the fair value.

(2) We use available market quotes to estimate the fair value of the Senior Convertible Notes and Senior Unsecured Notes.

(3) The fair value of our Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates.

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The fair values of our financial liabilities disclosed, but not carried, at fair value as of June 30, 2013 disaggregated into the three levels of the ASC 820 valuation hierarchy are as follows:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Revolving Credit Facility(1)	\$—	\$124,000	\$—	\$124,000
Senior Convertible Notes(2)	—	886,210	—	886,210
Senior Unsecured Notes(2)	—	343,813	—	343,813
Prospect Capital InterNotes®(3)	—	336,055	—	336,055
Total	\$—	\$1,690,078	\$—	\$1,690,078

(1) The carrying value of our Revolving Credit Facility approximates the fair value.

(2) We use available market quotes to estimate the fair value of the Senior Convertible Notes and Senior Unsecured Notes.

(3) The fair value of our Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates.

Note 9. Equity Offerings, Offering Expenses, and Distributions

Excluding dividend reinvestments, we issued 93,381,602 and 106,752,517 shares of our common stock during the years ended June 30, 2014 and 2013, respectively. The proceeds raised, the related underwriting fees, the offering expenses and the prices at which these shares were issued are as follows:

Issuances of Common Stock	Number of Shares Issued	Gross Proceeds	Underwriting Fees	Offering Expenses	Average Offering Price
During the year ended June 30, 2014:					
July 5, 2013 – August 21, 2013(1)	9,818,907	\$107,725	\$902	\$169	\$10.97
August 2, 2013(2)	1,918,342	21,006	—	—	\$10.95
August 29, 2013 – November 4, 2013(1)	24,127,242	272,114	2,703	414	\$11.28
November 12, 2013 – February 5, 2014(1)	27,301,889	307,045	3,069	436	\$11.25
February 10, 2014 – April 9, 2014(1)	21,592,715	239,305	2,233	168	\$11.08
March 31, 2014(2)	2,306,294	24,908	—	—	\$10.80
April 15, 2014 – May 2, 2014(1)	5,213,900	56,995	445	193	\$10.93
May 5, 2014(2)	1,102,313	11,916	—	—	\$10.81
During the year ended June 30, 2013:					
July 2, 2012 – July 12, 2012(1)	2,247,275	26,040	260	—	\$11.59
July 16, 2012	21,000,000	234,150	2,100	62	\$11.15
July 27, 2012	3,150,000	35,123	315	—	\$11.15
September 13, 2012 – October 9, 2012(1)	8,010,357	94,610	946	638	\$11.81
November 7, 2012	35,000,000	388,500	4,550	814	\$11.10
December 13, 2012(2)	467,928	5,021	—	—	\$10.73
December 28, 2012(2)	897,906	9,581	—	—	\$10.67
December 31, 2012(2)	4,141,547	44,649	—	—	\$10.78
January 7, 2013 – February 5, 2013(1)	10,248,051	115,315	1,153	—	\$11.25
February 14, 2013 – May 3, 2013(1)	17,230,253	191,893	1,788	56	\$11.14
May 14, 2013 – May 31, 2013(1)	4,359,200	47,528	399	245	\$10.90

(1) Shares were issued in connection with our at-the-market offering program which we enter into from time to time with various counterparties.

(2) On December 13, 2012, December 28, 2012, December 31, 2012, August 2, 2013, March 31, 2014 and May 5, 2014, we issued 467,928, 897,906, 4,141,547, 1,918,342, 2,306,294 and 1,102,313 shares of our common stock, respectively, in conjunction with investments in CCPI, Credit Central, Valley Electric, CP Holdings, Harbortouch

and Arctic Energy, which are controlled portfolio companies.

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Our shareholders' equity accounts as of June 30, 2014 and 2013 reflect cumulative shares issued as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters and our dividend reinvestment plan. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

On August 24, 2011, our Board of Directors approved a share repurchase plan under which we may repurchase up to \$100,000 of our common stock at prices below our net asset value. We have not made any purchases of our common stock during the period from August 24, 2011 to June 30, 2014 pursuant to this plan. Prior to any repurchase, we are required to notify shareholders of our intention to purchase our common stock. This notice lasts for six months after notice is given. Our last notice was delivered with our annual proxy mailing on September 10, 2013.

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 October 15, 2013, our Registration Statement on Form N-2 was declared effective by the SEC. Under this Shelf Registration Statement, we can issue up to \$3,691,792 of additional debt and equity securities in the public market as of June 30, 2014.

During the years ended June 30, 2014 and 2013, we distributed approximately \$403,188 and \$271,507, respectively, to our stockholders. The following table summarizes our distributions declared and payable for 2013 and 2014:

Declaration Date	Record Date	Payment Date	Amount Per Share	Amount Distributed (in thousands)
5/7/2012	7/31/2012	8/24/2012	\$ 0.101575	\$ 16,886
5/7/2012	8/31/2012	9/21/2012	0.101600	16,897
8/21/2012	9/28/2012	10/24/2012	0.101625	17,597
8/21/2012	10/31/2012	11/22/2012	0.101650	17,736
11/7/2012	11/30/2012	12/20/2012	0.101675	21,308
12/7/2012	12/31/2012	1/23/2013	0.110000	23,669
12/7/2012	1/31/2013	2/20/2013	0.110025	24,641
2/7/2013	2/28/2013	3/21/2013	0.110050	25,307
2/7/2013	3/29/2013	4/18/2013	0.110075	26,267
2/7/2013	4/30/2013	5/23/2013	0.110100	26,620
5/6/2013	5/31/2013	6/20/2013	0.110125	27,280
5/6/2013	6/28/2013	7/18/2013	0.110150	27,299
Total declared and payable for 2013				\$ 271,507
5/6/2013	7/31/2013	8/22/2013	\$ 0.110175	\$ 28,001
5/6/2013	8/30/2013	9/19/2013	0.110200	28,759
6/17/2013	9/30/2013	10/24/2013	0.110225	29,915
6/17/2013	10/31/2013	11/21/2013	0.110250	31,224
6/17/2013	11/29/2013	12/19/2013	0.110275	32,189
6/17/2013	12/31/2013	1/23/2014	0.110300	33,229
8/21/2013	1/31/2014	2/20/2014	0.110325	34,239
8/21/2013	2/28/2014	3/20/2014	0.110350	35,508
8/21/2013	3/31/2014	4/17/2014	0.110375	36,810
11/4/2013	4/30/2014	5/22/2014	0.110400	37,649
11/4/2013	5/30/2014	6/19/2014	0.110425	37,822
11/4/2013	6/30/2014	7/24/2014	0.110450	37,843
Total declared and payable for 2014				\$ 403,188

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Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during the years ended June 30, 2014 and 2013. It does not include distributions previously declared to stockholders of record on any future dates, as those amounts are not yet determinable. The following dividends were previously declared and will be payable subsequent to June 30, 2014: \$0.110475 per share for July 2014 to holders of record on July 31, 2014 with a payment date of August 21, 2014; \$0.110500 per share for August 2014 to holders of record on August 29, 2014 with a payment date of September 18, 2014; and \$0.110525 per share for September 2014 to holders of record on September 30, 2014 with a payment date of October 22, 2014. \$0.110550 per share for October 2014 to holders of record on October 31, 2014 with a payment date of November 20, 2014; \$0.110575 per share for November 2014 to holders of record on November 28, 2014 with a payment date of December 18, 2014; and \$0.110600 per share for December 2014 to holders of record on December 31, 2014 with a payment date of January 22, 2015.

During the years ended June 30, 2014 and 2013, we issued 1,408,070 and 1,450,578 shares of our common stock, respectively, in connection with the dividend reinvestment plan.

As of June 30, 2014, we have reserved 103,055,710 shares of our common stock for issuance upon conversion of the Senior Convertible Notes (see Note 5).

Note 10. Other Income

Other income consists of structuring fees, overriding royalty interests, revenue receipts related to net profit interests/net revenue interests, deal deposits, administrative agent fees, and other miscellaneous and sundry cash receipts. Income from such sources for the years ended June 30, 2014, 2013 and 2012 were as follows:

Income Source	Year Ended June 30,		
	2014	2013	2012
Structuring, advisory and amendment fees (refer to Note 3)	\$ 59,527	\$ 53,708	\$ 35,976
Recovery of legal costs from prior periods from legal settlement	5,825	—	—
Royalty interests	5,893	4,122	224
Administrative agent fees	468	346	293
Total Other Income	\$ 71,713	\$ 58,176	\$ 36,493

Note 11. Net Increase in Net Assets per Share

The following information sets forth the computation of net increase in net assets resulting from operations per share for the years ended June 30, 2014, 2013 and 2012.

	Year Ended June 30,		
	2014	2013	2012
Net increase in net assets resulting from operations	\$ 319,020	\$ 220,856	\$ 190,904
Weighted average common shares outstanding	300,283,941	207,069,971	114,394,554
Net increase in net assets resulting from operations per share	\$ 1.06	\$ 1.07	\$ 1.67

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Note 12. Income Taxes

While our fiscal year end for financial reporting purposes is June 30 of each year, our tax year end is August 31 of each year. The information presented in this footnote is based on our tax year end for each period presented, unless otherwise specified.

For income tax purposes, dividends paid and distributions made to shareholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The tax character of dividends paid to shareholders during the tax years ended August 31, 2013, 2012 and 2011 were as follows:

	Tax Year Ended August 31,		
	2013	2012	2011
Ordinary income	\$ 282,621	\$ 147,204	\$ 76,680
Capital gain	—	—	—
Return of capital	—	—	33,218
Total dividends paid to shareholders	\$ 282,621	\$ 147,204	\$ 109,898

For the tax year ending August 31, 2014, the tax character of dividends paid to shareholders through June 30, 2014 is expected to be ordinary income. Because of the difference between our fiscal and tax year ends, the final determination of the tax character of dividends will not be made until we file our tax return for the tax year ending August 31, 2014.

Taxable income generally differs from net increase in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized gains or losses, as unrealized gains or losses are generally not included in taxable income until they are realized. The following reconciles the net increase in net assets resulting from operations to taxable income for the tax years ended August 31, 2013, 2012 and 2011:

	Tax Year Ended August 31,		
	2013	2012	2011
Net increase in net assets resulting from operations	\$ 238,721	\$ 208,331	\$ 119,281
Net realized loss (gain) on investments	24,632	(38,363)	(16,465)
Net unrealized depreciation (appreciation) on investments	77,835	32,367	(7,552)
Other temporary book-to-tax differences	(4,357)	(1,078)	1,417
Permanent differences	5,939	(6,103)	(20,000)
Taxable income before deductions for distributions	\$ 342,770	\$ 195,154	\$ 76,681

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. The Regulated Investment Company Modernization Act (the "RIC Modernization Act") was enacted on December 22, 2010. Under the RIC Modernization Act, capital losses incurred by taxpayers in taxable years beginning after the date of enactment will be allowed to be carried forward indefinitely and are allowed to retain their character as either short-term or long-term losses. As such, the capital loss carryforwards generated by us after the August 31, 2011 tax year will not be subject to expiration. Any losses incurred in post-enactment tax years will be required to be utilized prior to the losses incurred in pre-enactment tax years. As of August 31, 2013, we had capital loss carryforwards of approximately \$84,470 available for use in later tax years. Of the amount available as of August 31, 2013, \$582, \$33,096 and \$34,471 will expire on August 31, 2016, 2017 and 2018, respectively, and \$16,321 is not subject to expiration. The unused balance each year will be carried forward and utilized as gains are realized, subject to limitations. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, substantially all of the Company's capital loss carryforwards may become permanently unavailable due to limitations by the Code.

Under current tax law, capital losses and specific ordinary losses realized after October 31st and December 31st, respectively, may be deferred and treated as occurring on the first business day of the following tax year. As of August 31, 2013, we had deferred \$10,793 long-term capital losses, which will be treated as arising on the first day of the tax year ending August 31, 2014.

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For the tax year ended August 31, 2013, we had taxable income in excess of the distributions made from such taxable income during the year, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ending August 31, 2014. The amount carried forward to 2014 was approximately \$108,099. For the tax year ended August 31, 2012, we had taxable income in excess of the distributions made from such taxable income during the year, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ended August 31, 2013. The amount carried forward to 2013

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was approximately \$47,950. For the tax year ended August 31, 2011, we did not have taxable income in excess of distributions made from such taxable income during the year, and therefore, there was no excess available for us to carry forward for distribution to shareholders in the tax year ended August 31, 2012.

As of June 30, 2014, the cost basis of investments for tax purposes was \$6,354,811 resulting in estimated gross unrealized appreciation and depreciation of \$146,820 and \$247,891, respectively. As of June 30, 2013, the cost basis of investments for tax purposes was \$4,247,038 resulting in estimated gross unrealized appreciation and depreciation of \$76,112 and \$150,298, respectively. Due to the difference between our fiscal year end and tax year end, the cost basis of our investments for tax purposes as of June 30, 2014 and 2013 was calculated based on the book cost of investments as of June 30, 2014 and 2013, respectively, with cumulative book-to-tax adjustments for investments through August 31, 2013 and 2012, respectively.

