

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 814-00659

PROSPECT CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

43-2048643

(I.R.S. Employer Identification No.)

10 East 40th Street, 42nd Floor

New York, New York

(Address of principal executive offices)

10016

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbols</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value	PSEC	NASDAQ Global Select Market
6.25% Notes due 2024, par value \$25	PBB	New York Stock Exchange
6.25% Notes due 2028, par value \$25	PBY	New York Stock Exchange
6.875% Notes due 2029, par value \$25	PBC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 8, 2020, there were 369,356,358 shares of the registrant's common stock, \$0.001 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “should,” “could,” “may,” “plan” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results—are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended June 30, 2019, and those described from time to time in reports that we have filed or in the future may file with the Securities and Exchange Commission.

The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of global health epidemics, including, but not limited to, the recent and ongoing novel coronavirus (“Wuhan Virus”) pandemic, on our and our portfolio companies’ business and the global economy;
- uncertainty surrounding the financial stability of the United States, Europe, and China;
- the ability of our portfolio companies to achieve their objectives;
- difficulty in obtaining financing or raising capital, especially in the current credit and equity environment, and the impact of a protracted decline in the liquidity of credit markets on our and our portfolio companies’ business;
- the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets;
- the impact of changes in *London Interbank Offered Rate* (“LIBOR”) on our operating results;
- adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise;
- a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us;
- our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of the Investment Adviser to locate suitable investments for us and to monitor and administer our investments; and
- authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the Securities and Exchange Commission, Internal Revenue Service, the NASDAQ Global Select Market, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business.

PART I

Item 1. Financial Statements

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

	March 31, 2020	June 30, 2019
	(Unaudited)	(Audited)
Assets		
Investments at fair value:		
Control investments (amortized cost of \$2,290,680 and \$2,385,806, respectively)	\$ 2,208,472	\$ 2,475,924
Affiliate investments (amortized cost of \$159,642 and \$177,616, respectively)	79,455	76,682
Non-control/non-affiliate investments (amortized cost of \$3,356,316 and \$3,368,880, respectively)	2,856,615	3,100,947
Total investments at fair value (amortized cost of \$5,806,638 and \$5,932,302, respectively)	5,144,542	5,653,553
Cash	46,646	107,098
Receivables for:		
Interest, net	15,653	26,504
Other	723	3,326
Deferred financing costs on Revolving Credit Facility (Note 4)	9,688	8,529
Prepaid expenses	344	1,053
Total Assets	5,217,596	5,800,063
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	165,600	167,000
Public Notes (less unamortized discount and debt issuance costs of \$12,206 and \$13,826, respectively) (Notes 6 and 8)	781,513	780,548
Prospect Capital InterNotes® (less unamortized debt issuance costs of \$13,042 and \$12,349, respectively) (Notes 7 and 8)	659,517	695,350
Convertible Notes (less unamortized debt issuance costs of \$9,810 and \$13,867, respectively) (Notes 5 and 8)	577,391	739,997
Due to Prospect Capital Management (Note 13)	43,744	46,525
Interest payable	19,950	34,104
Dividends payable	22,069	22,028
Accrued expenses	5,192	5,414
Due to Prospect Administration (Note 13)	8,482	1,885
Due to Affiliate (Note 13)	38	—
Other liabilities	725	937
Total Liabilities	2,284,221	2,493,788
Commitments and Contingencies (Note 3)		
Net Assets	\$ 2,933,375	\$ 3,306,275
Components of Net Assets		
Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 367,817,926 and 367,131,025 issued and outstanding, respectively) (Note 9)	\$ 368	\$ 367
Paid-in capital in excess of par (Note 9)	4,044,185	4,039,872
Total distributable earnings (loss)	(1,111,178)	(733,964)
Net Assets	\$ 2,933,375	\$ 3,306,275
Net Asset Value Per Share (Note 16)	\$ 7.98	\$ 9.01

See notes to consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Investment Income				
Interest income:				
Control investments	\$ 51,833	\$ 51,078	\$ 152,301	\$ 161,206
Affiliate investments	2,623	230	5,325	631
Non-control/non-affiliate investments	57,960	67,656	179,062	204,944
Structured credit securities	26,390	36,112	88,733	105,731
Total interest income	138,806	155,076	425,421	472,512
Dividend income:				
Control investments	2,267	3,612	9,335	31,277
Affiliate investments	—	659	—	659
Non-control/non-affiliate investments	310	253	1,005	781
Total dividend income	2,577	4,524	10,340	32,717
Other income:				
Control investments	9,440	10,799	34,012	29,331
Non-control/non-affiliate investments	3,678	710	8,528	4,854
Total other income (Note 10)	13,118	11,509	42,540	34,185
Total Investment Income	154,501	171,109	478,301	539,414
Operating Expenses				
Base management fee (Note 13)	26,625	29,540	82,631	92,684
Income incentive fee (Note 13)	17,119	19,315	51,855	60,808
Interest and credit facility expenses	37,646	38,946	113,603	117,510
Allocation of overhead from Prospect Administration (Note 13)	4,096	2,084	13,601	11,091
Audit, compliance and tax related fees	421	680	2,729	3,462
Directors' fees	113	112	339	341
Other general and administrative expenses	5	3,170	6,122	10,286
Total Operating Expenses	86,025	93,847	270,880	296,182
Net Investment Income	68,476	77,262	207,421	243,232
Net Realized and Net Change in Unrealized Gains (Losses) from Investments				
Net realized gains (losses)				
Control investments	—	11,507	—	14,309
Non-control/non-affiliate investments	26	(2,024)	(263)	(792)
Net realized gains (losses)	26	9,483	(263)	13,517
Net change in unrealized (losses) gains				
Control investments	(97,444)	11,686	(172,328)	(22,129)
Affiliate investments	(9,516)	(4,101)	20,746	(23,750)
Non-control/non-affiliate investments	(150,037)	(2,155)	(231,766)	(98,338)
Net change in unrealized (losses) gains	(256,997)	5,430	(383,348)	(144,217)
Net Realized and Net Change in Unrealized (Losses) Gains from Investments	(256,971)	14,913	(383,611)	(130,700)
Net realized gains (losses) on extinguishment of debt	2,796	(2,980)	(2,647)	(6,931)
Net (Decrease) Increase in Net Assets Resulting from Operations	\$ (185,699)	\$ 89,195	\$ (178,837)	\$ 105,601
Net (decrease) increase in net assets resulting from operations per share	\$ (0.51)	\$ 0.24	\$ (0.49)	\$ 0.29
Dividends declared per share	\$ (0.18)	\$ (0.18)	\$ (0.54)	\$ (0.54)

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except share data)
(Unaudited)

Nine Months Ended March 31, 2019	Common Stock			Distributable earnings (loss)	Total Net Assets
	Shares	Par	Paid-in capital in excess of par		
Balance as of June 30, 2018	364,409,938	\$ 364	\$ 4,021,541	\$ (614,858)	\$ 3,407,047
Net Decrease in Net Assets resulting from Operations:					
Net investment income				243,232	243,232
Net realized gains				6,586	6,586
Net change in unrealized losses				(144,217)	(144,217)
Distributions to Shareholders					—
Distributions from earnings				(197,555)	(197,555)
Shares issued through reinvestment of dividends	2,475,036	3	16,719		16,722
Tax reclassifications of net assets (Note 12)			(31)	31	—
Total increase (decrease) for the nine months ended March 31, 2019	2,475,036	3	16,688	(91,923)	(75,232)
Balance as of March 31, 2019	<u>366,884,974</u>	<u>\$ 367</u>	<u>\$ 4,038,229</u>	<u>\$ (706,781)</u>	<u>\$ 3,331,815</u>

Nine Months Ended March 31, 2020	Common Stock			Distributable earnings (loss)	Total Net Assets
	Shares	Par	Paid-in capital in excess of par		
Balance as of June 30, 2019	367,131,025	\$ 367	\$ 4,039,872	\$ (733,964)	\$ 3,306,275
Net Decrease in Net Assets resulting from Operations:					
Net investment income				207,421	207,421
Net realized losses				(2,910)	(2,910)
Net change in unrealized losses				(383,348)	(383,348)
Distributions to Shareholders					—
Distributions from earnings				(198,455)	(198,455)
Shares issued through reinvestment of dividends	686,901	1	4,391		4,392
Tax reclassifications of net assets (Note 12)			(78)	78	—
Total increase (decrease) for the nine months ended March 31, 2020	686,901	1	4,313	(377,214)	(372,900)
Balance as of March 31, 2020	<u>367,817,926</u>	<u>\$ 368</u>	<u>\$ 4,044,185</u>	<u>\$ (1,111,178)</u>	<u>\$ 2,933,375</u>

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)
(in thousands, except share data)
(Unaudited)

Three Months Ended March 31, 2019	Common Stock			Distributable earnings (loss)	Total Net Assets
	Shares	Par	Paid-in capital in excess of par		
Balance as of December 31, 2018	366,055,966	\$ 366	\$ 4,032,761	\$ (729,952)	\$ 3,303,175
Net Increase in Net Assets resulting from Operations:					
Net investment income				77,262	77,262
Net realized gains				6,503	6,503
Net change in unrealized losses				5,430	5,430
Distributions to Shareholders					—
Distributions from earnings				(66,024)	(66,024)
Shares issued through reinvestment of dividends	829,008	1	5,468		5,469
Total increase (decrease) for the three months ended March 31, 2019	829,008	1	5,468	23,171	28,640
Balance as of March 31, 2019	366,884,974	\$ 367	\$ 4,038,229	\$ (706,781)	\$ 3,331,815

Three Months Ended March 31, 2020	Common Stock			Distributable earnings (loss)	Total Net Assets
	Shares	Par	Paid-in capital in excess of par		
Balance as of December 31, 2019	367,584,244	\$ 367	\$ 4,042,785	\$ (859,287)	\$ 3,183,865
Net Decrease in Net Assets resulting from Operations:					
Net investment income				68,476	68,476
Net realized gains				2,822	2,822
Net change in unrealized losses				(256,997)	(256,997)
Distributions to Shareholders					—
Distributions from earnings				(66,192)	(66,192)
Shares issued through reinvestment of dividends	233,682	1	1,400		1,401
Total increase (decrease) for the three months ended March 31, 2020	233,682	1	1,400	(251,891)	(250,490)
Balance as of March 31, 2020	367,817,926	\$ 368	\$ 4,044,185	\$ (1,111,178)	\$ 2,933,375

See notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2020	2019
Operating Activities		
Net (decrease) increase in net assets resulting from operations	\$ (178,837)	\$ 105,601
Net realized losses on extinguishment of debt	2,647	6,931
Net realized losses (gains) on investments	263	(13,517)
Net change in net unrealized losses (gains) on investments	383,348	144,217
Amortization of discounts (accretion of premiums), net	5,750	(2,654)
Accretion of discount on Public Notes (Note 6)	775	406
Amortization of deferred financing costs	6,342	8,699
Payment-in-kind interest	(35,134)	(29,663)
Structuring fees	(5,562)	(3,434)
Change in operating assets and liabilities:		
Payments for purchases of investments	(721,764)	(483,508)
Proceeds from sale of investments and collection of investment principal	882,111	415,165
Increase in due to broker	—	25,660
Decrease in due to Prospect Capital Management	(2,781)	(190)
Decrease in interest receivable, net	10,851	2,858
Decrease in interest payable	(14,154)	(8,315)
(Decrease) increase in accrued expenses	(222)	52
Decrease in due from broker	—	2,490
Increase in due to affiliates	38	—
Decrease in other liabilities	(212)	(903)
Decrease in other receivables	2,603	882
Decrease in prepaid expenses	709	699
Increase (decrease) in due to Prospect Administration	6,597	(405)
Net Cash Provided by Operating Activities	343,368	171,071
Financing Activities		
Borrowings under Revolving Credit Facility (Note 4)	990,000	912,154
Principal payments under Revolving Credit Facility (Note 4)	(991,400)	(850,154)
Issuances of Public Notes, net of original issue discount (Note 6)	—	215,638
Redemptions of Public Notes (Note 6)	(446)	(153,536)
Redemptions of Convertible Notes, net (Note 5)	(165,159)	(246,670)
Issuance of Convertible Notes (Note 5)	—	201,250
Issuances of Prospect Capital InterNotes® (Note 7)	224,934	124,643
Redemptions of Prospect Capital InterNotes®, net (Note 7)	(260,074)	(130,846)
Financing costs paid and deferred	(7,651)	(26,057)
Dividends paid	(194,024)	(180,685)
Net Cash Used in Financing Activities	(403,820)	(134,263)
Net (Decrease) Increase in Cash	(60,452)	36,808
Cash at beginning of period	107,098	83,758
Cash at End of Period	\$ 46,646	\$ 120,566
Supplemental Disclosures		
Cash paid for interest	\$ 120,640	\$ 116,720
Purchases of investments settled net of proceeds from sale of investments	\$ 61,086	\$ —
Non-Cash Financing Activities		
Value of shares issued through reinvestment of dividends	\$ 4,392	\$ 16,722
Cost basis of investments written off as worthless	\$ 2,420	\$ 371