In general, we may make certain adjustments to the classification of net assets as a result of permanent book-to-tax differences, which may include merger-related items, differences in the book and tax basis of certain assets and liabilities, and nondeductible federal taxes, among other items. During the tax year ended August 31, 2013, we increased accumulated undistributed net investment income by \$5,939, increased accumulated net realized loss on investments by \$2,621 and decreased capital in excess of par value by \$3,318. During the tax year ended August 31, 2012, we increased accumulated undistributed net investment income by \$5,028, increased accumulated net realized loss on investments by \$37,355 and increased capital in excess of par value by \$32,327. Due to the difference between our fiscal and tax year end, the reclassifications for the taxable years ended August 31, 2013 and 2012 were recorded in the fiscal years ended June 30, 2014 and 2013, respectively.

Note 13. Related Party Agreements and Transactions

Investment Advisory Agreement

We have entered into an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, the Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and (iii) closes and monitors investments we make.

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our gross assets (including amounts borrowed). For services currently rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The total base management fee incurred to the favor of the Investment Adviser was \$108,990, \$69,800 and \$35,836 for the years ended June 30, 2014, 2013 and 2012, respectively.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the

case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a “hurdle rate” of 1.75% per quarter (7.00% annualized).

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The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

• No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

• 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and

• 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in its portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which maybe asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

The total income incentive fee incurred was \$89,306, \$81,231 and \$46,671 for the years ended June 30, 2014, 2013 and 2012, respectively. No capital gains incentive fee was incurred for the years ended June 30, 2014, 2013 and 2012.

Administration Agreement

We have also entered into an Administration Agreement with Prospect Administration LLC ("Prospect Administration") under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and his staff. For the years ended June 30, 2014, 2013 and 2012, the reimbursement was approximately \$14,373, \$8,737 and \$6,848, respectively. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance

of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see "Managerial Assistance" below). The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a subsidiary of the Investment Adviser.

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During the years ended June 30, 2014, 2013 and 2012, Prospect Administration received payments of \$7,582, \$1,394 and \$1,092 directly from our controlled 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. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by these amounts.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as administrator for us.

Managerial Assistance

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. "Making available significant managerial assistance" refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us will vary according to the particular needs of each portfolio company. Examples of such activities include advice on marketing, operations, fulfillment and overall strategy, capital budgeting, managing relationships with financing sources, recruiting management personnel, evaluating acquisition and divestiture opportunities, participating in board and management meetings, consulting with and advising officers of portfolio companies, and providing other organizational and financial guidance.

Prospect Administration, through a managerial assistance agreement executed with each portfolio company to which we provide managerial assistance, provides such managerial assistance on our behalf. In doing so, Prospect Administration utilizes personnel of our Investment Adviser, Prospect Capital Management. We, on behalf of Prospect Administration, invoice portfolio companies receiving and paying for managerial assistance, and we remit to Prospect Administration its allocated cost of providing such services, including payments to Prospect Capital Management for personnel it utilizes for that purpose. Our payments to Prospect Administration are periodically reviewed by our Board of Directors.

During the years ended June 30, 2014, 2013 and 2012, we received payments of \$7,472, \$5,414 and \$1,849, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration.

Co-Investments

On February 10, 2014, we received an exemptive order from the SEC (the "Order") that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Senior Secured Income Fund, Inc. and Pathway Energy Infrastructure Fund, Inc., subject to the conditions included therein. In certain situations where co-investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested.

As of June 30, 2014, we had co-investments in the following: Cent CLO 21 Limited, Galaxy XVII CLO, Ltd., Halcyon Loan Advisors Funding 2014-2 Ltd., Symphony CLO XIV Ltd., Voya CLO 2014-1, Ltd. (f/k/a ING IM CLO

2014-1, Ltd.), and Washington Mill CLO Ltd.

Note 14. Transactions with Controlled Companies

The descriptions below detail the transactions which Prospect Capital Corporation (“Prospect”) has entered into with each of our controlled companies.

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AMU Holdings Inc.

Prospect owns 100% of the equity of AMU Holdings Inc. (“AMU”). AMU owns 98% of Airmall Inc. (“Airmall”). Airmall is a developer and manager of airport retail operations.

On July 30, 2010, Prospect made a \$22,420 investment in AMU, of which \$12,500 was a senior subordinated note and \$9,920 was used to purchase 100% of the preferred and common equity of AMU. AMU used its combined debt and equity proceeds of \$22,420 to purchase 100% of Airmall’s common stock for \$18,000, to pay \$1,573 of structuring fees from AMU to Prospect (which was recognized by Prospect as structuring fee income), \$836 of third party expenses, \$11 of legal services provided by attorneys at Prospect Administration, and \$2,000 of withholding tax. Prospect then purchased for \$30,000 two loans of Airmall payable to unrealized third parties, one for \$10,000 and the other \$20,000. Prospect and Airmall subsequently refinanced the two loans into a single \$30,000 loan from Airmall to Prospect.

On October 1, 2013, Prospect made an additional \$2,600 investment in the senior subordinated note, of which \$575 was utilized by AMU to pay interest due to Prospect and \$2,025 was retained by AMU for working capital. On December 4, 2013, Prospect sold 2% of the outstanding principal balance of the senior secured term loan to Airmall and 2% of the outstanding principal balance of the senior subordinated note to AMU for \$972. On November 25, 2013, Prospect funded an additional \$5,000 to the senior subordinated note, which was utilized by AMU to pay a \$5,000 of dividend to Prospect.

On June 13, 2014, Prospect made a new \$19,993 investment as a senior secured loan to Airmall. Airmall then distributed this amount to AMU as a return of capital, which AMU used to pay down the senior subordinated loan in the same amount. The minority interest held by a third party in AMU was exchanged for common stock of Airmall. The following dividends were declared and paid from Airmall to AMU and recorded as dividend income by AMU:

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	7,000

The following dividends were declared and paid from AMU to Prospect and recorded as dividend income by Prospect:

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	12,000

All dividends were paid from earnings and profits of Airmall and AMU.

The following cash payments from Airmall to Prospect were recorded as a repayment of loan receivable from Airmall:

July 1, 2011 to June 30, 2012	\$ 650
July 1, 2012 to June 30, 2013	550
July 1, 2013 to June 30, 2014	644

The following interest payments were accrued and subsequently paid to Prospect from Airmall for interest due and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$ 3,617
July 1, 2012 to June 30, 2013	3,536
July 1, 2013 to June 30, 2014	3,420

At June 30, 2013, \$2 of interest recognized above had not yet been paid by Airmall to Prospect and was included by Prospect within interest receivable.

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The following interest payments were paid from AMU to Prospect and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$2,282
July 1, 2012 to June 30, 2013	2,286
July 1, 2013 to June 30, 2014	3,159

The following payment-in-kind interest was capitalized in the senior secured note to AMU and recognized as interest income by Prospect:

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	295

The following managerial assistance payments were paid from AMU to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

July 1, 2011 to June 30, 2012	\$375
July 1, 2012 to June 30, 2013	225
July 1, 2013 to June 30, 2014	300

At June 30, 2013 and 2014, \$45 and \$45 of managerial assistance recognized above had not yet been paid by Airmall to Prospect and was included by Prospect within other receivables due from Airmall and other liabilities due to Prospect Administration, respectively.

The following payments were paid from AMU to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to AMU (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

July 1, 2011 to June 30, 2012	\$—
July 1, 2011 to June 30, 2012	8
July 1, 2013 to June 30, 2014	—

At June 30, 2013 and 2014, Prospect had a \$5 and \$11 payable to AMU for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of AMU, respectively.

APH Property Holdings, LLC

Prospect owns 100% of the equity of APH Property Holdings, LLC (“APH”). APH owns 100% of the common equity of American Property Holdings Corp. (“APRC”). APRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, APRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of APRC.

APRC was formed to acquire, 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.

On October 24, 2012, Prospect initially made a \$7,808 investment in APH, of which \$6,000 was a Senior Term Loan and \$1,808 was used to purchase the membership interests of APH. The proceeds were utilized by APH to purchase APRC common equity for \$7,806, with \$2 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 100% ownership interest in 146 Forest Parkway, LLC for \$7,326, with \$480 retained by APRC for working capital. 146 Forest Parkway, LLC was purchased by APRC for \$7,400. The remaining proceeds were used to pay \$222 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$178 of third party expenses and \$5 of legal services provided by attorneys at Prospect Administration. The investment was subsequently contributed to NPRC.

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On December 28, 2012, Prospect made a \$9,593 investment in APH, of which \$6,400 was a Senior Term Loan and \$3,193 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$9,594, with \$1 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 92.7% ownership interest in 1557 Terrell Mill Road, LLC for \$9,548, with \$46 retained by APRC for other expenses. 1557 Terrell Mill Road, LLC was purchased by APRC for \$23,500 which included debt financing and minority interest of \$15,275 and \$757, respectively. The remaining proceeds were used to pay \$286 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income) and \$1,652 of third party expenses, with \$142 retained by APRC for working capital.

On January 17, 2013, Prospect made a \$30,348 investment in APH, of which \$27,600 was a Senior Term Loan and \$2,748 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$29,348, with \$1,000 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 97.7% ownership interest in 5100 Live Oaks Blvd, LLC for \$29,348. 5100 Live Oaks Blvd, LLC was purchased by APRC for \$63,400 which included debt financing and minority interest of \$39,600 and \$686, respectively. The remaining proceeds were used to pay \$880 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$4,265 of third party expenses, \$14 of legal services provided by attorneys at Prospect Administration, and \$1,030 of pre-paid assets, with \$45 retained by APRC for working capital.

On April 30, 2013, Prospect made a \$10,383 investment in APH, of which \$9,000 was a Senior Term Loan and \$1,383 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$10,233, with \$150 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 93.2% ownership interest in Lofton Place, LLC for \$10,233. Lofton Place, LLC was purchased by APRC for \$26,000 which included debt financing and minority interest of \$16,965 and \$745, respectively. The remaining proceeds were used to pay \$306 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,223 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$364 of pre-paid assets, with \$45 retained by APRC for working capital.

On April 30, 2013, Prospect made a \$10,863 investment in APH, of which \$9,000 was a Senior Term Loan and \$1,863 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$10,708, with \$155 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 93.2% ownership interest in Vista Palma Sola, LLC for \$10,708. Vista Palma Sola, LLC was purchased by APRC for \$27,000 which included debt financing and minority interest of \$17,550 and \$785, respectively. The remaining proceeds were used to pay \$321 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,272 of third party expenses, \$4 of legal services provided by attorneys at Prospect Administration, and \$401 of pre-paid assets with \$45 retained by APRC for working capital.

On May 8, 2013, Prospect made a \$6,118 investment in APH, of which \$4,000 was a Senior Term Loan and \$2,118 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$6,028, with \$90 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 93.3% ownership interest in Arlington Park Marietta, LLC for \$6,028. Arlington Park Marietta, LLC was purchased by APRC for \$14,850 which included debt financing and minority interest of \$9,650 and \$437, respectively. The remaining proceeds were used to pay \$181 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$911 of third party expenses and \$128 of pre-paid assets with \$45 retained by APRC for working capital.

On June 24, 2013, Prospect made a \$76,533 investment in APH, of which \$63,000 was a Senior Term Loan and \$13,533 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$75,233, with \$1,300 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 95.0% ownership interest in APH Carroll Resort, LLC for \$74,398 and \$835 was used to pay structuring fees (which was recognized by Prospect as structuring fee income). APH Carroll Resort, LLC was purchased by APRC for \$225,000 which included debt financing and minority interest of \$157,500 and \$3,916, respectively. The remaining proceeds were used to pay \$1,436 of structuring fees to Prospect (which was

recognized by Prospect as structuring fee income), \$7,687 of third party expenses, \$8 of legal services provided by attorneys at Prospect Administration and \$1,683 of pre-paid assets.

Between October 29, 2013 and December 4, 2013, Prospect made an \$11,000 investment in APH, of which \$9,350 was a Senior Term Loan and \$1,650 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase consumer loans from a third party. The investment was subsequently contributed to NPRC.

On November 1, 2013, Prospect made a \$9,869 investment in APH, of which \$8,200 was a Senior Term Loan and \$1,669 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$9,869. The proceeds were utilized by APRC to purchase a 94.0% ownership interest in APH Carroll 41, LLC

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for \$9,548 and to pay \$102 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$219 retained by APRC for working capital. APH Carroll 41, LLC was purchased by APRC for \$30,600 which included debt financing and minority interest of \$22,497 and \$609, respectively. The remaining proceeds were used to pay structuring fees of \$190 to Prospect (which was recognized by Prospect as structuring fee income), \$1,589 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$270 of pre-paid assets. The investment was subsequently contributed to NPRC.

On November 15, 2013, Prospect made a \$45,900 investment in APH, of which \$38,500 was a Senior Term Loan and \$7,400 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$45,900. The proceeds were utilized by APRC to purchase a 99.3% ownership interest in APH Gulf Coast Holdings, LLC for \$45,024 and to pay \$364 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$511 retained by APRC for working capital. APH Gulf Coast Holdings, LLC was purchased by APRC for \$115,200 which included debt financing and minority interest of \$75,558 and \$337, respectively. The remaining proceeds were used to pay \$1,013 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,590 of third party expenses, \$23 of legal services provided by attorneys at Prospect Administration, and \$2,023 of pre-paid assets, with \$70 retained by APRC for working capital.

On November 19, 2013, Prospect made a \$66,188 investment in APH, of which \$55,000 was a Senior Term Loan and \$11,188 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$66,188. The proceeds were utilized by APRC to purchase a 90.0% ownership interest in NPH McDowell, LLC for \$64,392 and to pay \$695 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$1,101 retained by APRC for working capital. NPH McDowell, LLC was purchased by APRC for \$238,605 which included debt financing and minority interest of \$180,226 and \$7,155, respectively. The remaining proceeds were used to pay \$1,290 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$9,205 of third party expenses, \$23 of legal services provided by attorneys at Prospect Administration, and \$1,160 of pre-paid assets, with \$1,490 retained by APRC for working capital. The investment was subsequently contributed to NPRC.

On December 12, 2013, Prospect made a \$22,507 investment in APH, of which \$18,800 was a Senior Term Loan and \$3,707 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$22,507. The proceeds were utilized by APRC to purchase a 92.6% ownership interest in South Atlanta Portfolio Holding Company, LLC for \$21,874 and to pay \$238 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$395 retained by APRC for working capital. South Atlanta Portfolio Holding Company, LLC was purchased by APRC for \$87,250 which included debt financing and minority interest of \$67,493 and \$1,756, respectively. The remaining proceeds were used to pay \$437 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,920 of third party expenses, and \$116 of pre-paid assets, with \$400 retained by APRC for working capital. The investment was subsequently contributed to UPH.

On December 31, 2013, APRC distributed its majority interests in five joint ventures ("JVs") holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH Property Holdings, LLC and the remainder to UPH Property Holdings, LLC (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to NPRC and UPRC, respectively. The total investments in the JVs transferred consisted of \$98,164 and \$20,022 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

On January 17, 2014, Prospect made a \$6,565 investment in APH, of which \$5,500 was a Senior Term Loan and \$1,064 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$6,565. The proceeds were utilized by APRC to purchase a 99.3% ownership interest in APH Gulf Coast Holdings, LLC for \$6,336 and to pay \$216 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$13 retained by APRC for working capital and other

expenses. APH Gulf Coast Holdings, LLC was purchased by APRC for \$15,430 which included debt financing and minority interest of \$10,167 and \$48, respectively. The remaining proceeds were used to pay \$143 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$627 of third party expenses, \$4 of legal services provided by attorneys at Prospect Administration, and \$312 of pre-paid assets, with \$35 retained by APRC for working capital.

Effective as of April 1, 2014, Prospect made a new \$167,162 senior term loan to APRC. APRC then distributed this amount to APH as a return of capital which was used to pay down the Senior Term Loan from APH by the same amount. Effective April 1,

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2014, American Property Holdings Corp. was renamed American Property REIT Corp. (continues as "APRC"). APH continues to own 100% of the common equity of APRC at June 30, 2014.

On June 4, 2014, Prospect made a \$1,719 investment in APH to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$1,719. The proceeds were utilized by APRC to acquire the real property located at 975 South Cornwell, Yukon, OK ("Taco Bell, OK") for \$1,719. The following cash distributions were declared and paid from APRC to APH and recorded as a return of capital by APH:

October 24, 2012 to June 30, 2013	\$ 1,676
July 1, 2013 to June 30, 2014	175,972

The following interest income was accrued and subsequently paid from APH to Prospect and recognized by Prospect as interest income:

October 24, 2012 to June 30, 2013	\$ 2,006
July 1, 2013 to June 30, 2014	9,844

At June 30, 2013 and June 30, 2014, \$121 and \$53 of interest recognized above had not yet been paid by APH to Prospect and was included by Prospect within interest receivable, respectively.

At June 30, 2013 and June 30, 2014, \$892 and \$4,084 of interest from APH was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis, respectively.

The following interest income was accrued and subsequently paid from APRC to Prospect and recognized by Prospect as interest income:

October 24, 2012 to June 30, 2013	\$ —
July 1, 2013 to June 30, 2014	4,279

At June 30, 2014, \$53 of interest recognized above had not yet been paid by APRC to Prospect and was included by Prospect within interest receivable.

At June 30, 2014, \$581 of interest from APRC was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis.

The following royalty payments were paid from APH to Prospect and recognized by Prospect as other income:

October 24, 2012 to June 30, 2013	\$ 78
July 1, 2013 to June 30, 2014	999

The following royalty payments were paid from APRC to Prospect and recognized by Prospect as other income:

October 24, 2012 to June 30, 2013	\$ —
July 1, 2013 to June 30, 2014	419

The following managerial assistance payments were paid from APRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

October 24, 2012 to June 30, 2013	\$ 148
July 1, 2013 to June 30, 2014	784

The following amounts were due from Prospect to Prospect Administration for managerial assistance payments (no direct income was recognized by Prospect):

June 30, 2013	\$ 76
June 30, 2014	148

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The following amounts were due from APH to Prospect for reimbursement of expenses paid by Prospect on behalf of APH and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2013	\$ 13
June 30, 2014	202

The following amounts were due to APH from Prospect for reimbursement of expenses paid by APH on behalf of Prospect and included by Prospect within other liabilities on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2013	\$—
June 30, 2014	148

Arctic Oilfield Equipment USA, Inc.

Prospect owns 100% of the equity of Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”). Arctic Equipment owns 70% of the equity of Arctic Energy Services, LLC (“Arctic Energy”), with Ailport Holdings, LLC (“Ailport”) (100% owned and controlled by Arctic Energy management) owning the remaining 30% of the equity of Arctic Energy. Arctic Energy provides oilfield service personnel, well testing flowback equipment, frac support systems and other services to exploration and development companies in the Rocky Mountains.

On May 5, 2014, Prospect initially purchased 100% of the common shares of Arctic Equipment for \$9,006. Proceeds were utilized by Arctic Equipment to purchase 70% of Arctic Energy as described in the following paragraph.

On May 5, 2014, Prospect made an additional \$51,870 investment (including in exchange for 1,102,313 common shares of Prospect at fair value of \$11,916) in Arctic Energy in exchange for a \$31,640 senior secured loan and a \$20,230 subordinated loan. Total proceeds received by Arctic Energy of \$60,876 were used to purchase 70% of the equity interests in Arctic Energy from Ailport for \$47,516, pay \$875 of third-party expenses, \$1,713 of structuring fees to Prospect (which was recognized as structuring fee income), \$445 of legal services provided by attorneys at Prospect Administration and \$10,327 was retained as working capital.

The following interest income was accrued and subsequently paid from Arctic Energy to Prospect for interest due and recognized by Prospect as interest income:

May 5, 2014 to June 30, 2014	\$ 1,050
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At June 30, 2014, \$18 of interest recognized above had not yet been paid by Arctic Energy to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from Arctic Energy to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

May 5, 2014 to June 30, 2014	\$ 15
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The following amounts were due from Arctic Energy to Prospect for reimbursement of expenses paid by Prospect on behalf of Arctic Energy and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect).

June 30, 2014	\$ 6
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ARRM Services, Inc.

Prospect owns 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100.00% of the Series B Preferred equity of ARRM Holdings, Inc. (“ARRM”). ARRM owns 100% of the equity of Ajax Rolled Ring & Machine, LLC (“Ajax LLC”). Ajax forges large seamless steel rings on two forging mills in the company’s York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

As of July 1, 2011, the cost basis of Prospect’s total debt and equity investment in Ajax, Inc., including capitalized payment-in-kind interest of \$3,535, was \$41,699, consisting of \$20,607 for senior secured term loans, \$15,035 for subordinated secured term

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debt and \$6,057 for common equity. The equity of Ajax Inc. was exchanged for equity in ARRM on October 4, 2011, and Ajax Inc. was converted to a limited liability company and became Ajax LLC. On December 28, 2012, Prospect funded \$3,600 of unsecured debt to ARRM.

On April 1, 2013, Prospect refinanced the existing \$19,837 and \$18,635 senior loans to Ajax LLC and ARRM, respectively, increasing the total size of the debt investment to \$38,537. Concurrent with the refinancing, Prospect received repayment of the \$18,635 loans that Prospect previously outstanding. On October 11, 2013, Prospect provided \$25,000 in preferred equity for the recapitalization of ARRM. After the financing, Prospect received repayment of the \$20,009 subordinated unsecured loan previously outstanding.

On June 12, 2014, ARRM was renamed to ARRM Services, Inc.

The following cash payments from Ajax Inc. to Prospect were recorded as a repayment of loan receivable by Prospect:

July 1, 2011 to June 30, 2012	\$440
July 1, 2012 to June 30, 2013	357
July 1, 2013 to June 30, 2014	400

The following interest income was accrued and subsequently paid from ARRM to Prospect for interest due and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$2,003
July 1, 2012 to June 30, 2013	3,052
July 1, 2013 to June 30, 2014	929

At June 30, 2013, \$29 of interest recognized above had not yet been paid by ARRM to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and subsequently paid from Ajax LLC to Prospect for interest due and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$2,847
July 1, 2012 to June 30, 2013	2,124
July 1, 2013 to June 30, 2014	1,873

At June 30, 2013 and June 30, 2014, \$20 and \$6 of interest recognized above had not yet been paid by Ajax LLC to Prospect and was included by Prospect within interest receivable, respectively.

The following payment-in-kind interest was capitalized in the senior secured note to Ajax LLC and recorded as interest income by Prospect:

December 13, 2012 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	309

As of June 30, 2014, due to a pending sale transaction, we reversed \$3,844 of previously recognized payment-in-kind interest of which we do not expect to receive.

The following managerial assistance payments were paid from Ajax LLC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

July 1, 2011 to June 30, 2012	\$315
July 1, 2012 to June 30, 2013	90
July 1, 2013 to June 30, 2014	80

The following payments were paid from ARRM to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to ARRM no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

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July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	49
July 1, 2013 to June 30, 2014	14

BXC Company, Inc.

Prospect owns 86.7% of Series A Preferred Stock, 96.8% of Series B Preferred Stock, and 83.1% of fully diluted common stock of BXC Company, Inc. (“BXC”). BXC owns 100% of the common stock of Boxercraft Incorporated (“Boxercraft”).

As of July 1, 2011, the cost basis of Prospect’s total debt and equity investment in Boxercraft, including capitalized payment-in-kind interest of \$763, was \$12,931. On September 28, 2012 and April 18, 2014, Prospect issued additional debt to BXC in the amount of \$2,293 and \$300, respectively. From inception to date, Prospect received a total of \$4,684 in repayments of the combined debt and capitalized a total of \$1,674 of paid-in-kind interest.

Effective as of March 28, 2014, Prospect acquired voting control of BXC pursuant to a voting agreement and irrevocable proxy. Effective May 8, 2014, Prospect acquired control of BXC by transferring shares held by the other equity holders of BXC to Prospect pursuant to an assignment agreement entered into with such other equity holders. There was no income recognized by Prospect from the time BXC became a controlled company through June 30, 2014 due to the non-accrual status.

CCPI Holdings Inc.

Prospect owns 100% of the equity of CCPI Holdings Inc. (“CCPI Holdings”). CCPI Holdings owns 94.98% of the equity of CCPI Inc. (“CCPI”), with CCPI management owning the remaining 5.02% of the equity. CCPI owns 100% of each of CCPI Europe Ltd., and MEFEC B.V., and 45% of Gulf Temperature Sensors W.L.L.

On December 13, 2012, Prospect initially made a \$15,921 investment (including 467,928 common shares of Prospect at fair value of \$5,021) in CCPI Holdings, \$7,500 senior secured note and \$8,443 equity interest. The proceeds received by CCPI Holdings were partially utilized to purchase 95.13% of CCPI common stock for \$14,878. The remaining proceeds were used to pay \$395 of structuring fees from CCPI Holdings to Prospect (which were recognized by Prospect as structuring fee income), \$215 for legal services provided by attorneys at Prospect Administration, \$137 for third party expenses and \$318 was retained by CCPI Holdings for working capital.

On December 13, 2012, Prospect made an additional investment of \$18,000 in CCPI senior secured debt. The proceeds of the Prospect loan along with \$14,878 of equity financing from CCPI Holdings, Inc. (mentioned above) were used to purchase 95.13% of CCPI equity from the sellers for \$31,829, provide \$120 of debt financing to CCPI management (to partially fund a purchase by management of CCPI stock), fund \$180 of structuring fees from CCPI to Prospect (which were recognized by Prospect as structuring fee income), pay \$548 of third-party expenses, reimburse \$12 for reimbursement of expenses paid by Prospect on behalf of CCPI (no income was recognized by Prospect) and \$189 was retained by CCPI as working capital.

On June 13, 2014, Prospect made a new \$8,218 senior secured note to CCPI. CCPI then distributed this amount to CCPI Holdings as a return of capital which was used to pay down the \$8,216 senior secured note from CCPI Holdings to Prospect. The remaining \$2 was distributed to Prospect as a return of capital of Prospect's equity investment in CCPI Holdings. CCPI continues to own 94.98% of the common stock of CCPI Holdings at June 30, 2014.

The following dividends were declared and paid from CCPI to CCPI Holdings and recorded as dividend income by CCPI Holdings:

December 13, 2012 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	500

The following cash distributions were declared and paid from CCPI to CCPI Holdings and recorded as a return of capital by CCPI Holdings:

December 13, 2012 to June 30, 2013	\$ 795
July 1, 2013 to June 30, 2014	1,265

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The following dividends were paid from CCPI Holdings to Prospect and recognized by Prospect as dividend income:

December 13, 2012 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	500

All amounts recorded as dividends were paid from earnings and profits of the company paying the dividend.