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS AS OF MARCH 31, 2020 (Unaudited)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)				
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
Control Investments (greater than 25.00% voting control)(49)								
CP Energy Services Inc. (20)	Energy Equipment & Services	Senior Secured Term Loan (12.46% (LIBOR + 11.00% with 1.00% LIBOR floor), due 12/29/2022)(11)(46)	10/1/2017	\$ 35,622	\$ 35,622	\$ 35,622	1.2%	
		Senior Secured Term Loan A to Spartan Energy Services, Inc. (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 12/31/2022)(13)	10/20/2014	13,156	13,156	13,156	0.5%	
		Senior Secured Term Loan B to Spartan Energy Services, Inc. (15.00% PIK (LIBOR + 14.00% with 1.00% LIBOR floor), in non-accrual status effective 1/1/2020, due 12/31/2022)(13)	10/20/2014	24,302	23,361	6,400	0.2%	
		Series B Convertible Preferred Stock (16.00%, 790 shares) (16)	10/30/2015		63,225	17,591	0.6%	
		Common Stock (102,924 shares)(16)	8/2/2013		86,241	—	—%	
					221,605	72,769	2.5%	
Credit Central Loan Company, LLC(21)	Consumer Finance	Subordinated Term Loan (10.00% plus 10.00% PIK, due 6/26/2024)(14)(46)	12/28/2012	59,785	56,705	59,785	2.0%	
		Class A Units (14,867,312 units)(14)(16)	12/28/2012		19,331	11,802	0.4%	
		Net Revenues Interest (25% of Net Revenues)(14)(16)	1/28/2015		—	—	—%	
					76,036	71,587	2.4%	
Echelon Transportation, LLC	Aerospace & Defense	Senior Secured Term Loan (11.75% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(13)(46)	3/31/2014	42,572	42,572	42,572	1.5%	
		Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.00% PIK, due 12/7/2024)(13)(46)	12/9/2016	20,399	20,399	20,399	0.7%	
		Membership Interest (100%)(16)	3/31/2014		22,738	21,869	0.7%	
					85,709	84,840	2.9%	
First Tower Finance Company LLC(23)	Consumer Finance	Subordinated Term Loan to First Tower, LLC (10.00% plus 10.50% PIK, due 6/24/2024)(14)(46)	6/24/2014	274,350	274,350	274,350	9.3%	
		Class A Units (95,709,910 units)(14)(16)	6/14/2012		81,146	198,835	6.8%	
					355,496	473,185	16.1%	
Freedom Marine Solutions, LLC(24)	Energy Equipment & Services	Membership Interest (100%)(16)	11/9/2006		43,892	15,418	0.5%	
					43,892	15,418	0.5%	
InterDent, Inc.(29)	Health Care Providers & Services	Senior Secured Term Loan A/B (7.05% (LIBOR + 5.05% with 2.00% LIBOR floor), due 9/5/2020)(13)	8/1/2018	14,000	14,000	14,000	0.5%	
		Senior Secured Term Loan A (6.49% (LIBOR + 5.50% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/3/2012	77,994	77,994	77,994	2.6%	
		Senior Secured Term Loan B (10.00% PIK, due 9/5/2020)(46)	8/3/2012	125,276	125,276	110,358	3.8%	
		Senior Secured Term Loan C (18.00% PIK, in non-accrual status effective 10/1/2018, due 9/5/2020)	3/22/2018	46,800	35,766	—	—%	
		Senior Secured Term Loan D (1.00% PIK, in non-accrual status effective 10/1/2018, due 9/5/2020)	9/19/2018	8,834	8,751	—	—%	
		Common Stock (99,900 shares)(16)	5/3/2019		1	—	—%	
					261,788	202,352	6.9%	

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS AS OF MARCH 31, 2020 (Unaudited)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)				
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
Control Investments (greater than 25.00% voting control)(49)								
Kickapoo Ranch Pet Resort	Diversified Consumer Services	Membership Interest (100%)(16)	8/26/2019	\$	2,378	\$	3,838	0.1%
					2,378		3,838	0.1%
MITY, Inc.(25)	Commercial Services & Supplies	Senior Secured Note A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 6/30/2020)(3)(11)	9/19/2013	\$	26,250	26,250	26,250	0.9%
		Senior Secured Note B (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 6/30/2020)(3)(11)(46)	9/19/2013	32,187	32,187	28,923	1.0%	
		Subordinated Unsecured Note to Broda Enterprises ULC (10.00%, due 1/1/2028)(14)	9/19/2013	5,683	6,488	—	—%	
		Common Stock (42,053 shares)(16)	9/19/2013		6,849	—	—%	
					71,774		55,173	1.9%
National Property REIT Corp.(26)	Equity Real Estate Investment Trusts (REITs) / Online Lending / Structured Finance	Senior Secured Term Loan A (6.50% (LIBOR + 3.50% with 3.00% LIBOR floor) plus 5.00% PIK, due 12/31/2023)(11) (46)	12/31/2018	311,218	311,218	311,218	10.6%	
		Senior Secured Term Loan B (5.00% (LIBOR + 2.00% with 3.00% LIBOR floor) plus 5.50% PIK, due 12/31/2023)(11) (46)	12/31/2018	59,316	59,316	57,639	2.0%	
		Senior Secured Term Loan C (13.46% (LIBOR + 12.00% with 1.00% LIBOR floor) plus 2.25% PIK, due 12/31/2023)(11) (46)	10/31/2019	78,359	78,359	78,359	2.7%	
		Residual Profit Interest(37)	12/31/2018		—	36,934	1.2%	
		Common Stock (3,253,060 shares)(52)	12/31/2013		183,426	415,862	14.2%	
					632,319		900,012	30.7%
Nationwide Loan Company LLC(27)	Consumer Finance	Senior Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2020)(14)(46)	6/18/2014	19,588	19,588	19,588	0.7%	
		Class A Units (38,550,460 units)(14)	1/31/2013		20,462	15,678	0.5%	
					40,050		35,266	1.2%
NMMB, Inc.(28)	Media	Delayed Draw Term Loan – \$10,000 Commitment (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 12/30/2024) (11)(15)	3/25/2020	—	—	—	—%	
		Senior Secured Note (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 12/30/2024)(11)	12/30/2019	5,062	5,062	5,062	0.1%	
		Common Stock (21,419 shares)	12/30/2019	—	12,869	31,498	1.1%	
					17,931		36,560	1.2%
Pacific World Corporation(40)	Personal Products	Revolving Line of Credit – \$26,000 Commitment (8.25% (LIBOR + 7.25% with 1.00% LIBOR floor), in non-accrual status effective 10/1/2019, due 9/26/2020)(13)(15)	9/26/2014	19,625	19,625	19,625	0.7%	
		Senior Secured Term Loan A (6.25% PIK (LIBOR + 5.25% with 1.00% LIBOR floor), in non-accrual status effective 10/24/2018, due 9/26/2020)(13)	12/31/2014	105,045	92,277	33,599	1.1%	
		Senior Secured Term Loan B (11.20% PIK (LIBOR + 9.25% with 1.00% LIBOR floor), in non-accrual status effective 5/21/2018, due 9/26/2020)(13)	12/31/2014	119,927	96,500	—	—%	
		Convertible Preferred Equity (247,330 shares)(16)	6/15/2018		37,100	—	—%	
		Common Stock (6,778,414 shares)(16)	9/29/2017		—	—	—%	
					245,502		53,224	1.8%
R-V Industries, Inc.	Machinery	Senior Subordinated Note (10.46% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/31/2022)(3)(11)	6/12/2013	28,622	28,622	28,622	1.0%	
		Common Stock (745,107 shares)(16)	6/26/2007		6,866	9,221	0.3%	
					35,488		37,843	1.3%

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Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Control Investments (greater than 25.00% voting control)(49)							
Universal Turbine Parts, LLC(34)	Trading Companies & Distributors	Delayed Draw Term Loan – \$5,000 Commitment (10.25% (LIBOR + 7.75% with 2.50% LIBOR floor), due 7/22/2021) (13)(15)	2/28/2019	\$ 2,894	\$ 2,894	\$ 2,894	0.1%
		Senior Secured Term Loan A (7.21% (LIBOR + 5.75% with 1.00% LIBOR floor), due 7/22/2021)(11)	7/22/2016	30,225	30,225	25,339	0.9%
		Senior Secured Term Loan B (13.21% PIK (LIBOR + 11.75% with 1.00% LIBOR floor), in non-accrual status effective 7/1/2018, due 7/22/2021)(11)	7/22/2016	41,553	32,500	—	—%
		Common Stock (10,000 units)(16)	12/10/2018		—	—	—%
					65,619	28,233	1.0%
USES Corp.(30)	Commercial Services & Supplies	Senior Secured Term Loan A (9.00% PIK, in non-accrual status effective 4/1/2016, due 7/29/2022)	3/31/2014	49,199	30,651	16,182	0.6%
		Senior Secured Term Loan B (15.50% PIK, in non-accrual status effective 4/1/2016, due 7/29/2022)	3/31/2014	63,752	35,568	—	—%
		Common Stock (268,962 shares)(16)	6/15/2016		—	—	—%
					66,219	16,182	0.6%
Valley Electric Company, Inc.(31)	Construction & Engineering	Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2024)(3)(11)(46)	12/31/2012	10,430	10,430	10,430	0.4%
		Senior Secured Note (8.00% plus 10.00% PIK, due 6/23/2024) (46)	6/24/2014	33,301	33,301	33,301	1.1%
		Consolidated Revenue Interest (2.0%)(38)	6/22/2018		—	2,616	0.1%
		Common Stock (50,000 shares)	12/31/2012		25,143	75,643	2.6%
					68,874	121,990	4.2%
Total Control Investments				\$ 2,290,680	\$ 2,208,472		75.3%

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Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Affiliate Investments (5.00% to 24.99% voting control)(48)							
Edmentum Ultimate Holdings, LLC(22)	Diversified Consumer Services	Second Lien Revolving Credit Facility to Edmentum, Inc. – \$7,834 Commitment (5.00% PIK, due 12/9/2021)(15)(46)	6/9/2015	\$ 8,434	\$ 8,434	\$ 8,434	0.3%
		Unsecured Senior PIK Note (8.50% PIK, due 12/9/2021) (46)	6/9/2015	8,734	8,734	8,734	0.3%
		Unsecured Junior PIK Note (10.00% PIK, due 12/9/2021) (46)	6/9/2015	41,998	27,614	39,529	1.3%
		Class A Units (370,964 units)(16)	6/9/2015	—	6,577	—	—%
				51,359	56,697	1.9%	
Nixon, Inc.(39)	Textiles, Apparel & Luxury Goods	Common Stock (857 units)(16)	5/12/2017	—	—	—	—%
				—	—	—%	
Targus Cayman HoldCo Limited(33)	Textiles, Apparel & Luxury Goods	Common Stock (7,383,395 shares)	2/12/2016	—	2,805	18,042	0.6%
				2,805	18,042	0.6%	
United Sporting Companies, Inc.(18)	Distributors	Second Lien Term Loan (13.25% (LIBOR + 11.00% with 1.75% LIBOR floor) plus 2.00% PIK, in non-accrual status effective 4/1/2017, due 11/16/2019)(13)	9/28/2012	147,470	105,478	4,716	0.2%
		Common Stock (218,941 shares)(16)	5/2/2017	—	—	—	—%
				105,478	4,716	0.2%	
Total Affiliate Investments				\$ 159,642	\$ 79,455	2.7%	