The following interest income was accrued and subsequently paid from CCPI Holdings to Prospect for interest due and recognized by Prospect as interest income:

December 13, 2012 to June 30, 2013	\$ 642
July 1, 2013 to June 30, 2014	906

At June 30, 2013 and June 30, 2014, \$135 and \$4 of interest recognized above had not yet been paid by CCPI Holdings to Prospect and was included by Prospect within interest receivable, respectively.

The following payment-in-kind interest was capitalized in the senior secured note to CCPI Holdings and recorded as interest income by Prospect:

December 13, 2012 to June 30, 2013	\$ 159
July 1, 2013 to June 30, 2014	557

The following interest income was accrued and subsequently paid from CCPI to Prospect for interest due and recognized by Prospect as interest income:

December 13, 2012 to June 30, 2013	\$ 991
July 1, 2013 to June 30, 2014	1,822

The following payment-in-kind interest was capitalized in the senior secured note to CCPI and recorded as interest income by Prospect:

July 1, 2013 to June 30, 2014	\$ 27
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The following royalty payments were paid from CCPI Holdings to Prospect and recognized by Prospect as other income:

December 13, 2012 to June 30, 2013	\$ 32
July 1, 2013 to June 30, 2014	71

The following cash payments from CCPI to Prospect were recorded as repayments of loans receivable by Prospect:

December 13, 2012 to June 30, 2013	\$ 225
July 1, 2013 to June 30, 2014	562

The following managerial assistance payments were paid from CCPI to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

December 13, 2012 to June 30, 2013	\$ 132
July 1, 2013 to June 30, 2014	240

At June 30, 2013 and June 30, 2014, \$60 and \$60 of managerial assistance had been received by Prospect from CCPI Holdings and had not yet been paid to Prospect Administration, respectively. These amounts were included by Prospect in Due to Prospect Administration on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect).

The following payments were paid from CCPI Holdings to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to CCPI Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable to Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

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December 13, 2012 to June 30, 2013	\$215
July 1, 2013 to June 30, 2014	249

The following amounts were due from CCPI Holdings to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2013	\$—
June 30, 2014	10

At June 30, 2013, Prospect had a \$119 payable to CCPI Holdings for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of CCPI Holdings.

CP Holdings of Delaware LLC

Prospect owns 100% of the equity of CP Holdings of Delaware LLC. (“CP Holdings”). CP Holdings owns 82.9% of the equity of CP Energy Services Inc. (“CP Energy”), and the remaining 17.1% of the equity is owned by CP Energy management. CP Energy owns directly or indirectly 100% of each of CP Well Testing Services, LLC (“CP Well Testing”), CP Well Testing, LLC (“CP Well”), Fluid Management Services, Inc., Fluid Management Services LLC, Wright Transport, Inc., Wright Foster Disposals, LLC, Foster Testing Co, Inc., ProHaul Transports, LLC, Artexoma Logistics, LLC, Wright Trucking, Inc. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On October 3, 2012, Prospect initially made a \$21,500 senior secured debt investment in CP Well. As part of the transaction, Prospect received \$430 of structuring fees from CP Well (which was recognized by Prospect as structuring fee income) and \$7 was paid by CP Well to Prospect Administration for legal services provided by attorneys at Prospect Administration.

On August 2, 2013, Prospect invested \$94,014 (including 1,918,342 unregistered shares of Prospect common stock at a fair value of \$21,006) to support the recapitalization of CP Energy where Prospect acquired a controlling interest in CP Energy.

On August 2, 2013, Prospect invested \$12,741 into CP Holdings to purchase 100% of the common stock in CP Holdings. The proceeds were used by CP Holdings to purchase 82.9% of the common stock in CP Energy for \$12,135 and pay \$606 of legal services provided by attorneys at Prospect Administration.

On August 2, 2013, Prospect made a senior secured debt investment of \$22,500 in CP Well Testing. Proceeds were used by CP Well Testing to partially fund the recapitalization of CP Energy and pay \$450 of structuring fees from CP Well Testing to Prospect (which was recognized by Prospect as structuring fee income).

On August 2, 2013, Prospect made an additional senior secured debt investment of \$58,773 in CP Energy. CP Energy also received \$2,505 management co-investment in exchange for 17.1% of CP Energy common stock. Total proceeds received at CP Well Testing and CP Energy of \$95,913 (including the \$12,135 of equity financing from CP Holdings mentioned above) were used to purchase 100% of the equity interests in CP Well Testing Holding Company, LLC and Fluid Management Holdings, Inc. (subsequently renamed CP Well Testing and Fluid Management Services, LLC) for a combined \$70,423, to repay the principal, interest and fees of \$19,803 on the loan previously outstanding from Prospect to CP Well, pay \$1,414 of structuring fees from CP Energy to Prospect (which was recognized by Prospect as structuring fee income), \$823 of third-party expenses and \$3,000 was retained by CP Energy as working capital.

On October 11, 2013, Prospect made a \$746 follow-on investment in CP Holdings to fund equity into CP Energy and made an additional senior secured loan to CP Energy of \$5,100. Management invested an additional \$154 of equity in CP Energy, and the percentage ownership of CP Energy did not change. Total proceeds of \$6,000 were used to purchase flowback equipment and expand the CP Well operations in West Texas.

On December 26, 2013, Prospect made an additional \$1,741 follow-on investment in CP Holdings to fund equity into CP Energy and made an additional senior secured loan to CP Energy of \$11,900. Management invested an additional \$359 of equity in CP Energy, and the percentage ownership of CP Energy did not change. Total proceeds of \$14,000 were used to purchase additional equipment.

On April 1, 2014, Prospect made new loans to CP Well, ProHaul Transports, LLC Wright Trucking, Inc. and Foster Testing Co, Inc. as co-borrowers, two first lien loans in the amount of \$11,035 and \$72,238 and a second lien loan in the amount of \$15,000. The

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proceeds of these loans were used to repay CP Well Testing's senior secured term loan and CP Energy's senior secured term loan from Prospect. CP Holdings continues to own 82.9% of the equity of CP Energy at June 30, 2014.

The following interest income was accrued and subsequently paid from CP Energy to Prospect and recognized by Prospect as interest income:

August 2, 2013 to June 30, 2014	\$ 8,083
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The following interest income was accrued and subsequently paid from CP Well Testing to Prospect and recognized by Prospect as interest income:

August 2, 2013 to June 30, 2014	\$ 1,657
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The following interest income was accrued and subsequently paid from CP Well to Prospect and recognized by Prospect as interest income:

April 1, 2014 to June 30, 2014	\$ 4,118
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At June 30, 2014, \$45 of interest recognized above had not yet been paid by CP Well to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from CP Energy to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

July 1, 2013 to June 30, 2014	\$ 275
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The following amounts were due from Prospect to Prospect Administration for managerial assistance for CP Well for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

June 30, 2014	\$ 75
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The following payments were paid from CP Holdings to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to CP Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable to Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

July 1, 2013 to June 30, 2014	\$ 609
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Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"). Credit Central Delaware owns 74.75% of the equity of Credit Central Holdings, LLC ("Credit Central"), with entities owned by Credit Central management owning the remaining 25.25% of the equity. Credit Central owns 100% of each of Credit Central, LLC, Credit Central South, LLC, Credit Central of Texas, LLC, and Credit Central of Tennessee, LLC. Credit Central is a branch-based provider of installment loans.

On December 28, 2012, Prospect initially made a \$47,663 investment (including the fair value of 897,906 common shares of Prospect for \$9,581 on that date, which were included in the purchase cost paid to acquire Credit Central) in Credit Central Delaware, of which \$38,082 was a Senior Secured Revolving Credit Facility and \$9,581 to purchase the membership interests of Credit Central Delaware. The proceeds were partially utilized to purchase 74.75% of Credit Central's membership interests for \$43,293. The remaining proceeds were used to pay \$1,440 of structuring fees from Credit Central Delaware to Prospect (which was recognized by Prospect as structuring fee income), \$638 for third party expenses, \$292 for legal services provided by attorneys at Prospect Administration and \$2,000 was retained by Credit Central Delaware for working capital. On March 28, 2014, Prospect funded an additional \$2,500 (\$2,125 to the Senior Secured Revolving Credit Facility and \$375 to purchase additional membership interests of Credit Central Delaware) which was utilized by Credit Central Delaware to pay a \$2,000 dividend to Prospect and \$500 was retained by Credit Central Delaware for working capital.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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On June 26, 2014, Prospect made a new \$36,333 second lien term loan to Credit Central. Credit Central then distributed this amount to Credit Central Delaware as a return of capital which was used to pay down the Senior Secured Revolving Credit Facility from Credit Central Delaware by the same amount. The remaining amount of the Senior Secured Revolving Credit Facility, \$3,874, was then converted to additional membership interests in Credit Central Delaware. Effective June 26, 2014, Credit Central Holdings, LLC was renamed Credit Central Loan Company, LLC (continues as "Credit Central"). Credit Central Delaware continues to own 74.75% of the equity of Credit Central at June 30, 2014.

The following dividends were declared and paid from Credit Central to Credit Central Delaware and recorded as dividend income by Credit Central Delaware:

December 28, 2012 to June 30, 2013	\$4,796
July 1, 2013 to June 30, 2014	10,431

The following cash distributions were declared and paid from Credit Central to Credit Central Delaware and recorded as a return of capital by Credit Central Delaware:

July 1, 2013 to June 30, 2014	\$36,333
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The following interest payments were paid from Credit Central Delaware to Prospect and recognized by Prospect as interest income:

December 28, 2012 to June 30, 2013	\$3,893
July 1, 2013 to June 30, 2014	7,845

The following royalty payments were paid from Credit Central Delaware to Prospect and recognized by Prospect as other income:

December 28, 2012 to June 30, 2013	\$240
July 1, 2013 to June 30, 2014	521

The following dividends were paid from Credit Central Delaware to Prospect and recognized by Prospect as dividend income:

July 1, 2013 to June 30, 2014	\$4,841
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All dividends were paid from earnings and profits of the company paying the dividend.

The following managerial assistance payments were paid from Credit Central to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

December 28, 2012 to June 30, 2013	\$350
July 1, 2013 to June 30, 2014	700

The following payments were paid from Credit Central Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Credit Central Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the expenses of Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

December 28, 2012 to June 30, 2013	\$292
July 1, 2013 to June 30, 2014	131

The following amounts were due from Credit Central Delaware to Prospect for interest and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2013	\$—
June 30, 2014	20

The following amounts were due from Credit Central Delaware to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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June 30, 2013	\$ 17
June 30, 2014	—

The following amounts were due to Credit Central Delaware from Prospect for reimbursement of expenses and included by Prospect within other liabilities on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2013	\$ —
June 30, 2014	38

The following amounts were due from Prospect to Prospect Administration for reimbursement for legal, tax and portfolio level accounting services provided directly to Credit Central Delaware for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the expenses of Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

June 30, 2013	\$ 175
June 30, 2014	175

Echelon Aviation LLC

Prospect owns 100% of the membership interests of Echelon Aviation, LLC (“Echelon”). Echelon owns 60.7% of the equity of AerLift Leasing Limited (“AerLift”).

On March 31, 2014, Prospect initially made a \$92,628 investment in Echelon, of which \$78,521 was a Senior Secured Revolving Credit Facility and \$14,107 to purchase the membership interests of Echelon. The proceeds were partially utilized to purchase 60.7% of AerLift’s membership interests for \$83,657. The remaining proceeds were used to pay \$2,771 of structuring fees from Echelon to Prospect (which was recognized by Prospect as structuring fee income), \$540 for third party expenses, \$664 for legal and tax services provided by Prospect Administration and \$4,996 was retained by Echelon for working capital.

The following interest income was accrued and subsequently paid from Echelon to Prospect for interest due from Echelon and recognized by Prospect as interest income and included by Prospect within interest receivable:

March 31, 2014 to June 30, 2014	\$ 2,809
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The following amounts were due from Echelon to Prospect for reimbursement of expenses paid by Prospect on behalf of Echelon and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2014	\$ 78
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The following payments were paid from Echelon to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Echelon (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the expenses of Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

March 31, 2014 to June 30, 2014	\$ 664
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Energy Solutions Holdings Inc.

As of June 30, 2014, Prospect owns 100% of the equity of Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings Inc.) (“Energy Solutions”). Energy Solutions owns 100% of each of Change Clean Energy Holdings, LLC (“Change Clean”), Freedom Marine Solutions Holdings, LLC (“Freedom Marine”) and Yatesville Coal, LLC (“Yatesville”). Freedom Marine owns 100% of each of Vessel Holdings, LLC (“Vessel”), Vessel Holdings II, LLC (“Vessel II”) and Vessel Holdings III, LLC (“Vessel III”). Yatesville owns 100% of North Fork Collieries, LLC. Change Clean owns 100% of Change Clean Energy, LLC, Down East Power Company, LLC and 50.1% of BioChips LLC. Energy Solutions owns interests in companies operating in the energy sector. These include companies operating offshore supply vessels, ownership of a non-operating biomass electrical generation plant and several coal mines. Energy Solutions subsidiaries formerly owned interests in gathering and processing business in east Texas. As of July 1, 2011, the cost basis of our investment in Energy Solutions, including debt and equity, was \$42,003.

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In December 2011, Prospect completed a reorganization of Gas Solutions Holdings Inc. renaming the company Energy Solutions and transferring ownership of other operating companies owned by Prospect and operating within the energy industry. As part of the reorganization, Prospect transferred our debt and equity interests with cost basis of \$2,540 in Change Clean Energy Holdings, Inc., Change Clean Energy, Inc., \$12,504 in Freedom Marine Holdings, Inc. and \$1,449 of Yatesville Coal Holdings, Inc. to Change Clean, Freedom Marine, and Yatesville, respectively. Each of these entities is wholly owned (directly or indirectly) by Energy Solutions.