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Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)				
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)								
8th Avenue Food & Provisions, Inc.	Food Products	Second Lien Term Loan (8.55% (LIBOR + 7.75%), due 10/1/2026)(3)(8)(13)	10/10/2018	\$ 25,000	\$ 24,847	\$ 25,000	0.9%	
					24,847	25,000	0.9%	
ACE Cash Express, Inc.	Consumer Finance	Senior Secured Note (12.00%, due 12/15/2022)(8)(14)	12/15/2017	30,000	28,685	24,651	0.8%	
					28,685	24,651	0.8%	
Ahead Data Blue, LLC	IT Services	Second Lien Term Loan (10.00% (LIBOR + 8.50% with 1.50% LIBOR floor), due 11/8/2025)(3)(13)	12/13/2019	70,000	70,000	70,000	2.4%	
					70,000	70,000	2.4%	
Apidos CLO XI	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 8.47%, due 10/17/2030)(5)(14)	1/17/2013	40,500	32,907	25,004	0.9%	
					32,907	25,004	0.9%	
Apidos CLO XII	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.71%, due 4/15/2031)(5)(14)	4/18/2013	52,203	37,578	28,408	1.0%	
					37,578	28,408	1.0%	
Apidos CLO XV	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.13%, due 4/21/2031)(5)(14)	10/16/2013	48,515	38,910	27,649	0.9%	
					38,910	27,649	0.9%	
Apidos CLO XXII	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.15%, due 4/21/2031)(5)(14)	10/14/2015	35,855	29,998	23,429	0.8%	
					29,998	23,429	0.8%	
Ark-La-Tex Wireline Services, LLC	Energy Equipment & Services	Escrow Receivable	4/8/2014		—	—	—%	
					—	—	—%	
Atlantis Health Care Group (Puerto Rico), Inc.	Health Care Providers & Services	Revolving Line of Credit – \$3,000 Commitment (10.75% (LIBOR + 8.75% with 2.00% LIBOR floor), due 4/30/2021) (11)(15)	2/21/2013	2,000	2,000	2,000	0.1%	
		Senior Secured Term Loan (10.75% (LIBOR + 8.75% with 2.00% LIBOR floor), due 4/30/2021)(3)(11)	2/21/2013	72,215	72,215	72,215	2.5%	
					74,215	74,215	2.6%	
Barings CLO 2018-III	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 5.11%, due 7/20/2029)(5)(14)	11/18/2014	83,098	48,635	30,372	1.0%	
					48,635	30,372	1.0%	
Broder Bros., Co.	Textiles, Apparel & Luxury Goods	Senior Secured Note (9.77% (LIBOR + 8.50% with 1.25% LIBOR floor), due 12/02/2022)(3)(11)	12/4/2017	171,927	171,927	170,497	5.8%	
					171,927	170,497	5.8%	
Brookside Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 1/17/2028)(5)(14)(17)	5/23/2013	36,300	17,553	11,212	0.4%	
					17,553	11,212	0.4%	
California Street CLO IX Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 7.41%, due 7/16/2032)(5)(14)	5/8/2012	58,915	41,325	27,670	0.9%	
					41,325	27,670	0.9%	
Candle-Lite Company, LLC	Household Products	Senior Secured Term Loan A (7.09% (LIBOR + 5.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	12,000	12,000	11,943	0.4%	
		Senior Secured Term Loan B (11.09% (LIBOR + 9.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	12,500	12,500	11,905	0.4%	
					24,500	23,848	0.8%	

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Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Capstone Logistics Acquisition, Inc.	Commercial Services & Supplies	Second Lien Term Loan (9.32% (LIBOR + 8.25% with 1.00% LIBOR floor), due 10/7/2022)(3)(8)(53)	10/7/2014	\$ 98,982	\$ 98,769	\$ 98,982	3.4%
					98,769	98,982	3.4%
Carlyle C17 CLO Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 19.27%, due 4/30/2031)(5)(14)	2/21/2013	24,870	15,090	12,316	0.4%
					15,090	12,316	0.4%
Carlyle Global Market Strategies CLO 2014-4-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 19.32%, due 7/15/2030)(5)(14)	4/12/2017	25,534	17,885	15,788	0.5%
					17,885	15,788	0.5%
Carlyle Global Market Strategies CLO 2016-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.03%, due 10/20/2029)(5)(14)	9/13/2016	32,200	32,966	24,910	0.8%
					32,966	24,910	0.8%
CCPI Inc.(19)	Electronic Equipment, Instruments & Components	Escrow Receivable	2/28/2019		—	2,337	0.1%
					—	2,337	0.1%
CCS-CMGC Holdings, Inc.	Health Care Providers & Services	First Lien Term Loan (7.28% (LIBOR + 5.50%), due 10/1/2025)(3)(8)(11)	5/23/2019	3,639	3,588	3,492	0.1%
		First Lien Term Loan (6.57% (LIBOR + 5.50%), due 10/1/2025)(3)(8)(53)	5/23/2019	6,009	5,925	5,765	0.2%
		Second Lien Term Loan (10.78% (LIBOR + 9.00%), due 10/1/2026)(3)(8)(11)	10/12/2018	37,000	36,421	35,752	1.2%
					45,934	45,009	1.5%
Cent CLO 21 Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.64%, due 7/27/2030)(5)(14)	6/18/2014	49,552	38,925	25,563	0.9%
					38,925	25,563	0.9%
CIFC Funding 2013-III-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.21%, due 4/24/2031)(5)(14)	9/12/2013	44,100	29,695	20,909	0.7%
					29,695	20,909	0.7%
CIFC Funding 2013-IV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.90%, due 4/28/2031)(5)(14)	11/14/2013	45,500	32,887	27,111	0.9%
					32,887	27,111	0.9%
CIFC Funding 2014-IV-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 15.31%, due 10/17/2030)(5)(14)	9/3/2014	44,467	31,251	22,535	0.8%
					31,251	22,535	0.8%
CIFC Funding 2016-I, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.23%, due 10/21/2031)(5)(14)	12/21/2016	34,000	30,149	26,028	0.9%
					30,149	26,028	0.9%
Cinedigm DC Holdings, LLC	Entertainment	Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(11)(46)	2/28/2013	12,205	12,155	12,205	0.4%
					12,155	12,205	0.4%
Class Valuation, LLC	Real Estate Management & Development	Senior Secured Term Loan (9.75% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/10/2023)(3)(11)	3/12/2018	38,222	38,222	38,222	1.3%
					38,222	38,222	1.3%
Collections Acquisition Company, Inc.	Diversified Financial Services	Senior Secured Term Loan (10.15% (LIBOR + 7.65% with 2.50% LIBOR floor), due 6/3/2024)(3)(11)	12/3/2019	30,216	30,216	30,216	1.0%
					30,216	30,216	1.0%

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				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Columbia Cent CLO 27 Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.12%, due 10/25/2028)(5)(14)	1/15/2014	\$ 40,275	\$ 23,121	\$ 20,941	0.7%
					23,121	20,941	0.7%
Coverall North America, Inc.	Commercial Services & Supplies	Senior Secured Term Loan A (7.46% (LIBOR + 6.00% with 1.00% LIBOR floor), due 5/3/2021)(3)(11)	11/2/2015	3,100	3,100	3,100	0.1%
		Senior Secured Term Loan B (12.46% (LIBOR + 11.00% with 1.00% LIBOR floor), due 5/3/2021)(3)(11)	11/2/2015	22,750	22,750	22,750	0.8%
					25,850	25,850	0.9%
CP VI Bella Midco	IT Services	Second Lien Term Loan (7.74% (LIBOR + 6.75%), due 12/29/2025)(3)(8)(13)	2/26/2018	15,750	15,709	15,750	0.5%
					15,709	15,750	0.5%
Digital Room, LLC	Commercial Services & Supplies	First Lien Term Loan (6.45% (LIBOR + 5.00%), due 5/21/2026)(3)(8)(11)	5/29/2019	25	25	24	—%
		First Lien Term Loan (6.07% (LIBOR + 5.00%), due 5/21/2026)(3)(8)(13)	5/29/2019	9,900	9,778	9,341	0.3%
		Second Lien Term Loan (10.07% (LIBOR + 9.00%), due 5/21/2027)(3)(8)(53)	5/30/2019	70,000	70,000	65,510	2.3%
					79,803	74,875	2.6%
Dunn Paper, Inc.	Paper & Forest Products	First Lien Term Loan (5.75% (LIBOR + 4.75% with 1.00% LIBOR floor), due 8/26/2022)(3)(8)(13)	11/27/2019	4,488	4,382	4,363	0.1%
		Second Lien Term Loan (9.75% (LIBOR + 8.75% with 1.00% LIBOR floor), due 8/26/2023)(3)(8)(13)	10/7/2016	11,500	11,387	11,122	0.4%
					15,769	15,485	0.5%
Easy Gardener Products, Inc.	Household Durables	Senior Secured Term Loan (11.46% (LIBOR + 10.00% with 0.25% LIBOR floor), in non-accrual status effective 10/1/2019, due 09/30/2020)(11)(16)	10/2/2015	15,719	15,719	4,799	0.2%
					15,719	4,799	0.2%
EDSCO Holding Company LLC	Machinery	Senior Secured Term Loan (7.50% (LIBOR + 6.00% with 1.50% LIBOR floor), due 1/10/2025)(3)(11)	1/10/2020	20,000	20,000	20,000	0.7%
					20,000	20,000	0.7%
Engine Group, Inc.(7)	Media	Senior Secured Term Loan (7.25% (PRIME + 4.00%), due 9/15/2022)(8)(54)	9/25/2017	4,220	4,220	3,619	0.1%
		Second Lien Term Loan (11.25% (PRIME + 8.00%), due 9/15/2023)(3)(8)(54)	9/25/2017	35,000	35,000	18,380	0.6%
					39,220	21,999	0.7%
EXC Holdings III Corp	Technology Hardware, Storage & Peripherals	Second Lien Term Loan (9.41% (LIBOR + 7.50% with 1.00% LIBOR floor), due 12/01/2025)(3)(8)(11)	12/5/2017	12,500	12,411	11,851	0.4%
					12,411	11,851	0.4%
Galaxy XV CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.66%, due 10/15/2030)(5)(14)	3/14/2013	50,525	35,628	23,188	0.8%
					35,628	23,188	0.8%
Galaxy XXVII CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 7.13%, due 5/16/2031)(5)(14)	11/5/2013	24,575	16,437	10,938	0.4%
					16,437	10,938	0.4%
Galaxy XXVIII CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 7.15%, due 7/15/2031)(5)(14)	6/27/2014	39,905	28,629	16,178	0.6%
					28,629	16,178	0.6%

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				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
GEON Performance Solutions, LLC	Chemicals	Revolving Line of Credit – \$3,621 Commitment (10.00% (PRIME+5.25%) , due10/25/2024)(15)(54)	12/12/2019	\$ 769	\$ 769	\$ 763	—%
		First Lien Term Loan (7.88% (LIBOR+6.25% with 1.63% LIBOR floor), due10/25/2024)(3)(13)	12/12/2019	31,301	31,138	31,042	1.1%
					31,907	31,805	1.1%
Global Tel*Link Corporation	Diversified Telecommunication Services	First Lien Term Loan (5.70% (LIBOR + 4.25%), due 11/29/2025)(3)(8)(11)	8/20/2019	9,925	9,553	8,970	0.3%
		Second Lien Term Loan (9.70% (LIBOR + 8.25%), due 11/29/2026)(3)(8)(11)	12/4/2018	40,170	39,364	37,612	1.3%
					48,917	46,582	1.6%
GlobalTranz Enterprises, Inc.	Air Freight & Logistics	Second Lien Term Loan (9.18% (LIBOR + 8.25%), due 5/15/2027)(3)(8)(13)	5/15/2019	12,500	12,500	12,409	0.4%
					12,500	12,409	0.4%
H.I.G. ECI Merger Sub, Inc.	IT Services	Senior Secured Term Loan A (7.00% (LIBOR + 5.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11)	5/31/2018	43,904	43,904	43,868	1.5%
		Senior Secured Term Loan B (12.00% (LIBOR + 10.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11)	5/31/2018	29,900	29,900	29,900	1.0%
					73,804	73,768	2.5%
Halcyon Loan Advisors Funding 2012-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 8/15/2023)(5)(14)(17)	8/15/2012	23,188	3,746	—	—%
					3,746	—	—%
Halcyon Loan Advisors Funding 2013-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/15/2025)(5)(14)(17)	3/28/2013	40,400	19,984	—	—%
					19,984	—	—%
Halcyon Loan Advisors Funding 2014-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/18/2026)(5)(14)(17)	3/6/2014	24,500	11,822	—	—%
					11,822	—	—%
Halcyon Loan Advisors Funding 2014-2 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/28/2025)(5)(14)(17)	4/28/2014	41,164	21,322	—	—%
					21,322	—	—%
Halcyon Loan Advisors Funding 2015-3 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/18/2027)(5)(14)(17)	9/3/2015	39,598	29,766	17,989	0.6%
					29,766	17,989	0.6%
Halyard MD OpCo, LLC	Media	Revolving Line of Credit – \$2,000 Commitment (9.94% (LIBOR + 8.00%), due 2/6/2020)(11)(15)	8/6/2018	—	—	—	—%
		First Lien Term Loan (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 8/6/2023)(3)(11)	8/6/2018	11,100	11,100	11,100	0.4%
					11,100	11,100	0.4%
HarbourView CLO VII-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.27%, due 7/18/2031)(5)(14)	6/10/2015	19,025	12,817	7,121	0.2%
					12,817	7,121	0.2%
Help/Systems Holdings, Inc.	Software	First Lien Term Loan (5.75% (LIBOR + 4.75% with 1.00% LIBOR floor), due 11/19/2027)(3)(8)(13)	11/29/2019	8,500	8,420	8,246	0.3%
		Second Lien Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 11/19/2027)(3)(8)(13)	11/22/2019	17,500	17,171	17,086	0.6%
					25,591	25,332	0.9%

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)				
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)								
Inpatient Care Management Company, LLC	Health Care Providers & Services	Senior Secured Term Loan (9.46% (LIBOR + 8.00% with 1.00% LIBOR floor), due 6/8/2021)(3)(11)	6/8/2016	\$ 15,930	\$ 15,930	\$ 15,637	0.5%	
					15,930	15,637	0.5%	
Jefferson Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 7.00%, due 10/20/2031)(5)(14)	7/28/2015	23,594	19,082	11,307	0.4%	
					19,082	11,307	0.4%	
K&N Parent, Inc.	Auto Components	First Lien Term Loan (5.82% (LIBOR + 4.75%)1.00% LIBOR floor), due 10/20/2023)(3)(8)(53)	3/3/2020	1,437	1,233	1,399	—%	
		Second Lien Term Loan (9.82% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/21/2024)(3)(8)(53)	10/28/2016	25,887	25,512	25,451	0.9%	
					26,745	26,850	0.9%	
Keystone Acquisition Corp. (36)	Health Care Providers & Services	Second Lien Term Loan (10.70% (LIBOR + 9.25% with 1.00% LIBOR floor), due 5/1/2025)(3)(8)(11)	5/18/2017	50,000	50,000	49,127	1.7%	
					50,000	49,127	1.7%	
LCM XIV Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 11.69%, due 7/21/2031)(5)(14)	7/11/2013	49,934	28,280	18,784	0.6%	
					28,280	18,784	0.6%	
Legility, LLC	Professional Services	First Lien Term Loan (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 12/17/2025)(3)(8)(11)	2/28/2020	774	759	768	—%	
		First Lien Term Loan (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 12/17/2025)(3)(8)(53)	2/28/2020	19,226	18,847	19,076	0.7%	
					19,606	19,844	0.7%	
LGC US FINCO, LLC	Machinery	First Lien Term Loan (7.50% (LIBOR + 6.50% with 1.00% LIBOR floor), due 12/20/2025)(3)(8)(53)	1/24/2020	29,850	28,982	28,484	1.0%	
					28,982	28,484	1.0%	
Maverick Healthcare Equity, LLC	Health Care Providers & Services	Preferred Units (10.00%, 1,250,000 units)(16)	10/31/2007		—	—	—%	
		Class A Common Units (1,250,000 units)(16)	10/31/2007		—	—	—%	
					—	—	—%	
Medusind Acquisition, Inc. (9)	Health Care Providers & Services	First Lien Term Loan (11.25% (LIBOR + 9.75% with 1.00% LIBOR floor), due 4/8/2024)(3)(11)(46)	9/30/2019	24,103	23,770	24,001	0.8%	
					23,770	24,001	0.8%	
Mountain View CLO 2013-I Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 1.82%, due 10/15/2030)(5)(14)	5/1/2013	43,650	28,877	14,707	0.5%	
					28,877	14,707	0.5%	
Mountain View CLO IX Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.33%, due 7/15/2031)(5)(14)	6/25/2015	47,830	29,152	25,833	0.9%	
					29,152	25,833	0.9%	
Octagon Investment Partners XV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 8.97%, due 7/19/2030)(5)(14)	2/20/2013	42,064	33,246	22,918	0.8%	
					33,246	22,918	0.8%	
Octagon Investment Partners 18-R Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.95%, due 4/16/2031)(5)(14)	8/17/2015	46,016	26,074	19,452	0.7%	
					26,074	19,452	0.7%	
Pearl Intermediate Parent LLC	Health Care Providers & Services	Second Lien Term Loan (7.24% (LIBOR + 6.25%), due 2/15/2026)(3)(8)(13)	2/28/2018	5,000	4,982	4,741	0.2%	
					4,982	4,741	0.2%	

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(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
PeopleConnect Holdings, LLC(10)	Interactive Media & Services	Revolving Line of Credit – \$8,918 Commitment (10.00% (LIBOR + 8.25% with 1.75% LIBOR floor), due 1/22/2025) (13)(15)	1/22/2020	\$ 1,115	\$ 1,115	\$ 1,115	0.1%
		Delayed Draw Term Loan – \$5,000 Commitment (10.00% (LIBOR + 8.25% with 1.75% LIBOR floor), due 1/22/2021) (11)(15)	1/22/2020	—	—	—	—%
		Senior Secured Term Loan (10.07% (LIBOR + 8.25% with 1.75% LIBOR floor), due 1/22/2025)(11)	1/22/2020	206,006	206,006	206,006	7.0%
					207,121	207,121	7.1%
PG Dental Holdings New Jersey, LLC	Health Care Providers & Services	Delayed Draw Term Loan – \$5,000 Commitment (10.00% (LIBOR + 7.25% with 2.75% LIBOR floor), due 5/31/2024) (3)(11)(15)	5/31/2019	2,000	2,000	2,000	0.1%
		Senior Secured Term Loan (10.00% (LIBOR + 7.25% with 2.75% LIBOR floor), due 5/31/2024)(3)(11)	5/31/2019	22,415	22,415	22,415	0.7%
						24,415	24,415
PGX Holdings, Inc.	Diversified Consumer Services	Second Lien Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2021)(3)(13)	9/29/2014	100,091	100,091	57,239	2.0%
					100,091	57,239	2.0%
PlayPower, Inc.	Leisure Products	First Lien Term Loan (6.95% (LIBOR + 5.50%), due 5/10/2026)(3)(8)(11)	5/16/2019	6,451	6,394	6,082	0.2%
					6,394	6,082	0.2%
Research Now Group, Inc. & Survey Sampling International LLC	Professional Services	First Lien Term Loan (7.26% (LIBOR + 5.50% with 1.00% LIBOR floor), due 12/20/2024)(3)(8)(11)	1/5/2018	9,775	9,419	9,569	0.3%
		Second Lien Term Loan (11.26% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/20/2025)(3)(8)(11)	1/5/2018	50,000	47,507	49,749	1.7%
						56,926	59,318
RGIS Services, LLC	Commercial Services & Supplies	Senior Secured Term Loan (9.28% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(11)	4/20/2017	4,407	4,269	3,486	0.1%
		Senior Secured Term Loan (9.12% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(12)	4/20/2017	5,021	4,863	3,971	0.1%
		Senior Secured Term Loan (8.95% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(11)	4/20/2017	10,136	9,818	8,017	0.3%
					18,950	15,474	0.5%
RME Group Holding Company	Media	Senior Secured Term Loan A (7.46% (LIBOR + 6.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	27,833	27,833	27,833	0.9%
		Senior Secured Term Loan B (12.46% (LIBOR + 11.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	22,411	22,411	22,411	0.8%
					50,244	50,244	1.7%
Rocket Software, Inc.	Software	Second Lien Term Loan (9.24% (LIBOR + 8.25%), due 11/27/2026)(3)(8)(13)	12/7/2018	50,000	49,584	46,630	1.6%
					49,584	46,630	1.6%
Romark WM-R Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 8.25%, due 4/20/2031)(5)(14)	5/15/2014	27,725	22,698	14,278	0.5%
					22,698	14,278	0.5%

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Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Rosa Mexicano	Hotels, Restaurants & Leisure	Revolving Line of Credit– \$500 Commitment (8.96% (LIBOR + 7.50% with 1.25% LIBOR floor), due 3/29/2023)(11)(15)	3/29/2018	\$ 500	\$ 500	\$ 467	—%
		Senior Secured Term Loan (8.96% (LIBOR + 7.50% with 1.25% LIBOR floor), due 3/29/2023)(3)(11)	3/29/2018	22,877	22,877	21,369	0.7%
					23,377	21,836	0.7%
Securus Technologies Holdings, Inc.	Communications Equipment	First Lien Term Loan (5.50% (LIBOR + 4.50% with 1.00% LIBOR floor), due 11/1/2024)(8)(13)	9/3/2019	9,899	9,075	8,086	0.3%
		First Lien Term Loan (5.50% (LIBOR + 4.50% with 1.00% LIBOR floor), due 11/1/2024)(8)(13)	9/3/2019	25	23	20	—%
		Second Lien Term Loan (9.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due 11/01/2025)(3)(8)(13)	11/3/2017	50,662	50,522	39,862	1.3%
					59,620	47,968	1.6%
SEOTownCenter, Inc.	IT Services	Senior Secured Term Loan A (9.50% (LIBOR + 7.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	24,881	24,881	24,881	0.9%
		Senior Secured Term Loan B (14.50% PIK (LIBOR + 12.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)(46)	4/10/2018	19,119	19,119	18,816	0.6%
					44,000	43,697	1.5%
Shutterfly, Inc.	Internet & Direct Marketing Retail	First Lien Term Loan (7.45% (LIBOR + 6.00% with 1.00% LIBOR floor), due 9/25/2026)(3)(8)(11)	12/9/2019	17,419	15,638	16,214	0.6%
					15,638	16,214	0.6%
Sorenson Communications, LLC	Diversified Telecommunication Services	First Lien Term Loan (7.95% (LIBOR + 6.50%), due 4/29/2024)(3)(8)(11)	5/8/2019	9,036	8,970	8,771	0.2%
					8,970	8,771	0.2%
Spectrum Holdings III Corp	Health Care Equipment & Supplies	Second Lien Term Loan (8.07% (LIBOR + 7.00% with 1.00% LIBOR floor), due 1/31/2026)(3)(8)(53)	2/13/2018	7,500	7,472	5,527	0.2%
					7,472	5,527	0.2%
Staples, Inc.	Distributors	First Lien Term Loan (6.52% (LIBOR + 5.00%), due 4/16/2026)(3)(8)(13)	12/3/2019	8,977	8,892	8,106	0.3%
					8,892	8,106	0.3%
Strategic Materials	Household Durables	Second Lien Term Loan (9.51% (LIBOR + 7.75% with 1.00% LIBOR floor), due 11/1/2025)(3)(8)(11)	11/1/2017	7,000	6,950	5,089	0.2%
					6,950	5,089	0.2%
Stryker Energy, LLC	Energy Equipment & Services	Overriding Royalty Interests(43)	12/4/2006		—	—	—%
					—	—	—%
Sudbury Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 1/17/2026)(5)(14)(17)	12/5/2013	28,200	13,875	2,536	0.1%
					13,875	2,536	0.1%
Symphony CLO XIV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 7/14/2026)(5)(14)(17)	5/29/2014	49,250	29,771	14,476	0.5%
					29,771	14,476	0.5%
Symphony CLO XV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 4.19%, due 1/17/2032)(5)(14)	11/17/2014	63,831	43,164	19,827	0.7%
					43,164	19,827	0.7%