On December 28, 2011, Prospect made a follow-on \$1,250 equity investment in Energy Solutions and a \$3,500 debt investment in Vessel, a subsidiary of Freedom Marine. On November 25, 2013, Prospect restructured our investment in Freedom Marine. The \$12,504 subordinated secured loan to Jettco Marine Services, LLC, a subsidiary of Freedom Marine, was replaced with a senior secured note to Vessel II, a new subsidiary of Freedom Marine. On December 3, 2013, Prospect made a \$16,000 senior secured investment in Vessel III, a new subsidiary of Freedom Marine. Overall, the restructuring of our investment in Freedom Marine provided approximately \$16,000 net new senior secured debt financing to support the acquisition of two new vessels. Prospect received \$2,480 of structuring fees from Energy Solutions related to the Freedom Marine restructuring which was recognized as other income.

On November 28, 2012 and January 1, 2014, Prospect received \$475 and \$25 of litigation settlement proceeds related to Change Clean and recorded a reduction in our equity investment cost basis for Energy Solutions, respectively.

On January 4, 2012, Energy Solutions sold its gas gathering and processing assets held in Gas Solutions Ltd. (“Gas Solutions”) for a sale price of \$199,805, adjusted for the final working capital settlement, including a potential earnout of \$28,000 that may be paid based on the future performance of Gas Solutions. Through June 30, 2014, Prospect has not accrued income for any portion of the \$28,000 potential payment. After expenses, including structuring fees of \$9,966 paid to us, and \$3,152 of third-party expenses, Gas Solutions LP LLC and Gas Solutions GP LLC, subsidiaries of Gas Solutions, received \$157,100 and \$1,587 in cash, respectively, subsequently distributed these amounts, \$158,687 in total, to Energy Solutions. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, 2012 distributions from Energy Solutions to us were required to be recognized as dividend income, in accordance with ASC 946, as there were current year earnings and profits sufficient to support such recognition.

In June, 2014, Freedom Marine Services Holdings, LLC was renamed Freedom Marine Solutions, LLC (continues as “Freedom Marine”), Vessel Holdings, LLC was renamed Vessel Company, LLC (continues as “Vessel”), Vessel Holdings II, LLC was renamed Vessel Company II, LLC (continues as “Vessel II”), Vessel Holdings III, LLC was renamed Vessel Company III, LLC (continues as “Vessel III”), Yatesville Coal Holdings, LLC was renamed Yatesville Coal Company, LLC (continues as “Yatesville”) and Change Clean Energy Holdings, LLC was renamed change Clean Energy Company, LLC (continues as “Change Clean”). Energy Solutions continues to own 100% of all entities as of June 30, 2014.

The following dividends were declared and paid from Energy Solutions to Prospect and recorded as dividend income by Prospect:

July 1, 2011 to June 30, 2012	\$47,850
July 1, 2012 to June 30, 2013	53,820
July 1, 2013 to June 30, 2014	—

All dividends were paid from earnings and profits of Energy Solutions.

The following cash payments from Energy Solutions to Prospect were recorded as a repayment of loan receivable by Prospect:

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	28,500
July 1, 2013 to June 30, 2014	8,500

The following interest income, including prepayment penalty fees, was accrued and subsequently paid from Energy Solutions to Prospect for interest due and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$6,771
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July 1, 2012 to June 30, 2013	24,172
July 1, 2013 to June 30, 2014	5,368

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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At June 30, 2013, \$23 of interest recognized above had not yet been paid by Energy Solutions to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and subsequently paid from Vessel to Prospect for interest due and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$ 326
July 1, 2012 to June 30, 2013	637
July 1, 2013 to June 30, 2014	641

At June 30, 2014, \$2 of interest recognized above had not yet been paid by Vessel to Prospect and was included by Prospect within interest receivable.

The following interest payments were paid from Vessel II to Prospect and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$ —
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	1,023

At June 30, 2014, \$5 of interest recognized above had not yet been paid by Vessel II to Prospect and was included by Prospect within interest receivable.

The following interest payments were paid from Vessel III to Prospect and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$ —
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	1,213

At June 30, 2014, \$6 of interest recognized above had not yet been paid by Vessel III to Prospect and was included by Prospect within interest receivable.

The following amounts were due from Energy Solutions to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2012	\$45
June 30, 2013	—
June 30, 2014	—

The following managerial assistance payments were paid from Energy Solutions to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

July 1, 2011 to June 30, 2012	\$ 180
July 1, 2012 to June 30, 2013	180
July 1, 2013 to June 30, 2014	180

The following amounts were due from Prospect to Prospect Administration for reimbursement of managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

June 30, 2012	\$ —
June 30, 2013	45
June 30, 2014	45

The following payments were paid from Energy Solutions to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Energy Solutions (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	119
July 1, 2013 to June 30, 2014	38

First Tower Finance Company LLC

Prospect owns 100% of the equity of First Tower Holdings of Delaware, LLC (“First Tower Delaware”). First Tower Delaware owns 80.1% of First Tower Finance Company LLC (“First Tower Finance”). First Tower Finance owns 100% of First Tower, LLC (“First Tower”), a multiline specialty finance company.

On June 15, 2012, Prospect made a \$287,953 investment (including 14,518,207 common shares of Prospect at a fair value of \$160,571) in First Tower Delaware, of which \$244,760 was a Senior Secured Revolving Credit Facility and \$43,193 of membership interest in First Tower Delaware. \$282,968 of the proceeds were utilized by First Tower Delaware to purchase 80.1% of the membership interests in First Tower Finance. The remaining proceeds at First Tower Delaware were used to pay \$4,038 of structuring fees from First Tower Delaware to Prospect (which was recognized by Prospect as structuring fee income), \$940 of legal services provided by attorneys at Prospect Administration, and \$7 of third party expenses. Prospect received an additional \$4,038 of structuring fees from First Tower (which was recognized by Prospect as structuring fee income). Management purchased the additional 19.9% of First Tower Finance common stock for \$70,300. The combined proceeds received by First Tower Finance of \$353,268 (\$282,968 equity financing from First Tower Delaware mentioned above and \$70,300 equity financing from management) were used to purchase 100% of the common stock of First Tower for \$338,042, pay \$11,188 of third-party expenses and \$4,038 of structuring fees from First Tower mentioned above (which was recognized by Prospect as structuring fee income).

On October 18, 2012, Prospect made an additional \$20,000 investment through the Senior Secured Revolving Credit Facility, \$12,008 of which was invested by First Tower Delaware in First Tower Finance as equity and \$7,992 of which was retained by First Tower Delaware as working capital. On December 30, 2013, Prospect funded an additional \$10,000 into First Tower Delaware, \$8,500 through the Senior Secured Revolving Credit Facility and \$1,500 through the purchase of additional membership interests in First Tower Delaware. \$8,000 of the proceeds were utilized by First Tower Delaware to pay structuring fees to Prospect for the renegotiation and expansion of First Tower’s third-party revolver, and \$2,000 of the proceeds were retained by First Tower Delaware for working capital. On June 24, 2014, Prospect made a new \$251,246 second lien term loan to First Tower. First Tower distributed this amount to First Tower Finance, which distributed this amount to First Tower Delaware as a return of capital. First Tower Delaware used the distribution to partially pay down the Senior Secured Revolving Credit Facility. The remaining \$23,712 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests held by Prospect in First Tower Delaware.

The following dividends were declared and paid from First Tower Finance to First Tower Delaware and recognized as dividend income by First Tower Delaware:

June 15, 2012 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	48,520
July 1, 2013 to June 30, 2014	50,976

All dividends were paid from earnings and profits of First Tower Finance.

The following cash distributions were declared and paid from First Tower Finance to First Tower Delaware and recognized as a return of capital by First Tower Delaware:

June 15, 2012 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	7,614
July 1, 2013 to June 30, 2014	—

The following interest income was accrued and paid from First Tower Delaware to Prospect for interest due and recognized by Prospect as interest income:

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June 15, 2012 to June 30, 2012	\$2,312
July 1, 2012 to June 30, 2013	52,476
July 1, 2013 to June 30, 2014	51,791

At June 30, 2013, \$147 of interest recognized above had not yet been paid by First Tower Delaware to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and paid from First Tower to Prospect for interest due and recognized by Prospect as interest income:

June 15, 2012 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	831

At June 30, 2014, \$119 of interest recognized above had not yet been paid by First Tower to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the Senior Secured Revolving Credit Facility to First Tower Delaware and recognized as interest income by Prospect:

December 13, 2012 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	1,698

The following royalty payments were paid from First Tower Delaware to Prospect and recognized by Prospect as other income:

June 15, 2012 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	2,416
July 1, 2013 to June 30, 2014	2,560

The following managerial assistance payments were paid from First Tower Finance to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

June 15, 2012 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	1,920
July 1, 2013 to June 30, 2014	3,000

At June 30, 2013 and 2014, \$600 and \$600 of managerial assistance recognized above had not yet been paid by First Tower Finance to Prospect and was included by Prospect within Due to Prospect Administration, respectively.

The following payments were paid from First Tower Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to First Tower Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

June 15, 2012 to June 30, 2012	\$940
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	243

The following amounts were due from First Tower Delaware to Prospect for reimbursement of expenses paid by Prospect on behalf of First Tower Delaware and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2013	\$42
June 30, 2014	37

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Gulf Coast Machine & Supply Company

Prospect owns 100% of the preferred equity of Gulf Coast Machine & Supply Company (“Gulf Coast”). Gulf Coast is a provider of value-added forging solutions to energy and industrial end markets.

On October 12, 2012, Prospect initially made a \$42,000 first lien term loan to Gulf Coast, of which \$840 was used to pay structuring fees from Gulf Coast to Prospect (which was recognized by Prospect as structuring fee income).

On November 8, 2013, Gulf Coast issued \$25,950 of convertible preferred stock to Prospect (representing 99.9% of the voting securities of Gulf Coast) in exchange for crediting the same amount to the first lien term loan previously outstanding, leaving a first lien loan balance of \$15,000. On November 29, 2013 and December 16, 2013, Prospect provided an additional \$1,000 and \$1,500, respectively, to fund working capital needs, increasing the first lien loan balance to \$17,500.

The following interest income was accrued and subsequently paid from Gulf Coast to Prospect for interest due and recognized by Prospect as interest income:

November 8, 2013 to June 30, 2014	\$ 1,449
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At June 30, 2014, \$6 of interest recognized above had not yet been paid by Gulf Coast to Prospect and was included by Prospect within interest receivable.

The following amounts were due from Gulf Coast to Prospect for reimbursement of expenses paid by Prospect on behalf of Gulf Coast and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income recognized by Prospect):

November 8, 2013 to June 30, 2014	\$ 342
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The following payments were paid from Gulf Coast to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Gulf Coast (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

November 8, 2013 to June 30, 2014	\$ 4
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Harbortouch Holdings of Delaware Inc.

Prospect owns 100% of the equity of Harbortouch Holdings of Delaware Inc. (“Harbortouch Delaware”). Harbortouch Delaware owns 100% of the Class C voting units of Harbortouch Payments, LLC (“Harbortouch”), which provide for a 53.5% residual profits allocation. Harbortouch management owns 100% of the Class B and D voting units of Harbortouch, which provide for a 46.5% residual profits allocation. Harbortouch owns 100% of Credit Card Processing USA, LLC. Harbortouch is a provider of transaction processing services and point-of sale equipment used by merchants across the United States.

On March 31, 2014, Prospect made a \$147,898 investment (including 2,306,294 common shares of Prospect at a fair value of \$24,908) in Harbortouch Delaware. Of this amount, \$123,000 was loaned in exchanged for a subordinated note and \$24,898 was an equity contribution. Harbortouch Delaware utilized \$137,972 to purchase 100% of the Harbortouch Class A voting preferred units which provided an 11% preferred return and a 53.5% interest in the residual profits. Harbortouch Delaware used the remaining proceeds to pay \$4,920 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,761 for legal services provided by attorneys at Prospect Administration and \$3,245 was retained by Harbortouch Delaware for working capital. Additionally, on March 31, 2014, Prospect provided Harbortouch a senior secured loan of \$130,796. Prospect received a structuring fee of \$2,616 from Harbortouch (which was recognized by Prospect as structuring fee income).

On April 1, 2014, Prospect made a new \$137,226 senior secured term loan to Harbortouch. Harbortouch then distributed this amount to Harbortouch Delaware as a return of capital which was used to pay down the \$123,000 senior secured note from Harbortouch Delaware to Prospect. The remaining \$14,226 was distributed to Prospect as a return of capital of Prospect’s equity investment in Harbortouch Delaware. Harbortouch Delaware continues to own 100% of Harbortouch’s Class C voting units, which provide for a 53.5% residual profits allocation from Harbortouch at June 30, 2014.

The following interest income was accrued and subsequently paid from Harbortouch Delaware to Prospect for interest due and recognized by Prospect as interest income:

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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March 31, 2014 to June 30, 2014 \$ 55

The following interest income was accrued and subsequently paid from Harbortouch to Prospect for interest due and recognized by Prospect as interest income:

March 31, 2014 to June 30, 2014 \$ 6,825

At June 30, 2014, \$1,962 of interest recognized above had not yet been paid by Harbortouch Delaware to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from Harbortouch to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

March 31, 2014 to June 30, 2014 \$ 125

At June 30, 2014, this amount was included by Prospect in Due to Prospect Administration on the respective Consolidated Statement of Assets and Liabilities.