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(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)				
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)								
TGP HOLDINGS III LLC	Household Durables	Second Lien Term Loan (10.28% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/25/2025)(8)(11)	10/3/2017	\$ 3,000	\$ 2,968	\$ 3,000	0.1%	
					2,968	3,000	0.1%	
The Octave Music Group, Inc. (f/k/a Touchtunes Interactive Networks, Inc.)	Entertainment	First Lien Term Loan (6.86% (LIBOR + 5.25% with 1.00% LIBOR floor), due 5/29/25)(8)(11)	3/6/2020	39,250	38,864	38,115	1.3%	
					38,864	38,115	1.3%	
Town & Country Holdings, Inc.	Distributors	First Lien Term Loan (10.00% (LIBOR + 8.50% with 1.50% LIBOR floor), due 1/26/2023)(3)(11)	1/26/2018	164,438	164,438	161,079	5.5%	
					164,438	161,079	5.5%	
Transplace Holdings, Inc.	Transportation Infrastructure	Second Lien Term Loan (9.82% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/6/2025)(3)(8)(53)	10/16/2017	28,104	27,641	27,638	0.9%	
					27,641	27,638	0.9%	
Universal Fiber Systems, LLC	Textiles, Apparel & Luxury Goods	Second Lien Term Loan (11.28% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/02/2022)(3)(8)(11)	10/16/2015	37,000	36,736	34,493	1.2%	
					36,736	34,493	1.2%	
Upstream Newco, Inc.	Health Care Providers & Services	First Lien Term Loan (5.49% (LIBOR + 4.50%), due 11/20/2026)(3)(8)(13)	12/2/2019	8,250	8,211	7,661	0.3%	
		Second Lien Term Loan (9.57% (LIBOR + 8.50%), due 11/20/2027)(3)(8)(53)	12/2/2019	22,000	21,804	22,000	0.7%	
					30,015	29,661	1.0%	
USG Intermediate, LLC	Leisure Products	Revolving Line of Credit – \$1,000 Commitment (10.25% (LIBOR + 9.25% with 1.00% LIBOR floor), due 8/24/2020)(13)(15)	4/15/2015	1,000	1,000	1,000	0.1%	
		Senior Secured Term Loan A (7.75% (LIBOR + 6.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	2,996	2,996	2,996	0.1%	
		Senior Secured Term Loan B (12.75% (LIBOR + 11.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	18,229	18,229	18,229	0.6%	
		Equity(16)	4/15/2015	1	—	—%		
					22,226	22,225	0.8%	
Venio LLC	Professional Services	Second Lien Term Loan (4.00% plus 10.00% PIK (LIBOR + 7.50% with 2.50% LIBOR floor), due 2/19/2020)(11)(46)	2/19/2014	26,955	26,955	26,955	0.9%	
					26,955	26,955	0.9%	
Versant Health Holdco, Inc. (f/k/a Wink Holdco, Inc.)	Insurance	Second Lien Term Loan (8.21% (LIBOR + 6.75% with 1.00% LIBOR floor), due 12/1/2025)(3)(8)(11)	12/12/2017	3,000	2,989	2,852	0.1%	
					2,989	2,852	0.1%	
Voya CLO 2012-4, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 6.29%, due 10/15/2030)(5)(14)	11/29/2012	40,613	30,187	21,316	0.7%	
					30,187	21,316	0.7%	
Voya CLO 2014-1, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 5.11%, due 4/18/2031)(5)(14)	3/13/2014	40,772	29,975	18,707	0.6%	
					29,975	18,707	0.6%	
Voya CLO 2016-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 7.27%, due 10/20/2031)(5)(14)	10/27/2016	28,100	26,501	18,270	0.6%	
					26,501	18,270	0.6%	
Voya CLO 2017-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 8.07%, due 7/20/2030)(5)(14)	7/12/2017	44,885	50,175	36,733	1.3%	
					50,175	36,733	1.3%	

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(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(51)	March 31, 2020 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
VT Topco, Inc.	Commercial Services & Supplies	Second Lien Term Loan (8.45% (LIBOR + 7.00%), due 8/17/2026)(3)(8)(11)	8/23/2018	\$ 7,000	\$ 6,972	\$ 6,992	0.2%
					6,972	6,992	0.2%
Total Non-Control/Non-Affiliate Investments					\$ 3,356,316	\$ 2,856,615	97.4%
Total Portfolio Investments					\$ 5,806,638	\$ 5,144,542	175.4%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS AS OF JUNE 30, 2019
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(49)							
CP Energy Services Inc.(20)	Energy Equipment & Services	Senior Secured Term Loan (13.60% (LIBOR + 11.00% with 1.00% LIBOR floor), due 12/29/2022)(11)	10/1/2017	\$ 35,048	\$ 35,048	\$ 35,048	1.1%
		Senior Secured Term Loan A to Spartan Energy Services, LLC (10.44% (LIBOR + 8.00% with 1.00% LIBOR floor), due 12/2/2019)(13)	10/20/2014	13,156	13,156	13,156	0.4%
		Senior Secured Term Loan B to Spartan Energy Services, LLC (16.44% PIK (LIBOR + 14.00% with 1.00% LIBOR floor), due 12/2/2019)(13)(46)	10/20/2014	21,243	21,243	21,243	0.6%
		Series B Convertible Preferred Stock (16.00%, 790 shares) (16)	10/30/2015		63,225	63,225	1.9%
		Common Stock (102,924 shares)(16)	8/2/2013		81,203	6,259	0.2%
				213,875	138,931	4.2%	
Credit Central Loan Company, LLC(21)	Consumer Finance	Subordinated Term Loan (10.00% plus 10.00% PIK, due 6/26/2024)(14)(46)	12/28/2012	55,899	52,579	55,899	1.7%
		Class A Units (10,640,642 units)(14)(16)	12/28/2012		13,731	15,518	0.5%
		Net Revenue Interest (25% of Net Revenues)(14)(16)	1/28/2015		—	—	—%
				66,310	71,417	2.2%	
Echelon Transportation, LLC	Aerospace & Defense	Senior Secured Term Loan (12.25% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(13) (46)	3/31/2014	36,778	36,778	36,778	1.1%
		Senior Secured Term Loan (11.50% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.00% PIK, due 12/7/2024)(13) (46)	12/9/2016	18,063	18,063	18,063	0.5%
		Membership Interest (100%)(16)	3/31/2014		22,738	34,860	1.1%
				77,579	89,701	2.7%	
First Tower Finance Company LLC(23)	Consumer Finance	Subordinated Term Loan to First Tower, LLC (10.00% plus 10.50% PIK, due 6/24/2024)(14)(46)	6/24/2014	277,411	277,411	277,411	8.4%
		Class A Units (95,709,910 units)(14)(16)	6/14/2012		81,146	216,625	6.6%
				358,557	494,036	15.0%	
Freedom Marine Solutions, LLC(24)	Energy Equipment & Services	Membership Interest (100%)(16)	11/9/2006		43,892	14,920	0.5%
				43,892	14,920	0.5%	
InterDent, Inc.(29)	Health Care Providers & Services	Senior Secured Term Loan A/B (2.66% (LIBOR + 0.25% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/1/2018	14,000	14,000	14,000	0.4%
		Senior Secured Term Loan A (7.91% (LIBOR + 5.50% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/3/2012	77,994	77,994	77,994	2.4%
		Senior Secured Term Loan B (16.00% PIK, due 9/5/2020) (46)	8/3/2012	116,111	116,111	116,111	3.5%
		Senior Secured Term Loan C (18.00% PIK, in non-accrual status effective 10/1/2018, due 9/5/2020)	3/22/2018	40,873	35,766	16,771	0.5%
		Senior Secured Term Loan D (1.00% PIK, in non-accrual status effective 10/1/2018, due 9/5/2020)	9/19/2018	5,039	5,001	—	—%
		Common Stock (99,900 shares)(16)	5/3/2019		1	—	—%
				248,873	224,876	6.8%	

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Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(49)							
MITY, Inc.(25)	Commercial Services & Supplies	Senior Secured Note A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 1/30/2020)(3)(11)	9/19/2013	\$ 26,250	\$ 26,250	\$ 26,250	0.8%
		Senior Secured Note B (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 6/30/2020)(3)(11)(46)	9/19/2013	29,586	29,586	20,652	0.6%
		Subordinated Unsecured Note to Broda Enterprises ULC (10.00%, due 1/1/2028)(14)	9/19/2013	5,635	6,915	—	—%
		Common Stock (42,053 shares)(16)	9/19/2013		6,849	—	—%
					69,600	46,902	1.4%
National Property REIT Corp.(26)	Equity Real Estate Investment Trusts (REITs) / Online Lending	Senior Secured Term Loan A (6.50% (LIBOR + 3.50% with 3.00% LIBOR floor) plus 5.00% PIK, due 12/31/2023)(11)(46)	12/31/2018	433,553	433,553	433,553	13.1%
		Senior Secured Term Loan B (5.00% (LIBOR + 2.00% with 3.00% LIBOR floor) plus 5.50% PIK, due 12/31/2023)(11)(46)	12/31/2018	172,000	172,000	172,000	5.2%
		Residual Profit Interest (25% of Residual Profit)(37)	12/31/2018		—	96,609	2.9%
		Common Stock (3,110,101 shares)(52)	12/31/2013		163,836	302,303	9.2%
					769,389	1,004,465	30.4%
Nationwide Loan Company LLC(27)	Consumer Finance	Senior Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2020)(14)(46)	6/18/2014	18,616	18,616	18,616	0.6%
		Class A Units (32,456,159 units)(14)	1/31/2013		21,962	14,359	0.4%
					40,578	32,975	1.0%
NMMB, Inc.(28)	Media	Senior Secured Note (14.00%, due 5/6/2021)(3)	5/6/2011	3,114	3,114	3,114	0.1%
		Series A Preferred Stock (7,200 shares)(16)	5/6/2011		7,200	11,788	0.3%
		Series B Preferred Stock (5,669 shares)(16)	5/6/2011		5,669	9,281	0.3%
					15,983	24,183	0.7%
Pacific World Corporation(40)	Personal Products	Revolving Line of Credit – \$26,000 Commitment (9.66% (LIBOR + 7.25% with 1.00% LIBOR floor), due 9/26/2020)(13)(15)	9/26/2014	20,825	20,469	20,825	0.6%
		Senior Secured Term Loan A (7.66% PIK (LIBOR + 5.25% with 1.00% LIBOR floor), in non-accrual status effective 10/24/2018, due 9/26/2020)(13)	12/31/2014	101,186	96,000	91,602	2.8%
		Senior Secured Term Loan B (11.66% PIK (LIBOR + 9.25% with 1.00% LIBOR floor), in non-accrual status effective 5/21/2018, due 9/26/2020)(13)	12/31/2014	110,116	96,500	—	—%
		Convertible Preferred Equity (166,666 shares)(16)	6/15/2018		25,000	—	—%
		Common Stock (6,778,414 shares)(16)	9/29/2017		—	—	—%
					237,969	112,427	3.4%
R-V Industries, Inc.	Machinery	Senior Subordinated Note (11.32% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/31/2022)(3)(11)	6/12/2013	28,622	28,622	28,622	0.9%
		Common Stock (745,107 shares)(16)	6/26/2007		6,866	5,002	0.1%
					35,488	33,624	1.0%

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Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(49)							
Universal Turbine Parts, LLC(34)	Trading Companies & Distributors	Delayed Draw Term Loan – \$5,000 Commitment (10.25% (LIBOR + 7.75% with 2.50% LIBOR floor), due 9/30/2020) (13)(15)	2/28/2019	\$ —	\$ —	\$ —	—%
		Senior Secured Term Loan A (8.36% (LIBOR + 5.75% with 1.00% LIBOR floor), due 7/22/2021)(11)	7/22/2016	30,713	30,713	28,043	0.8%
		Senior Secured Term Loan B (14.36% PIK (LIBOR + 11.75% with 1.00% LIBOR floor), in non-accrual status effective 7/1/2018, due 7/22/2021)(11)	7/22/2016	36,144	32,500	—	—%
		Common Stock (10,000 units)(16)	12/10/2018		—	—	—%
					63,213	28,043	0.8%
USES Corp.(30)	Commercial Services & Supplies	Senior Secured Term Loan A (9.00% PIK, in non-accrual status effective 4/1/2016, due 7/22/2020)	3/31/2014	44,134	35,101	15,725	0.5%
		Senior Secured Term Loan B (15.50% PIK, in non-accrual status effective 4/1/2016, due 7/22/2020)	3/31/2014	55,955	35,568	—	—%
		Common Stock (268,962 shares)(16)	6/15/2016		—	—	—%
					70,669	15,725	0.5%
Valley Electric Company, Inc.(31)	Construction & Engineering	Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2024)(3)(11)(46)	12/31/2012	10,430	10,430	10,430	0.3%
		Senior Secured Note (8.00% plus 10.00% PIK, due 6/23/2024)(46)	6/24/2014	33,301	33,301	33,301	1.0%
		Consolidated Revenue Interest (2.0%)(38)	6/22/2018		—	3,032	0.1%
		Common Stock (50,000 shares)	12/31/2012		26,204	96,922	2.9%
					69,935	143,685	4.3%
Wolf Energy, LLC(32)	Energy Equipment & Services	Membership Interest (100%)(16)	7/1/2014		—	—	—%
		Membership Interest in Wolf Energy Services Company, LLC (100%)(16)	3/14/2017		3,896	—	—%
		Net Profits Interest (8% of Equity Distributions)(4)(16)	4/15/2013		—	14	—%
					3,896	14	—%
Total Control Investments (Level 3)					\$ 2,385,806	\$ 2,475,924	74.9%

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Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	June 30, 2019				
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets	
LEVEL 3 PORTFOLIO INVESTMENTS								
Affiliate Investments (5.00% to 24.99% voting control)(50)								
Edmentum Ultimate Holdings, LLC(22)	Diversified Consumer Services	Second Lien Revolving Credit Facility to Edmentum, Inc. – \$7,834 Commitment (5.00% PIK, due 12/9/2021)(15)(46)	6/9/2015	\$ 8,159	\$ 8,159	\$ 8,159	0.2%	
		Unsecured Senior PIK Note (8.50% PIK, due 12/9/2021) (46)	6/9/2015	8,189	8,189	8,189	0.2%	
		Unsecured Junior PIK Note (10.00% PIK, in non-accrual status effective 1/1/2017, due 12/9/2021)	6/9/2015	38,936	23,829	24,869	0.8%	
		Class A Units (370,964 units)(16)	6/9/2015		6,577	—	—%	
					46,754	41,217	1.2%	
Nixon, Inc.(39)	Textiles, Apparel & Luxury Goods	Common Stock (857 units)(16)	5/12/2017		—	—	—%	
					—	—	—%	
Targus Cayman HoldCo Limited(33)	Textiles, Apparel & Luxury Goods	Common Stock (7,383,395 shares)	2/12/2016		3,771	16,599	0.5%	
					3,771	16,599	0.5%	
United Sporting Companies, Inc.(18)	Distributors	Second Lien Term Loan (13.40% (LIBOR + 11.00% with 1.75% LIBOR floor) plus 2.00% PIK, in non-accrual status effective 4/1/2017, due 11/16/2019)(13)	9/28/2012	168,052	127,091	18,866	0.6%	
		Common Stock (218,941 shares)(16)	5/2/2017		—	—	—%	
					127,091	18,866	0.6%	
Total Affiliate Investments (Level 3)				\$	177,616	\$	76,682	2.3%

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Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
8th Avenue Food & Provisions, Inc.	Food Products	Second Lien Term Loan (10.17% (LIBOR + 7.75%), due 10/1/2026)(3)(8)(13)	10/10/2018	\$ 25,000	\$ 24,829	\$ 24,829	0.8%
					24,829	24,829	0.8%
ACE Cash Express, Inc.	Consumer Finance	Senior Secured Note (12.00%, due 12/15/2022)(8)(14)	12/15/2017	23,000	22,333	20,555	0.6%
					22,333	20,555	0.6%
AgaMatrix, Inc.	Health Care Equipment & Supplies	Senior Secured Term Loan (11.33% (LIBOR + 9.00% with 1.25% LIBOR floor), due 9/29/2022)(3)(11)	9/29/2017	33,673	33,673	34,010	1.0%
					33,673	34,010	1.0%
AmeriLife Group, LLC	Insurance	Second Lien Term Loan (11.40% (LIBOR + 9.00%), due 6/11/2027)(8)(13)	6/24/2019	10,000	10,000	10,000	0.3%
					10,000	10,000	0.3%
Apidos CLO IX	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 7/15/2023)(5)(14)(17)	7/11/2012	23,525	21	26	—%
					21	26	—%
Apidos CLO XI	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.96%, due 10/17/2028)(5)(14)	1/17/2013	40,500	33,572	27,982	0.8%
					33,572	27,982	0.8%
Apidos CLO XII	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 15.45%, due 4/15/2031)(5)(14)	4/18/2013	52,203	36,307	29,123	0.9%
					36,307	29,123	0.9%
Apidos CLO XV	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.77%, due 4/21/2031)(5)(14)	10/16/2013	48,515	37,777	29,018	0.9%
					37,777	29,018	0.9%
Apidos CLO XXII	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.95%, due 10/20/2027)(5)(14)	10/14/2015	31,350	28,691	24,948	0.8%
					28,691	24,948	0.8%
Ark-La-Tex Wireline Services, LLC	Energy Equipment & Services	Escrow Receivable	4/8/2014		—	—	—%
					—	—	—%
Atlantis Health Care Group (Puerto Rico), Inc.	Health Care Providers & Services	Revolving Line of Credit – \$6,000 Commitment (11.34% (LIBOR + 8.75% with 2.00% LIBOR floor), due 2/21/2020) (11)(15)	2/21/2013	4,000	4,000	3,955	0.1%
		Senior Secured Term Loan (11.34% (LIBOR + 8.75% with 2.00% LIBOR floor), due 2/21/2020)(3)(11)	2/21/2013	74,327	74,327	73,495	2.2%
					78,327	77,450	2.3%
Barings CLO 2018-III	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.58%, due 7/20/2029)(5)(14)	11/18/2014	83,098	51,040	39,031	1.2%
					51,040	39,031	1.2%
Broder Bros., Co.	Textiles, Apparel & Luxury Goods	Senior Secured Note (10.83% (LIBOR + 8.50% with 1.25% LIBOR floor), due 12/02/2022)(3)(11)	12/4/2017	190,678	190,678	189,725	5.7%
					190,678	189,725	5.7%
Brookside Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 8.36%, due 1/17/2028)(5)(14)	5/23/2013	36,300	18,560	13,611	0.4%
					18,560	13,611	0.4%
California Street CLO IX Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.96%, due 10/16/2028)(5)(14)	5/8/2012	58,915	41,808	34,672	1.0%
					41,808	34,672	1.0%

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				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Candle-Lite Company, LLC	Household Products	Senior Secured Term Loan A (8.03% (LIBOR + 5.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	\$ 12,188	\$ 12,188	\$ 12,188	0.4%
		Senior Secured Term Loan B (12.03% (LIBOR + 9.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	12,500	12,500	12,500	0.4%
					24,688	24,688	0.8%
Capstone Logistics Acquisition, Inc.	Commercial Services & Supplies	Second Lien Term Loan (10.65% (LIBOR + 8.25% with 1.00% LIBOR floor), due 10/7/2022)(3)(8)(13)	10/7/2014	98,982	98,705	98,982	3.0%
					98,705	98,982	3.0%
Carlyle C17 CLO Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 20.73%, due 4/30/2031)(5)(14)	2/21/2013	24,870	14,748	12,920	0.4%
					14,748	12,920	0.4%
Carlyle Global Market Strategies CLO 2014-4-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 21.84%, due 7/15/2030)(5)(14)	4/12/2017	25,534	17,282	18,293	0.6%
					17,282	18,293	0.6%
Carlyle Global Market Strategies CLO 2016-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 15.47%, due 10/20/2029)(5)(14)	9/13/2016	32,200	33,812	27,918	0.8%
					33,812	27,918	0.8%
CCPI Inc.(19)	Electronic Equipment, Instruments & Components	Escrow Receivable	2/28/2019	—	—	2,239	0.1%
					—	2,239	0.1%
CCS-CMGC Holdings, Inc.	Health Care Providers & Services	First Lien Term Loan (7.90% (LIBOR + 5.50%), due 10/1/2025)(3)(8)(13)	5/23/2019	4,987	4,865	4,865	0.2%
		Second Lien Term Loan (11.40% (LIBOR + 9.00%), due 10/1/2026)(3)(8)(13)	10/12/2018	35,000	34,362	34,362	1.0%
					39,227	39,227	1.2%
Cent CLO 21 Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.77%, due 7/27/2030)(5)(14)	6/18/2014	49,552	38,392	29,335	0.9%
					38,392	29,335	0.9%
Cent CLO 21 Limited	Structured Finance	Rated Secured Structured Note - Class E (11.23% (LIBOR + 8.65%), due 7/27/2030)(6)(11)(14)	7/27/2018	10,591	9,997	10,569	0.3%
					9,997	10,569	0.3%
Centerfield Media Holding Company(35)	IT Services	Senior Secured Term Loan A (9.60% (LIBOR + 7.00% with 2.00% LIBOR floor), due 1/17/2022)(3)(11)	1/17/2017	73,474	73,474	73,474	2.2%
		Senior Secured Term Loan B (15.10% (LIBOR + 12.50% with 2.00% LIBOR floor), due 1/17/2022)(11)	1/17/2017	78,100	78,100	78,100	2.4%
					151,574	151,574	4.6%
CIFC Funding 2013-III-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.98%, due 4/24/2031)(5)(14)	9/12/2013	44,100	29,748	25,748	0.8%
					29,748	25,748	0.8%
CIFC Funding 2013-IV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.76%, due 4/28/2031)(5)(14)	11/14/2013	45,500	32,654	28,569	0.9%
					32,654	28,569	0.9%
CIFC Funding 2014-IV-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.92%, due 10/17/2030)(5)(14)	9/3/2014	44,467	30,860	24,709	0.7%
					30,860	24,709	0.7%

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LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
CIFC Funding 2014-V, Ltd.	Structured Finance	Rated Secured Structured Note - Class F (11.09% (LIBOR + 8.50%), due 10/17/2031)(6)(11)(14)	9/27/2018	\$ 10,250	\$ 9,958	\$ 10,248	0.3%
					9,958	10,248	0.3%
CIFC Funding 2016-I, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.63%, due 10/21/2028)(5)(14)	12/21/2016	34,000	31,333	29,989	0.9%
					31,333	29,989	0.9%
Cinedigm DC Holdings, LLC	Entertainment	Senior Secured Term Loan (11.53% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(11)(46)	2/28/2013	16,178	16,128	16,178	0.5%
					16,128	16,178	0.5%
Class Valuation, LLC (f/k/a Class Appraisal, LLC)	Real Estate Management & Development	Revolving Line of Credit – \$1,500 Commitment (10.58% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/12/2020) (11)(15)	3/12/2018	—	—	—	—%
		Senior Secured Term Loan (10.58% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/10/2023)(3)(11)	3/12/2018	38,852	38,852	38,852	1.2%
					38,852	38,852	1.2%
Columbia Cent CLO 27 Limited	Structured Finance	Rated Secured Structured Note - Class E (10.87% (LIBOR + 8.29%), due 10/25/2028)(6)(11)(14)	10/25/2018	7,450	7,235	7,436	0.2%
					7,235	7,436	0.2%
Columbia Cent CLO 27 Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.18%, due 10/25/2028)(5)(14)	1/15/2014	40,275	22,206	23,808	0.7%
					22,206	23,808	0.7%
Coverall North America, Inc.	Commercial Services & Supplies	Senior Secured Term Loan A (8.60% (LIBOR + 6.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	8,475	8,475	8,475	0.3%
		Senior Secured Term Loan B (13.60% (LIBOR + 11.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	23,375	23,375	23,375	0.7%
					31,850	31,850	1.0%
CP VI Bella Midco	IT Services	Second Lien Term Loan (9.15% (LIBOR + 6.75%), due 12/29/2025)(3)(8)(13)	2/26/2018	15,750	15,703	15,703	0.5%
					15,703	15,703	0.5%
Digital Room, LLC	Commercial Services & Supplies	First Lien Term Loan (7.40% (LIBOR + 5.00%), due 5/21/2026)(3)(8)(13)	5/29/2019	10,000	9,852	10,000	0.3%
		Second Lien Term Loan (11.40% (LIBOR + 9.00%), due 5/21/2027)(3)(8)(13)	5/30/2019	70,000	70,000	70,000	2.1%
					79,852	80,000	2.4%
Dunn Paper, Inc.	Paper & Forest Products	Second Lien Term Loan (11.15% (LIBOR + 8.75% with 1.00% LIBOR floor), due 8/26/2023)(3)(8)(13)	10/7/2016	11,500	11,361	11,500	0.3%
					11,361	11,500	0.3%
Dynatrace, LLC	Software	Second Lien Term Loan (9.40% (LIBOR + 7.00%), due 8/23/2026)(3)(8)(13)	8/31/2018	2,735	2,729	2,735	0.1%
					2,729	2,735	0.1%
Easy Gardener Products, Inc.	Household Durables	Senior Secured Term Loan (12.60% (LIBOR + 10.00% with 0.25% LIBOR floor), due 09/30/2020)(3)(11)	10/2/2015	15,888	15,888	10,252	0.3%
					15,888	10,252	0.3%