The following payments were paid from Harbortouch Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Harbortouch Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

March 31, 2014 to June 30, 2014 \$ 1,761

The Healing Staff, Inc.

Prospect owns 100% of the equity of The Healing Staff, Inc. (“THS”). Prospect owns 100% of the equity of Vets Securing America, Inc. (“VSA”), which is operated by THS management. VSA provides out-sourced security guards staffing.

As of July 1, 2011, the cost basis of Prospect’s investment in THS and VSA, including debt and equity, was \$18,220. During the year ended June 30, 2012, Prospect made follow-on secured debt investments of \$773 in THS to support the ongoing operations of THS and VSA. In October 2011, Prospect sold a previously acquired building from ESA for \$894. In early May 2012, Prospect made short-term secured debt investments of \$118 and \$42 to support the operations of THS and VSA, respectively, which was repaid in early June 2012. In January 2012, Prospect received \$2,250 towards a litigation settlement. The proceeds from both of these transactions were used to reduce the outstanding loan by \$3,144.

In May 2012, in connection with the implementation of accounts receivable based funding programs for THS and VSA with a third party provider, Prospect agreed to subordinate Prospect’s first priority security interest in all of the accounts receivable and other assets of THS and VSA to the third party provider of that accounts receivable based funding.

During the three months ended December 31, 2012, Prospect determined that the impairment of THS and VSA was other-than-temporary and decreased Prospect’s cost basis by \$12,834 and recorded a realized loss of \$12,117 for the amount that the amortized cost exceeded the fair market value.

Manx Energy, Inc.

As of June 30, 2014, Prospect owns 41% of the equity of Manx Energy Inc. (“Manx”). Manx was formed on January 19, 2010 for the purpose of rolling up the assets of existing Prospect portfolio companies, Coalbed, LLC (“Coalbed”), Appalachian Energy, LLC (“AEH”) and Kinley Exploration LLC. The three companies were combined under new common management.

On January 19, 2010, Prospect made a \$2,800 investment at closing to Manx to provide for working capital. On the same date, Prospect exchanged \$2,100 and \$4,500 of the loans to AEH and Coalbed, respectively, for Manx preferred equity, and Prospect’s AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring, and Prospect continued to fully reserve any income accrued for Manx. On October 15, 2010 and May 26, 2011, Prospect increased its loan to Manx in the amount of \$500 and \$250, respectively, to provide additional working capital. As of June 30, 2011, the cost basis of Prospect’s investment in Manx, including debt and equity, was \$19,019.

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On June 30, 2012, AEH and Coalbed loans held by Manx with a cost basis of \$7,991 were removed from Manx and contributed by Prospect to Wolf Energy Holdings Inc., a separate holding company wholly owned by Prospect. On June 30, 2013, Prospect determined the remaining debt and equity investment in Manx was other-than-temporarily impaired and wrote-off \$10,528 of the investment cost basis, leaving a cost basis in the remaining debt balance of \$500.

The following principal payments were paid from Manx to Prospect and recorded by Prospect as return of capital (no income was recognized by Prospect):

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	—
July 1, 2013 to June 30, 2014	450

MITY Holdings of Delaware Inc.

Prospect owns 100% of the equity of Mity Holdings of Delaware, Inc. (“Mity Delaware”). Mity Delaware holds 94.99% of the equity of Mity Enterprises, Inc. (“Mity”), with management of Mity owning the remaining 5.01% of the equity of Mity. Mity owns 100% of each of Mity-Lite, Inc. (“Mity-Lite”), Broda Enterprises USA, Inc. (“Broda USA”) and Broda Canada ULC (“Broda Canada”). Mity is a designer, manufacturer and seller of multipurpose room furniture and specialty healthcare seating products.

On September 19, 2013, Prospect made a \$29,735 investment in Mity Delaware, of which \$22,792 was a senior secured debt to Mity Delaware and \$6,943 was a capital contribution to the equity of Mity Delaware. The proceeds were partially utilized to purchase 97.7% of Mity common stock for \$21,027. The remaining proceeds were used to issue a \$7,200 note from Broda Canada to Mity Delaware, pay \$684 of structuring fees from Mity Delaware to Prospect (which was recognized by Prospect as structuring fee income), \$311 for legal services provided by attorneys employed by Prospect Administration and \$513 was retained by Mity Delaware for working capital.

On September 19, 2013, Prospect made an additional \$18,250 senior secured debt investment in Mity. The proceeds were used to repay existing third-party indebtedness, pay \$365 of structuring fees from Mity to Prospect (which was recognized by Prospect as structuring fee income), \$1,143 of third party expenses and \$2,580 was retained by Mity for working capital. Members of management of Mity purchased additional shares of common stock of Mity, reducing Mity Delaware’s ownership to 94.99%. Mity, Mity-Lite and Broda USA are joint borrowers on the senior secured debt of Mity.

On June 23, 2014, Prospect made a new \$15,769 debt investment in Mity and Mity distributed proceeds to Mity Delaware as a return of capital. Mity Delaware used this distribution to pay down the senior secured debt of Mity Delaware to Prospect by the same amount. The remaining amount of the senior secured debt due from Mity Delaware to Prospect, \$7,200, was then contributed to the capital of Mity Delaware. As a result of this transaction, Prospect held the \$15,769 Mity note. Effective June 23, 2014, Mity Enterprises, Inc. was renamed Mity, Inc. (continues as “Mity”) and Broda Enterprises USA, Inc. was renamed Broda USA, Inc. (continues as “Broda”). Management shareholders of Mity made additional purchases of Mity stock such that Mity Delaware owns 94.99% of the equity of Mity at June 30, 2014.

On June 23, 2014, Prospect also extended a new \$7,500 senior secured revolving facility to Mity, of which none was funded at closing.

The following dividends were declared and paid from Mity to Mity Delaware and recorded as dividend income by Mity Delaware:

September 19, 2013 to June 30, 2014	\$ 1,628
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All dividends were paid from earnings and profits of Mity.

The following interest payments were paid from Broda to Mity Delaware and recognized by Mity Delaware as interest income:

September 19, 2013 to June 30, 2014	\$455
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The following interest income was accrued by Prospect for interest due from Mity Delaware and recognized by Prospect as interest income:

Explanation of Responses:

September 19, 2013 to June 30, 2014 \$3,001

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At June 30, 2014, \$10 of interest recognized above had not yet been paid by Mity Delaware to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the senior secured note to Mity Delaware and recorded as interest income by Prospect:

September 19, 2013 to June 30, 2014	\$ 177
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The following interest income was accrued by Prospect for interest due from Mity and recognized by Prospect as interest income:

September 19, 2013 to June 30, 2014	\$ 1,515
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The following managerial assistance payments were paid from Mity to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

September 19, 2013 to June 30, 2014	\$ 150
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The following payments were paid from Mity Delaware to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Mity Delaware (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

September 19, 2013 to June 30, 2014	\$ 495
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The following amounts were due from Prospect to Prospect Administration for reimbursement for legal, tax and portfolio level accounting services provided directly to Mity Delaware for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

June 30, 2014	\$ 75
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The following amounts were due from Mity Delaware to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2014	\$ 3
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At June 30, 2014, Prospect had a \$8 payable to Mity Delaware for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of Mity Delaware.

Nationwide Acceptance Holdings LLC

Prospect owns 100% of the membership interests of Nationwide Acceptance Holdings, LLC (“Nationwide Holdings”). Nationwide Holdings owns 93.79% of the equity of Nationwide Acceptance, LLC (“Nationwide”), with members of Nationwide management owning the remaining 6.21% of the equity.

On January 31, 2013, Prospect initially made a \$25,151 investment in Nationwide Holdings, of which \$21,308 was a Senior Secured Revolving Credit Facility and \$3,843 was in the form of membership interests in Nationwide Holdings. \$21,885 of the proceeds were utilized to purchase 93.79% of the membership interests in Nationwide. Proceeds were also used to pay \$753 of structuring fees from Nationwide Holdings to Prospect (which was recognized by Prospect as structuring fee income), \$350 of third party expenses and \$163 of legal services provided by attorneys at Prospect Administration. The remaining \$2,000 was retained by Nationwide Holdings as working capital. On March 28, 2014, Prospect funded an additional \$4,000 to Nationwide Holdings (\$3,400 through the Senior Secured Revolving Credit Facility and \$600 to purchase additional membership interests in Nationwide Holdings). The additional funding along with cash on hand was utilized by Nationwide Holdings to fund a \$5,000 dividend to Prospect.

On June 18, 2014, Prospect made a new \$14,820 second lien term loan to Nationwide. Nationwide distributed this amount to Nationwide Holdings as a return of capital. Nationwide Holdings used the distribution to pay down the Senior Secured Revolving Credit Facility. The remaining \$9,888 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests in Nationwide Holdings.

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The following dividends were declared and paid from Nationwide to Nationwide Holdings and recorded as dividend income by Nationwide Holdings:

January 31, 2013 to June 30, 2013	\$2,615
July 1, 2013 to June 30, 2014	7,074

The following dividends were paid from Nationwide Holdings to Prospect and recognized by Prospect as dividend income:

January 31, 2013 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	5,000

All dividends were paid from earnings and profits of the company paying the dividend.

The following interest income was accrued and subsequently paid from Nationwide Holdings to Prospect for interest due and recognized by Prospect as interest income:

January 31, 2013 to June 30, 2013	\$1,788
July 1, 2013 to June 30, 2014	4,322

At June 30, 2013, \$12 of interest recognized above had not yet been paid by Nationwide Holdings to Prospect and was included by Prospect within interest receivable.

The following interest income was accrued and subsequently paid from Nationwide to Prospect for interest due and recognized by Prospect as interest income:

January 31, 2013 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	107

At June 30, 2014, \$8 of interest recognized above had not yet been paid by Nationwide to Prospect and was included by Prospect within interest receivable.

The following royalty payments were paid from Nationwide Holdings to Prospect and recognized by Prospect as other income:

January 31, 2013 to June 30, 2013	\$131
July 1, 2013 to June 30, 2014	354

The following managerial assistance payments were paid from Nationwide to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

January 31, 2013 to June 30, 2013	\$167
July 1, 2013 to June 30, 2014	400

At June 30, 2013 and June 30, 2014, \$100 and \$100 of managerial assistance had been received by Prospect from Nationwide and had not yet been paid to Prospect Administration, respectively. These amounts were included by Prospect in Due to Prospect Administration on the respective Consolidated Statement of Assets and Liabilities.

The following payments were paid from Prospect to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Nationwide Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

January 31, 2013 to June 30, 2013	\$163
July 1, 2013 to June 30, 2014	—

The following payments were paid from Nationwide to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Nationwide Holdings no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

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January 31, 2013 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	234

The following amounts were due from Nationwide Holdings to Prospect for reimbursement of expenses paid by Prospect and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2013	\$—
June 30, 2014	2

The following amounts were due to Nationwide Holdings from Prospect for reimbursement of expenses and included by Prospect within other liabilities on the respective Consolidated Statement of Assets and Liabilities (no income was recognized by Prospect):

June 30, 2013	\$7
June 30, 2014	—

NMMB Holdings, Inc.

Prospect owns 100% of the equity of NMMB Holdings, Inc. (“NMMB Holdings”). NMMB Holdings owns 92.93% of the fully-diluted equity of NMMB, Inc. (“NMMB,” previously NMMB Acquisition, Inc.), with NMMB management owning the remaining 7.07% of the equity. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”). Refuel Agency owns 100% of Armed Forces Communications, Inc. (“Armed Forces”). NMMB is an advertising media buying business.

On May 6, 2011, Prospect initially made a \$34,450 investment (of which \$31,750 was funded at closing) in NMMB Holdings and NMMB, of which \$24,250 was a senior secured term loan to NMMB, \$3,000 was a senior secured revolver to NMMB (of which \$300 was funded at closing), \$2,800 was a senior subordinated term loan to NMMB Holdings and \$4,400 to purchase 100% of the Series A Preferred Stock of NMMB Holdings. The proceeds received by NMMB were used to purchase 100% of the equity of Refuel Agency and assets related to the business for \$30,069, pay \$1,035 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), pay \$396 for third party expenses and \$250 was retained by NMMB for working capital. On May 31, 2011, NMMB repaid the \$300 senior secured revolver.

During the year ended June 30, 2012, NMMB repaid \$2,550 of the senior secured term loan. During the year ended June 30, 2013, NMMB repaid \$5,700 of the senior secured term loan due.

On December 13, 2013, Prospect invested \$8,086 for preferred equity to recapitalize NMMB Holdings. The proceeds were used by NMMB Holdings to repay in full the \$2,800 outstanding under the subordinated term loan and the remaining \$5,286 of proceeds from Prospect were used by NMMB Holdings to purchase preferred equity in NMMB. NMMB used the proceeds from the preferred equity issuance to pay down the senior term loan.

On June 12, 2014, Prospect made a new \$7,000 senior secured term loan to Armed Forces. Armed Forces distributed this amount to Refuel Agency as a return of capital. Refuel Agency distributed this amount to NMMB as a return of capital, which was used to pay down \$7,000 of NMMB’s \$10,714 senior secured term loan to Prospect. As of June 30, 2014, Prospect held \$3,714 of senior secured term loan NMMB and \$7,000 senior secured term loan of Armed Forces. Effective June 12, 2014, NMMB Acquisition, Inc. was renamed NMMB, Inc. (continues as “NMMB”). NMMB Holdings continues to own 92.93% of the fully-diluted equity of NMMB as of June 30, 2014.