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				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Engine Group, Inc.(7)	Media	Senior Secured Term Loan (7.33% (LIBOR + 5.00% with 1.00% LIBOR floor), due 9/15/2022)(8)(11)	9/25/2017 \$	4,334	\$ 4,334	\$ 3,921	0.1%
		Second Lien Term Loan (11.33% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/15/2023)(3)(8)(11)	9/25/2017	35,000	35,000	30,580	0.9%
					39,334	34,501	1.0%
EXC Holdings III Corp	Technology Hardware, Storage & Peripherals	Second Lien Term Loan (10.10% (LIBOR + 7.50% with 1.00% LIBOR floor), due 12/01/2025)(3)(8)(11)	12/5/2017	12,500	12,400	12,400	0.4%
					12,400	12,400	0.4%
Galaxy XV CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.11%, due 10/15/2030)(5)(14)	3/14/2013	50,525	36,037	28,398	0.9%
					36,037	28,398	0.9%
Galaxy XXVII CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.63%, due 5/16/2031)(5)(14)	11/5/2013	24,575	16,644	12,275	0.4%
					16,644	12,275	0.4%
Galaxy XXVIII CLO, Ltd.	Structured Finance	Rated Secured Structured Note - Class F (11.08% (LIBOR + 8.48%), due 7/15/2031)(6)(11)(14)	7/16/2018	6,658	6,188	6,648	0.2%
					6,188	6,648	0.2%
Galaxy XXVIII CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.33%, due 7/15/2031)(5)(6)(14)	6/27/2014	39,905	29,850	19,976	0.6%
					29,850	19,976	0.6%
Global Tel*Link Corporation	Diversified Telecommunication Services	Second Lien Term Loan (10.65% (LIBOR + 8.25%), due 11/29/2026)(3)(8)(13)	12/4/2018	26,750	26,311	26,311	0.8%
					26,311	26,311	0.8%
GlobalTranz Enterprises, Inc.	Air Freight & Logistics	Second Lien Term Loan (10.64% (LIBOR + 8.25%), due 5/15/2027)(3)(8)(13)	5/15/2019	12,500	12,500	12,233	0.4%
					12,500	12,233	0.4%
H.I.G. ECI Merger Sub, Inc.	IT Services	Senior Secured Term Loan A (8.10% (LIBOR + 5.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11)	5/31/2018	44,240	44,240	44,240	1.3%
		Senior Secured Term Loan B (13.10% (LIBOR + 10.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11)	5/31/2018	29,900	29,900	28,843	0.9%
					74,140	73,083	2.2%
Halcyon Loan Advisors Funding 2012-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 8/15/2023)(5)(14)(17)	8/15/2012	23,188	3,786	—	—%
					3,786	—	—%
Halcyon Loan Advisors Funding 2013-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/15/2025)(5)(14)(17)	3/28/2013	40,400	19,984	5,563	0.2%
					19,984	5,563	0.2%
Halcyon Loan Advisors Funding 2014-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/18/2026)(5)(14)(17)	3/6/2014	24,500	11,822	4,243	0.1%
					11,822	4,243	0.1%
Halcyon Loan Advisors Funding 2014-2 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/28/2025)(5)(14)(17)	4/28/2014	41,164	21,322	3,921	0.1%
					21,322	3,921	0.1%

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Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Halcyon Loan Advisors Funding 2015-3 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.87%, due 10/18/2027)(5)(14)	9/3/2015	\$ 39,598	\$ 32,784	\$ 27,783	0.8%
					32,784	27,783	0.8%
HALYARD MD OPCO, LLC	Media	Revolving Line of Credit – \$2,000 Commitment (10.33% (LIBOR + 8.00%), due 2/6/2020)(11)(15)	8/6/2018	—	—	—	—%
		First Lien Term Loan (10.33% (LIBOR + 8.00% with 2.00% LIBOR floor), due 8/6/2023)(3)(11)	8/6/2018	11,550	11,550	11,550	0.3%
					11,550	11,550	0.3%
HarbourView CLO VII-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 19.31%, due 7/18/2031)(5)(14)	6/10/2015	19,025	13,507	12,690	0.4%
					13,507	12,690	0.4%
Help/Systems Holdings, Inc.	Software	Second Lien Term Loan (10.08% (LIBOR + 7.75%), due 3/27/2026)(3)(8)(11)	4/17/2018	12,499	12,457	12,457	0.4%
					12,457	12,457	0.4%
Inpatient Care Management Company, LLC	Health Care Providers & Services	Senior Secured Term Loan (10.60% (LIBOR + 8.00% with 1.00% LIBOR floor), due 6/8/2021)(3)(11)	6/8/2016	19,313	19,313	19,000	0.6%
					19,313	19,000	0.6%
Janus International Group, LLC	Building Products	Second Lien Term Loan (10.15% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2026)(3)(8)(13)	2/22/2018	20,000	19,842	19,842	0.6%
					19,842	19,842	0.6%
JD Power and Associates	Capital Markets	Second Lien Term Loan (10.90% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/7/2024)(3)(8)(13)	9/16/2016	25,222	25,084	25,222	0.8%
					25,084	25,222	0.8%
Jefferson Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.08%, due 10/20/2031)(5)(14)	7/28/2015	23,594	18,306	12,172	0.4%
					18,306	12,172	0.4%
K&N Parent, Inc.	Auto Components	Second Lien Term Loan (11.15% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/21/2024)(3)(8)(13)	10/28/2016	25,887	25,450	25,450	0.8%
					25,450	25,450	0.8%
Keystone Acquisition Corp. (36)	Health Care Providers & Services	Second Lien Term Loan (11.58% (LIBOR + 9.25% with 1.00% LIBOR floor), due 5/1/2025)(3)(8)(11)	5/18/2017	50,000	50,000	50,000	1.5%
					50,000	50,000	1.5%
LCM XIV Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.10%, due 7/21/2031)(5)(14)	7/11/2013	49,934	27,938	20,663	0.6%
					27,938	20,663	0.6%
Madison Park Funding IX, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 8/15/2022)(5)(14)(17)	7/18/2012	43,110	1,949	1,109	—%
					1,949	1,109	—%
Maverick Healthcare Equity, LLC	Health Care Providers & Services	Preferred Units (10.00%, 1,250,000 units)(16)	10/31/2007	—	—	—	—%
		Class A Common Units (1,250,000 units)(16)	10/31/2007	—	—	—	—%
					—	—	—%
MedMark Services, Inc.(41)	Health Care Providers & Services	Second Lien Term Loan (10.77% (LIBOR + 8.25% with 1.00% LIBOR floor), due 3/1/2025)(3)(8)(13)	3/16/2018	7,000	6,943	6,943	0.2%
					6,943	6,943	0.2%
Mobile Posse, Inc.	Media	First Lien Term Loan (10.83% (LIBOR + 8.50% with 2.00% LIBOR floor), due 4/3/2023)(3)(11)	4/3/2018	20,500	20,500	20,500	0.6%
					20,500	20,500	0.6%

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				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Mountain View CLO 2013-I Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.70%, due 10/15/2030)(5)(14)	5/1/2013	\$ 43,650	\$ 29,166	\$ 20,919	0.6%
					29,166	20,919	0.6%
Mountain View CLO IX Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 18.79%, due 7/15/2031)(5)(14)	6/25/2015	47,830	29,152	31,107	0.9%
					29,152	31,107	0.9%
MRP Holdco, Inc.	Professional Services	Senior Secured Term Loan A (7.41% (LIBOR + 5.00% with 1.50% LIBOR floor), due 4/17/2024)(3)(13)	4/17/2018	53,963	53,963	53,963	1.6%
		Senior Secured Term Loan B (11.41% (LIBOR + 9.00% with 1.50% LIBOR floor), due 4/17/2024)(13)	4/17/2018	55,000	55,000	55,000	1.7%
					108,963	108,963	3.3%
Octagon Investment Partners XV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.68%, due 7/19/2030)(5)(14)	2/20/2013	42,064	33,148	26,239	0.8%
					33,148	26,239	0.8%
Octagon Investment Partners 18-R Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.97%, due 4/16/2031)(5)(14)	8/17/2015	46,016	27,307	24,629	0.7%
					27,307	24,629	0.7%
Pearl Intermediate Parent LLC	Health Care Providers & Services	Second Lien Term Loan (8.65% (LIBOR + 6.25%), due 2/15/2026)(3)(8)(13)	2/28/2018	5,000	4,979	4,979	0.2%
					4,979	4,979	0.2%
PeopleConnect Intermediate, LLC	Interactive Media & Services	Revolving Line of Credit – \$1,000 Commitment (12.10% (LIBOR + 9.50% with 1.00% LIBOR floor), due 7/1/2020)(11)(15)	7/1/2015	500	500	500	—%
		Senior Secured Term Loan A (9.10% (LIBOR + 6.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(11)	7/1/2015	17,741	17,741	17,741	0.5%
		Senior Secured Term Loan B (15.10% (LIBOR + 12.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(11)	7/1/2015	19,620	19,620	19,620	0.6%
					37,861	37,861	1.1%
PG Dental Holdings New Jersey, LLC	Health Care Providers & Services	Delayed Draw Term Loan – \$5,000 Commitment (10.00% (LIBOR + 7.25% with 2.75% LIBOR floor), due 5/31/2024)(11)(15)	5/31/2019	—	—	—	—%
		Senior Secured Term Loan (10.00% (LIBOR + 7.25% with 2.75% LIBOR floor), due 5/31/2024)(3)(11)	5/31/2019	22,760	22,760	22,760	0.7%
					22,760	22,760	0.7%
PGX Holdings, Inc.	Diversified Consumer Services	Second Lien Term Loan (11.41% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2021)(3)(13)	9/29/2014	100,091	100,091	100,091	3.0%
					100,091	100,091	3.0%
PlayPower, Inc.	Leisure Products	First Lien Term Loan (7.90% (LIBOR + 5.50%), due 5/10/2026)(3)(8)(13)	5/16/2019	6,500	6,436	6,436	0.2%
					6,436	6,436	0.2%
Research Now Group, Inc. & Survey Sampling International LLC	Professional Services	First Lien Term Loan (8.08% (LIBOR + 5.50% with 1.00% LIBOR floor), due 12/20/2024)(3)(8)(13)	1/5/2018	9,850	9,440	9,850	0.3%
		Second Lien Term Loan (12.08% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/20/2025)(3)(8)(13)	1/5/2018	50,000	47,176	49,850	1.5%
					56,616	59,700	1.8%

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				June 30, 2019			
Portfolio Company	Industry	Investments(1)(45)	Acquisition Date(51)	Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
RGIS Services, LLC	Commercial Services & Supplies	Senior Secured Term Loan (10.08% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(11)	4/20/2017	\$ 4,407	\$ 4,237	\$ 3,659	0.1%
		Senior Secured Term Loan (10.02% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(11)	4/20/2017	5,021	4,828	4,169	0.1%
		Senior Secured Term Loan (9.90% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(13)	4/20/2017	10,136	9,746	8,416	0.3%
					18,811	16,244	0.5%
RME Group Holding Company	Media	Senior Secured Term Loan A (8.33% (LIBOR + 6.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	28,396	28,396	28,302	0.8%
		Senior Secured Term Loan B (13.33% (LIBOR + 11.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	22,599	22,599	22,431	0.7%
					50,995	50,733	1.5%
Rocket Software, Inc.	Software	Second Lien Term Loan (10.65% (LIBOR + 8.25%), due 11/27/2026)(3)(8)(13)	12/7/2018	50,000	49,537	49,537	1.5%
					49,537	49,537	1.5%
Romark WM-R Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.39%, due 4/20/2031)(5)(14)	5/15/2014	27,725	22,708	16,046	0.5%
					22,708	16,046	0.5%
Rosa Mexicano	Hotels, Restaurants & Leisure	Revolving Line of Credit – \$1,000 Commitment (9.83% (LIBOR + 7.50% with 1.50% LIBOR floor), due 3/29/2023(11)(15)	3/29/2018	—	—	—	—%
		Senior Secured Term Loan (9.83% (LIBOR + 7.50% with 1.50% LIBOR floor), due 3/29/2023(3)(11)	3/29/2018	27,252	27,252	27,252	0.8%
					27,252	27,252	0.8%
SCS Merger Sub, Inc.	IT Services	Second Lien Term Loan (11.90% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/30/2023)(3)(8)(13)	11/6/2015	20,000	19,679	20,000	0.6%
					19,679	20,000	0.6%
Securus Technologies Holdings, Inc.	Communications Equipment	Second Lien Term Loan (10.58% (LIBOR + 8.25% with 1.00% LIBOR floor), due 11/01/2025)(3)(8)(11)	11/3/2017	50,662	50,503	48,760	1.5%
					50,503	48,760	1.5%
SEOTownCenter, Inc.	IT Services	Senior Secured Term Loan A (9.83% (LIBOR + 7.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	26,000	26,000	26,000	0.8%
		Senior Secured Term Loan B (14.83% (LIBOR + 12.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	19,000	19,000	19,000	0.6%
					45,000	45,000	1.4%
SESAC Holdco II LLC	Entertainment	Second Lien Term Loan (9.65% (LIBOR + 7.25% with 1.00% LIBOR floor), due 2/23/2025)(3)(8)(13)	3/2/2017	8,000	7,955	7,955	0.2%
					7,955	7,955	0.2%
SMG US Mideo	Hotels, Restaurants & Leisure	Second Lien Term Loan (9.40% (LIBOR + 7.00%), due 1/23/2026)(3)(8)(13)	1/23/2018	7,500	7,485	7,485	0.2%
					7,485	7,485	0.2%
Sorenson Communications, LLC	Diversified Telecommunication Services	First Lien Term Loan (8.83% (LIBOR + 6.50%), due 4/29/2024(3)(8)(11)	5/8/2019	10,000	9,923	9,923	0.3%
					9,923	9,923	0.3%