The following interest income was accrued and subsequently paid to Prospect for interest due from NMMB Holdings and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$428
July 1, 2012 to June 30, 2013	426
July 1, 2013 to June 30, 2014	192

At June 30, 2013, \$3 of interest recognized above had not yet been paid by NMMB Holdings to Prospect and was included by Prospect within interest receivable. There was no such outstanding interest due to Prospect from NMMB Holdings as of June 30, 2014.

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The following interest income was accrued by Prospect for interest due from NMMB and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$3,255
July 1, 2012 to June 30, 2013	2,600
July 1, 2013 to June 30, 2014	1,859

At June 30, 2013 and 2014, \$20 and \$4 of interest recognized above had not yet been paid by NMMB to Prospect and was included by Prospect within interest receivable.

The following managerial assistance payments were paid from NMMB Holdings to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

July 1, 2011 to June 30, 2012	\$361
July 1, 2012 to June 30, 2013	500
July 1, 2013 to June 30, 2014	100

At June 30, 2014, \$300 of managerial assistance due had not yet been paid by NMMB Holdings to Prospect and was included by Prospect within other receivables.

The following amounts were due from Prospect to Prospect Administration for reimbursement of managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

June 30, 2013	\$100
June 30, 2014	300

The following payments were paid from NMMB Holdings to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to NMMB Holdings (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	12
July 1, 2013 to June 30, 2014	—

NPH Property Holdings, LLC

Prospect owns 100% of the equity of NPH Property Holdings, LLC (“NPH”). NPH owns 100% of the common equity of National Property Holdings Corp. (“NPRC”). NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, NPRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of NPRC.

NPRC was formed to acquire, 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.

On December 31, 2013, APRC distributed its majority interests in five JVs holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH and the remainder to UPH (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to NPRC and UPRC, respectively. The total investments in the JVs transferred to NPH and from NPH to NPRC consisted of \$79,309 and \$16,315 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

On December 31, 2013, Prospect made a \$10,620 investment in NPH, of which \$8,800 was a Senior Term Loan and \$1,820 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$10,620. The proceeds were utilized by NPRC to purchase a 93.0% ownership interest in APH Carroll Bartram Park, LLC for \$10,288 and to pay \$113 of structuring fees to Prospect (which was

recognized by Prospect as structuring fee

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income), with \$219 retained by NPRC for working capital. APH Carroll Bartram Park, LLC was purchased by NPRC for \$38,000 which included debt financing and minority interest of \$28,500 and \$774, respectively. The remaining proceeds were used to pay \$206 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,038 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$304 of pre-paid assets, with \$9 retained by NPRC for working capital.

Between January 7, 2014 and March 13, 2014, Prospect made a \$14,000 investment in NPH, of which \$11,900 was a Senior Term Loan and \$2,100 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase consumer loans from a third party.

On January 31, 2014, Prospect made a \$4,805 investment in NPH, of which \$4,000 was a Senior Term Loan and \$805 used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$4,805. The proceeds were utilized by NPRC to purchase a 93.0% ownership interest in APH Carroll Atlantic Beach, LLC for \$4,603 and to pay \$52 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$150 retained by NPRC for working capital. APH Carroll Atlantic Beach, LLC was purchased by NPRC for \$13,025 which included debt financing and minority interest of \$9,118 and \$346, respectively. The remaining proceeds were used to pay \$92 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$681 of third party expenses, \$7 of legal services provided by attorneys at Prospect Administration, and \$182 of pre-paid assets, with \$80 retained by NPRC for working capital.

Effective as of April 1, 2014, Prospect made a new \$104,460 senior term loan to NPRC. NPRC then distributed this amount to NPH as a return of capital which was used to pay down the Senior Term Loan from NPH by the same amount. Effective April 1, 2014, National Property Holdings Corp. was renamed National Property REIT Corp. (continues as "NPRC"). NPH continues to own 100% of the common equity of NPRC at June 30, 2014.

Between April 3, 2014 and May 21, 2014, Prospect made an \$11,000 investment in NPH and NPRC, of which \$9,350 was a Senior Term Loan to NPRC and \$1,650 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$1,650. The proceeds were utilized by NPRC to purchase consumer loans from a third party.

The following cash distributions were declared and paid from NPRC to NPH and recorded as a return of capital by NPH:

December 31, 2013 to June 30, 2014	\$ 106,810
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The following cash distributions were declared and paid from NPRC to Prospect and recorded as a return of capital by Prospect:

December 31, 2013 to June 30, 2014	\$ 9,900
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The following interest income was accrued and subsequently paid by NPH to Prospect and recognized by Prospect as interest income:

December 31, 2013 to June 30, 2014	\$ 2,406
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The following interest income was accrued and subsequently paid by NPRC to Prospect and recognized by Prospect as interest income:

December 31, 2013 to June 30, 2014	\$ 3,117
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At June 30, 2014, \$432 and \$18 of interest from NPH and NPRC was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis, respectively.

The following royalty payments were paid from NPH to Prospect and recognized by Prospect as other income:

December 31, 2013 to June 30, 2014	\$ 278
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The following royalty payments were paid from NPRC to Prospect and recognized by Prospect as other income:

December 31, 2013 to June 30, 2014	\$ 288
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The following managerial assistance payments were paid from NPRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

December 31, 2013 to June 30, 2014	\$ 255
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The following amounts were due from Prospect to Prospect Administration for managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

June 30, 2014	\$ 128
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The following amounts were due from NPH to Prospect for reimbursement of expenses paid by Prospect on behalf of NPH and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2014	\$ 7
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R-V Industries, Inc.

As of July 1, 2011 and continuing through June 30, 2014, Prospect owns 88.27% of the fully-diluted equity of R-V Industries, Inc. ("R-V"), with R-V management owning the remaining 11.73% of the equity. As of June 30, 2011, Prospect's equity investment cost basis was \$1,682 and \$5,087 for warrants and common stock, respectively.

On November 30, 2012, Prospect made a \$9,500 second lien term loan to R-V and R-V received an additional \$4,000 of senior secured financing from a third-party lender. The combined \$13,500 of proceeds was partially utilized by R-V to pay a dividend to its common stockholders in an aggregate amount equal to \$13,288 (including \$11,073 to Prospect recognized by Prospect as a dividend). The remaining proceeds were used by R-V to pay \$142 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$47 for third party expenses and \$23 for legal services provided by attorneys at Prospect Administration.

On June 12, 2013, Prospect provided an additional \$23,250 to the second lien term loan to R-V. The proceeds were partially utilized by R-V to pay a dividend to the common stockholders in an aggregate amount equal to \$15,000 (including \$13,240 dividend to Prospect). The remaining proceeds were used to pay off \$7,835 of outstanding debt due from R-V to a third-party, \$11 for legal services provided by attorneys at Prospect Administration and \$404 was retained by R-V for working capital. On February 28, 2014, R-V repaid \$2,339 of the second lien term loan due to Prospect.

The following dividends were paid from R-V to Prospect and recognized by Prospect as dividend income:

July 1, 2011 to June 30, 2012	\$ 283
July 1, 2012 to June 30, 2013	24,462
July 1, 2013 to June 30, 2014	1,100

All dividends were paid from earnings and profits of R-V.

The following income was accrued and subsequently paid from R-V to Prospect and recognized by Prospect as interest income:

July 1, 2011 to June 30, 2012	\$ —
July 1, 2012 to June 30, 2013	781
July 1, 2013 to June 30, 2014	3,188

The following amounts were due from R-V to Prospect for interest and included by Prospect within interest receivable on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2012	\$ —
June 30, 2013	27
June 30, 2014	—

The following managerial assistance payments were paid from R-V to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

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July 1, 2011 to June 30, 2012	\$ 174
July 1, 2012 to June 30, 2013	180
July 1, 2013 to June 30, 2014	180

The following amounts were due from Prospect to Prospect Administration for reimbursement of managerial assistance payments for which Prospect received payment on behalf of Prospect Administration (no direct income was recognized by Prospect):

June 30, 2012	\$45
June 30, 2013	15
June 30, 2014	45

The following payments were paid from R-V to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to R-V (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

July 1, 2011 to June 30, 2012	\$—
July 1, 2012 to June 30, 2013	37
July 1, 2013 to June 30, 2014	—

STI Holding, Inc.

Prospect owns 100% of the equity of STI Holding, Inc. (“STI”), which owns 100% of the equity of Borga, Inc. (“Borga”). Borga manufactures pre-engineered metal buildings and components for the agricultural and light industrial markets. On May 6, 2005, Patriot Capital Funding, Inc. (previously acquired by Prospect) provided \$14,000 in senior secured debt to Borga. The debt was comprised of \$1,000 Senior Secured Revolver, \$3,500 Senior Secured Term Loan A, \$2,500 Senior Secured Term Loan B and \$7,000 Senior Secured Term Loan C. On March 31, 2009, Borga made its final amortization payment on the Senior Secured Term Loan A. The other loans remained outstanding. Prospect owned warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation (“Metal Buildings”), the former holding company of Borga. Metal Buildings owned 100% of Borga, Inc.

On March 8, 2010, Prospect acquired the remaining common stock of Borga.

On January 24, 2014, Prospect contributed its holdings in Borga to STI. STI also holds \$3,371 of proceeds from the sale of a minority equity interest in SMART LLC (“Smart”). Prospect initially acquired membership interests in SMART indirectly as part of the Patriot acquisition on December 2, 2009 recording a zero cost basis for the equity investment. The \$3,371 was distributed to Prospect on May 29, 2014, of which \$3,246 was paid from earnings and profits of STI and was recognized as dividend income by Prospect. The remaining \$125 was recognized as return of capital by Prospect.

UPH Property Holdings, LLC

Prospect owns 100% of the equity of UPH Property Holdings, LLC (“UPH”). UPH owns 100% of the common equity of United Property Holdings Corp. (“UPRC”). UPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, UPRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of UPRC.

UPRC was formed to acquire, 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.

On December 31, 2013, UPRC distributed its majority interests in five JVs holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH and the remainder to UPH (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to NPH and UPRC, respectively. The total investments in the JVs transferred to UPH and from UPH to UPRC consisted of

\$18,855 and \$3,707 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

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Effective as of April 1, 2014, Prospect made a new \$19,027 senior term loan to UPRC. UPRC then distributed this amount to UPH as a return of capital which was used to pay down the Senior Term Loan from UPH by the same amount. Effective April 1, 2014, United Property Holdings Corp. was renamed United Property REIT Corp. (continues as "UPRC"). UPH continues to own 100% of the common equity of UPRC at June 30, 2014.

On June 4, 2014, Prospect made a \$1,405 investment in UPH to purchase additional membership interests of UPH. The proceeds were utilized by UPH to purchase additional UPRC common equity for \$1,405. The proceeds were utilized by UPRC to acquire the real property located at 1201 West College, Marshall, MO ("Taco Bell, MO") for \$1,405.

The following cash distributions were declared and paid from UPRC to UPH and recorded as a return of capital by UPH:

December 31, 2013 to June 30, 2014	\$ 20,086
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The following interest income was accrued and subsequently paid by UPH to Prospect and recognized by Prospect as interest income:

December 31, 2013 to June 30, 2014	\$ 375
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The following interest income was accrued and subsequently paid by UPRC to Prospect and recognized by Prospect as interest income:

December 31, 2013 to June 30, 2014	\$ 553
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At June 30, 2014, \$6 of interest recognized above had not yet been paid by UPRC to Prospect and was included by Prospect within interest receivable.

At June 30, 2014, \$173 of interest from UPH was capitalized payment-in-kind interest and was included by Prospect in the investment cost basis.

The following royalty payments were paid from UPH to Prospect and recognized by Prospect as other income:

December 31, 2013 to June 30, 2014	\$ 69
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The following royalty payments were paid from UPRC to Prospect and recognized by Prospect as other income:

December 31, 2013 to June 30, 2014	\$ 87
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The following managerial assistance payments were paid from UPRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

December 31, 2013 to June 30, 2014	\$ 100
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Valley Electric Holdings I, Inc.

As of June 30, 2014, Prospect owns 100% of the common stock of Valley Electric Holdings I, Inc. ("Valley Holdings I"). Valley Holdings I owns 100% of Valley Electric Holdings II, Inc. ("Valley Holdings II"). Valley Holdings II owns 94.99% of Valley Electric Company, Inc. ("Valley Electric"), with Valley Electric management owning the remaining 5.01% of the equity. 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"), a leading provider of specialty electrical services in the state of Washington and among the top 50 electrical contractors in the U.S.

On December 31, 2012, Prospect initially invested \$52,098 (including 4,141,547 common shares of Prospect at a fair value of \$44,650) in exchange for \$32,572 was in the form of a senior secured note of Valley Holdings I, a \$10,000 senior secured note of Valley Electric (discussed below) and \$9,526 to purchase the common stock of Valley Holdings I. The proceeds were partially utilized by Valley Holdings I to purchase 100% of Valley Holdings II common stock for \$40,528. The remaining proceeds at Valley Holdings I were used to pay \$977 of structuring fees from Valley Holdings I to Prospect (which were recognized by Prospect as structuring fee income), \$345 for legal services provided by attorneys at Prospect Administration and \$248 was retained by Valley Holdings I as working capital. The \$40,528 of proceeds received by Valley Holdings II were subsequently used to purchase 96.3%

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of Valley Electric's common stock. The \$40,528 proceeds received by Valley Electric, in addition to \$1,500 co-invest from management, were used to fund an equity investment in Valley.

On December 31, 2012, Prospect invested \$10,000 (as mentioned above) into Valley in the form of senior secured debt. Total proceeds of \$52,028 received by Valley (including \$42,028 equity investment mentioned above) were used to purchase the equity of Valley from third-party sellers for \$45,650, pay \$4,628 of third-party transaction expenses (including bonuses to Valley's management of \$2,320), pay \$250 from Valley to Prospect (which were recognized by Prospect as structuring fee income) and \$1,500 was retained by Valley for working capital.

On June 24, 2014, Valley Holdings II and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Prospect made a new \$20,471 senior secured loan to Valley Electric. Valley Electric then distributed this amount to Valley Holdings I, via Valley Holdings II, as a return of capital which was used to pay down the senior secured note of Valley Holdings I by the same amount. The remaining principal amount of the senior secured note, \$16,754, was then contributed to the capital of Valley Holdings I. At June 30, 2014, Prospect holds \$30,581 of senior secured debt issued by Valley.

The following dividends were declared and paid from Valley to Valley Holdings II, which were subsequently distributed to and recognized as dividend income by Valley Holdings I:

December 31, 2012 to June 30, 2013	\$ 1,865
July 1, 2013 to June 30, 2014	2,953

All dividends were paid from earnings and profits of Valley and Valley Holdings II.

The following cash payments from Valley Holdings I to Prospect were recorded as a repayment of loan receivable by Prospect:

December 31, 2012 to June 30, 2013	\$—
July 1, 2013 to June 30, 2014	20,471

The following cash payments from Valley to Prospect were recorded as a repayment of loan receivable by Prospect:

December 31, 2012 to June 30, 2013	\$ 100
July 1, 2013 to June 30, 2014	200

The following interest income was accrued and subsequently paid from Valley Holdings I to Prospect and recognized by Prospect as interest income:

December 31, 2012 to June 30, 2013	\$ 1,489
July 1, 2013 to June 30, 2014	3,161

The following payment-in-kind interest was capitalized in the senior secured note to Valley Holdings I and recognized as interest income by Prospect:

December 31, 2012 to June 30, 2013	\$ 1,489
July 1, 2013 to June 30, 2014	3,161

The following interest income was accrued by Prospect for interest due from Valley and recognized by Prospect as interest income:

December 31, 2012 to June 30, 2013	\$ 408
July 1, 2013 to June 30, 2014	820

At June 30, 2014, \$3 of interest recognized above had not yet been paid by Valley to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the senior secured note to Valley and recognized as interest income by Prospect:

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December 31, 2012 to June 30, 2013 \$ 125

July 1, 2013 to June 30, 2014 255

The following interest income was accrued and subsequently paid from Valley Electric to Prospect for interest due and recognized by Prospect as interest income:

December 31, 2012 to June 30, 2013 \$ —

July 1, 2013 to June 30, 2014 74

At June 30, 2014, \$45 of interest recognized above had not yet been paid by Valley Electric to Prospect and was included by Prospect within interest receivable.

The following payment-in-kind interest was capitalized in the senior secured note to Valley Electric and recognized as interest income by Prospect:

December 31, 2012 to June 30, 2013 \$ —

July 1, 2013 to June 30, 2014 29

The following royalty payments were paid from Valley Holdings I to Prospect and recognized by Prospect as other income:

December 31, 2012 to June 30, 2013 \$ 98

July 1, 2013 to June 30, 2014 148

The following managerial assistance payments were paid from Valley to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

December 31, 2012 to June 30, 2013 \$ 150

July 1, 2013 to June 30, 2014 300

The following payments were paid from Valley Holdings I to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Valley Holdings I (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable to Prospect Administration resulting in a reduction of the overhead allocation from Prospect Administration):

December 31, 2012 to June 30, 2013 \$ 345

July 1, 2013 to June 30, 2014 91

The following amounts were due from Valley Holdings I to Prospect for reimbursement of expenses and included by Prospect within other receivables on the respective Consolidated Statement of Assets and Liabilities:

June 30, 2013 \$ 27

June 30, 2014 —

At June 30, 2014, Prospect had a \$6 payable to Valley Holdings I for reimbursement in excess of expenses which was subsequently utilized to pay other expenses by Prospect on behalf of Valley Holdings I.

Wolf Energy Holdings Inc.

Prospect owns 100% of the equity of Wolf Energy Holdings Inc. (“Wolf Energy Holdings”). Wolf Energy Holdings owns 100% of each of Appalachian Energy Holdings LLC (“AEH”), Coalbed, LLC (“Coalbed”) and Wolf Energy, LLC (“Wolf Energy”). AEH owns 100% of C&S Operating, LLC and Coalbed owns 100% of Coalbed Operator, LLC. Wolf Energy Holdings is a holding company formed to hold 100% of the outstanding membership interests of each of AEH and Coalbed. The membership interests and associated operating company debt of AEH and Coalbed, which were previously owned by Manx Energy, Inc. (“Manx”), were assigned to Wolf Energy Holdings effective June 30, 2012. The purpose of assignment was to remove those activities from Manx deemed non-core by the Manx convertible debt investors who were not interested in funding

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those operations. In addition, effective June 29, 2012, C&J Cladding Holding Company, Inc. (“C&J Holdings”) merged with and into Wolf Energy Holdings, with Wolf Energy Holdings as the surviving entity. At the time of the merger, C&J Holdings held the remaining undistributed proceeds in cash from the sale of its membership interests in C&J Cladding, LLC (“C&J”) (discussed below). The merger was effectuated in connection with the broader simplification of Prospect’s energy investment holdings.

On June 1, 2012, Prospect sold the membership interests in C&J for \$5,500. Proceeds from the sale were used to pay a \$3,000 distribution to Prospect (\$580 reduction in cost basis and \$2,420 realized gain recognized by Prospect), an advisory fee of \$1,500 from C&J to Prospect (which was recognized by Prospect as other income) and \$978 was retained by C&J as working capital to pay \$22 of legal services provided by attorneys at Prospect Administration and third-party expenses.

On June 30, 2012, AEH and Coalbed loans with a cost basis of \$7,991 were assigned by Prospect to Wolf Energy Holdings Inc. from Manx Energy, Inc.

On February 27, 2013, Prospect made a \$50 senior secured debt investment senior secured to East Cumberland, L.L.C. (“East Cumberland”), a former wholly-owned subsidiary of AEH with AEH as guarantor. Proceeds were used to pay off vendors.

On April 15, 2013, Prospect foreclosed on the assets of H&M Oil & Glass, LLC (“H&M”). At the time of foreclosure, H&M was in default on loans receivables due to Prospect with a cost basis of \$64,449. The assets previously held by H&M were assigned by Prospect to Wolf Energy in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826 offsetting the previously recognized loss. Prospect received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

Effective June 6, 2014, Appalachian Energy Holdings LLC was renamed Appalachian Energy LLC (continues as “AEH”).

The following interest income was paid to Prospect for interest due from Wolf Energy and recognized by Prospect as interest income:

June 30, 2012	\$ —
July 1, 2012 to June 30, 2013	452
July 1, 2013 to June 30, 2014	—

Note 15. Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. During the year ended June 30, 2014, we received \$5,825 of legal cost reimbursement from a litigation settlement, which had been expensed in prior quarters, and is recognized as other income on our consolidated financial statements. We are not aware of any other material litigation as of the date of this report.

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Note 16. Financial Highlights

The following is a schedule of financial highlights for each of the five years in the period ended June 30, 2014:

	Year Ended June 30,					
	2014	2013	2012	2011	2010	
Per Share Data						
Net asset value at beginning of year	\$ 10.72	\$ 10.83	\$ 10.36	\$ 10.30	\$ 12.40	
Net investment income(1)	1.19	1.57	1.63	1.10	1.13	
Net realized (loss) gain on investments(1)	(0.01)	(0.13)	0.32	0.19	(0.87)	
Net change in unrealized (depreciation) appreciation on investments(1)	(0.12)	(0.37)	(0.28)	0.09	0.07	
Dividends to shareholders	(1.32)	(1.28)	(1.22)	(1.21)	(1.33)	
Common stock transactions(2)	0.10	0.10	0.02	(0.11)	(1.22)	
Fair value of equity issued for Patriot acquisition	—	—	—	—	0.12	
Net asset value at end of year	\$ 10.56	\$ 10.72	\$ 10.83	\$ 10.36	\$ 10.30	
Per share market value at end of year						
Per share market value at end of year	\$ 10.63	\$ 10.80	\$ 11.39	\$ 10.11	\$ 9.65	
Total return based on market value(3)	10.88	% 6.24	% 27.21	% 17.22	% 17.66	%
Total return based on net asset value(3)	10.97	% 10.91	% 18.03	% 12.54	% (6.82	%)
Shares of common stock outstanding at end of year	342,626,637	247,836,965	139,633,870	107,606,690	69,086,862	
Weighted average shares of common stock outstanding	300,283,941	207,069,971	114,394,554	85,978,757	59,429,222	
Ratios/Supplemental Data						
Net assets at end of year	\$ 3,618,182	\$ 2,656,494	\$ 1,511,974	\$ 1,114,357	\$ 711,424	
Portfolio turnover rate	15.21	% 29.24	% 29.06	% 27.63	% 21.61	%
Annualized ratio of operating expenses to average net assets	11.11	% 11.50	% 10.73	% 8.47	% 7.54	%
Annualized ratio of net investment income to average net assets	11.18	% 14.86	% 14.92	% 10.60	% 10.69	%

(1) Financial highlights are based on the weighted average number of common shares outstanding for the period presented (except for dividends to shareholders which is based on actual rate per share).

(2) Common stock transactions include the effect of our issuance of common stock in public offerings (net of underwriting and offering costs), shares issued in connection with our dividend reinvestment plan and shares issued to acquire investments. The fair value of equity issued to acquire portfolio investments from Patriot has been presented separately for the year ended June 30, 2010.

(3) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan.

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Note 17. Selected Quarterly Financial Data (Unaudited)

The following table sets forth selected financial data for each quarter within the three years ended June 30, 2014:

Quarter Ended	Investment Income		Net Investment Income		Net Realized and Unrealized Gains (Losses)		Net Increase in Net Assets from Operations	
	Total	Per Share ⁽¹⁾	Total	Per Share ⁽¹⁾	Total	Per Share ⁽¹⁾	Total	Per Share ⁽¹⁾
September 30, 2011	\$55,342	\$ 0.51	\$27,877	\$ 0.26	\$ 12,023	\$ 0.11	\$ 39,900	\$ 0.37
December 31, 2011	67,263	0.61	36,508	0.33	27,984	0.26	64,492	0.59
March 31, 2012	95,623	0.84	58,072	0.51	(7,863)	(0.07)	50,209	0.44
June 30, 2012	102,682	0.82	64,227	0.52	(27,924)	(0.22)	36,303	0.29
September 30, 2012	123,636	0.76	74,027	0.46	(26,778)	(0.17)	47,249	0.29
December 31, 2012	166,035	0.85	99,216	0.51	(52,727)	(0.27)	46,489	0.24
March 31, 2013	120,195	0.53	59,585	0.26	(15,156)	(0.07)	44,429	0.20
June 30, 2013	166,470	0.68	92,096	0.38	(9,407)	(0.04)	82,689	0.34
September 30, 2013	161,034	0.62	82,337	0.32	(2,437)	(0.01)	79,900	0.31
December 31, 2013	178,090	0.62	92,215	0.32	(6,853)	(0.02)	85,362	0.30
March 31, 2014	190,327	0.60	98,523	0.31	(16,422)	(0.06)	82,101	0.26
June 30, 2014	182,840	0.54	84,148	0.25	(12,491)	(0.04)	71,657	0.21

(1) Per share amounts are calculated using the weighted average number of common shares outstanding for the period presented.

Note 18. Subsequent Events

On July 11, 2014, we increased total commitments to our Revolving Credit Facility by \$10,000 to \$867,500 in the aggregate.

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 23, 2014, we increased total commitments to our Revolving Credit Facility by \$10,000 to \$877,500 in the aggregate.

On July 24, 2014, we issued 98,503 shares of our common stock in connection with the dividend reinvestment plan.

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

On August 1, 2014, we sold our investments in AMU Holdings Inc. and Airmall Inc. for net proceeds of \$51,379. In addition, there is \$6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized if and when received.

On August 5, 2014, we made an investment of \$39,105 to purchase 70.94% of the subordinated notes in CIFIC Funding 2014-IV, Ltd.

On August 13, 2014, we provided \$210,000 of senior secured financing, of which \$200,000 was funded at closing, to support the recapitalization of Trinity Services Group, Inc., a leading food services company in the H.I.G. Capital portfolio.

On August 14, 2014, we announced the then current conversion rate on the 2018 Notes as 83.6661 shares of common stock per \$1 principal amount of the 2018 Notes converted, which is equivalent to a conversion price of approximately

\$11.95.

On August 21, 2014, we issued 129,435 shares of our common stock in connection with the dividend reinvestment plan.

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 loan receivable to us.

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

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November 7, 2014

Incapital LLC
BofA Merrill Lynch
Citigroup
RBC Capital Markets