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LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Spectrum Holdings III Corp	Health Care Equipment & Supplies	Second Lien Term Loan (9.40% (LIBOR + 7.00% with 1.00% LIBOR floor), due 1/31/2026)(3)(8)(13)	2/13/2018	\$ 7,500	\$ 7,469	\$ 7,144	0.2%
					7,469	7,144	0.2%
Strategic Materials	Household Durables	Second Lien Term Loan (10.33% (LIBOR + 7.75% with 1.00% LIBOR floor), due 11/1/2025)(3)(8)(11)	11/1/2017	7,000	6,945	5,523	0.2%
					6,945	5,523	0.2%
Stryker Energy, LLC	Energy Equipment & Services	Overriding Royalty Interests(43)	12/4/2006		—	—	—%
					—	—	—%
Sudbury Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 1/17/2026)(5)(14)(17)	12/5/2013	28,200	15,225	6,834	0.2%
					15,225	6,834	0.2%
Symphony CLO XIV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 7/14/2026)(5)(14)(17)	5/29/2014	49,250	31,246	18,847	0.6%
					31,246	18,847	0.6%
Symphony CLO XV, Ltd.	Structured Finance	Rated Secured Structured Note - Class F (11.28% (LIBOR + 8.68%), due 1/17/2032)(6)(11)(14)	12/24/2018	12,000	11,396	11,950	0.4%
					11,396	11,950	0.4%
Symphony CLO XV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 11.98%, due 1/17/2032)(5)(14)	11/17/2014	63,831	44,076	22,965	0.7%
					44,076	22,965	0.7%
TGP HOLDINGS III LLC	Household Durables	Second Lien Term Loan (10.83% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/25/2025)(8)(11)	10/3/2017	3,000	2,965	2,965	0.1%
					2,965	2,965	0.1%
TouchTunes Interactive Networks, Inc.	Entertainment	Second Lien Term Loan (10.68% (LIBOR + 8.25% with 1.00% LIBOR floor), due 5/29/2022)(3)(8)(13)	6/5/2015	12,194	12,138	12,194	0.4%
					12,138	12,194	0.4%
Town & Country Holdings, Inc.	Distributors	First Lien Term Loan (10.83% (LIBOR + 8.50% with 1.50% LIBOR floor), due 1/26/2023)(3)(11)	1/26/2018	172,815	172,815	171,271	5.2%
					172,815	171,271	5.2%
Transplace Holdings, Inc.	Transportation Infrastructure	Second Lien Term Loan (11.15% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/6/2025)(3)(8)(13)	10/16/2017	28,104	27,578	28,104	0.9%
					27,578	28,104	0.9%
Turning Point Brands, Inc. (42)	Tobacco	Second Lien Term Loan (9.40% (LIBOR + 7.00%), due 3/7/2024)(3)(8)(13)	2/17/2017	14,500	14,419	14,500	0.4%
					14,419	14,500	0.4%
Universal Fiber Systems, LLC	Textiles, Apparel & Luxury Goods	Second Lien Term Loan (11.91% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/02/2022)(3)(8)(13)	10/16/2015	37,000	36,657	36,657	1.1%
					36,657	36,657	1.1%

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LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
USG Intermediate, LLC	Leisure Products	Revolving Line of Credit – \$2,000 Commitment (11.66% (LIBOR + 9.25% with 1.00% LIBOR floor), due 8/24/2019) (13)(15)	4/15/2015	\$ 800	\$ 800	\$ 800	—%
		Senior Secured Term Loan A (9.16% (LIBOR + 6.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	6,387	6,387	6,387	0.2%
		Senior Secured Term Loan B (14.16% (LIBOR + 11.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	19,245	19,245	19,245	0.6%
		Equity(16)	4/15/2015	—	1	—	—%
					26,433	26,432	0.8%
UTZ Quality Foods, LLC	Food Products	Second Lien Term Loan (9.65% (LIBOR + 7.25%), due 11/21/2025)(3)(8)(13)	11/28/2017	10,000	9,900	9,900	0.3%
					9,900	9,900	0.3%
VC GB Holdings, Inc.	Household Durables	Subordinated Secured Term Loan (10.40% (LIBOR + 8.00% with 1.00% LIBOR floor), due 2/28/2025)(3)(8)(13)	2/28/2017	3,720	3,493	3,720	0.1%
					3,493	3,720	0.1%
Venio LLC	Professional Services	Second Lien Term Loan (4.00% plus 10.10% PIK (LIBOR + 7.50% with 2.50% LIBOR floor), due 2/19/2020)(11)(46)	2/19/2014	24,382	22,519	21,515	0.7%
					22,519	21,515	0.7%
Voya CLO 2012-2, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	8/28/2012	38,070	450	516	—%
					450	516	—%
Voya CLO 2012-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	10/18/2012	46,632	—	516	—%
					—	516	—%
Voya CLO 2012-4, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.37%, due 10/16/2028)(5)(14)	11/29/2012	40,613	31,046	27,193	0.8%
					31,046	27,193	0.8%
Voya CLO 2014-1, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.21%, due 4/18/2031)(5)(14)	3/13/2014	40,773	29,978	22,515	0.7%
					29,978	22,515	0.7%
Voya CLO 2016-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.29%, due 10/20/2031)(5)(14)	10/27/2016	28,100	27,265	21,003	0.6%
					27,265	21,003	0.6%
Voya CLO 2017-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.44%, due 7/20/2030)(5)(14)	7/12/2017	44,885	50,244	42,872	1.3%
					50,244	42,872	1.3%
VT Topco, Inc.	Commercial Services & Supplies	Second Lien Term Loan (9.33% (LIBOR + 7.00%), due 8/17/2026)(3)(8)(11)	8/23/2018	7,000	6,969	6,969	0.2%
					6,969	6,969	0.2%
Wink Holdco, Inc.	Insurance	Second Lien Term Loan (9.16% (LIBOR + 6.75% with 1.00% LIBOR floor), due 12/1/2025)(3)(8)(13)	12/12/2017	3,000	2,988	2,988	0.1%
					2,988	2,988	0.1%
Total Non-Control/Non-Affiliate Investments (Level 3)					\$ 3,368,880	\$ 3,100,947	93.8%
Total Portfolio Investments (Level 3)					\$ 5,932,302	\$ 5,653,553	171.0%

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019

- (1) The terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise. The securities in which Prospect has invested were acquired in transactions that were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These securities may be resold only in transactions that are exempt from registration under the Securities Act.
- (2) Fair value is determined by or under the direction of our Board of Directors. Unless otherwise indicated by endnote 10 below, all of our investments are valued using significant unobservable inputs. In accordance with ASC 820, such investments are classified as Level 3 within the fair value hierarchy. See Notes 2 and 3 within the accompanying notes to consolidated financial statements for further discussion.
- (3) Security, or a portion thereof, is held by Prospect Capital Funding LLC (“PCF”), our wholly owned subsidiary and a bankruptcy remote special purpose entity, and is pledged as collateral for the Revolving Credit Facility and such security is not available as collateral to our general creditors (see Note 4). The fair values of the investments held by PCF at March 31, 2020 and June 30, 2019 were \$1,631,687 and \$1,636,067, respectively, representing 31.7% and 28.9% of our total investments, respectively.
- (4) In addition to the stated returns, the net profits interest held will be realized upon sale of the borrower or a sale of the interests.
- (5) This investment is in the equity class of the collateralized loan obligation (“CLO”) security, which is referred to as “Subordinated Structured Note,” or “SSN”. The SSN investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield, calculated using amortized cost, is based on the current projections of this excess cash flow taking into account assumptions which have been made regarding expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.
- (6) This investment is in the debt class of the CLO security, which is referred to as “Rated Secured Structured Note,” or “RSSN”.
- (7) Engine Group, Inc., EMX Digital, Inc. (f/k/a Clearstream.TV, Inc.), and Engine International, Inc., are joint borrowers on the senior secured and the second lien term loans.
- (8) Syndicated investment which was originated by a financial institution and broadly distributed.
- (9) Medusind Acquisition, Inc., Medusind Intermediate, Inc., Medusind Solutions Inc. and Medusind Inc. are joint borrowers.
- (10) PeopleConnect Holdings, Inc. and Pubrec Holdings, Inc. are joint borrowers.
- (11) The interest rate on these investments is subject to the base rate of 3-Month LIBOR, which was 1.45% and 2.32% at March 31, 2020 and June 30, 2019, respectively. The current base rate for each investment may be different from the reference rate on March 31, 2020 and June 30, 2019.
- (12) The interest rate on these investments is subject to the base rate of 2-Month LIBOR, which was 1.26% and 2.33% at March 31, 2020 and June 30, 2019, respectively. The current base rate for each investment may be different from the reference rate on March 31, 2020 and June 30, 2019.
- (13) The interest rate on these investments is subject to the base rate of 1-Month LIBOR, which was 0.99% and 2.40% at March 31, 2020 and June 30, 2019, respectively. The current base rate for each investment may be different from the reference rate on March 31, 2020 and June 30, 2019.
- (14) 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 such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2020 and June 30, 2019, our qualifying assets, as a percentage of total assets, stood at 74.91% and 73.85%, respectively. We monitor the status of these assets on an ongoing basis.
- (15) Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of March 31, 2020 and June 30, 2019, we had \$38,135 and \$23,375, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

- (16) Represents non-income producing security that has not paid a dividend in the year preceding the reporting date.
- (17) The effective yield has been estimated to be 0% as expected future cash flows are anticipated to not be sufficient to repay the investment at cost. If the expected investment proceeds increase, there is a potential for future investment income from the investment. Distributions, once received, will be recognized as return of capital with any remaining unamortized investment costs written off if the actual distributions are less than the amortized investment cost. If an investment has been impaired upon being called, any future distributions will be recorded as a return of capital. To the extent that the impaired cost basis of the SSN is fully recovered, any future distributions will be recorded as realized gains.
- (18) Ellett Brothers, LLC, Evans Sports, Inc., Jerry's Sports, Inc., Simmons Gun Specialties, Inc., Bonitz Brothers, Inc., and Outdoor Sports Headquarters, Inc. are joint borrowers on the second lien term loan. United Sporting Companies, Inc. ("USC") is a parent guarantor of this debt investment, and is 100% owned by SportCo Holdings, Inc. ("SportCo"). Prospect previously held a 3.48% equity interest in SportCo and following an additional issuance of common stock by SportCo, Prospect's ownership increased to 22.0% as of September 30, 2018. As a result, Prospect's investment in USC is classified as an affiliate investment beginning the period ended September 30, 2018. In June 2019, USC filed for Chapter 11 bankruptcy and began liquidating its remaining assets. During the nine months ended March 31, 2020, USC used a portion of the proceeds from the ongoing liquidation to partially repay \$20,594 of our Second Lien Term Loan.
- (19) CCPI Holdings Inc., a consolidated entity in which we own 100% of the common stock, held 94.59% of CCPI Inc. ("CCPI"), the operating company, as of June 30, 2018. On March 1, 2019, we sold our 94.59% common equity interest in CCPI for \$18,865 in net proceeds. Concurrently, CCPI fully repaid the \$2,797 Senior Secured Term Loan A and the \$17,566 Senior Secured Term Loan B receivable to us. We recorded a realized gain of \$12,105 on the sale of our equity position in CCPI. In connection with the sale, there is \$2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received.
- (20) CP Holdings of Delaware LLC ("CP Holdings"), a consolidated entity in which we own 100% of the membership interests, owns 99.83% of CP Energy Services Inc. ("CP Energy") as of March 31, 2020 and June 30, 2019. CP Energy owns directly or indirectly 100% of each of CP Well Testing, LLC; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. We report CP Energy as a separate controlled company. On April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Energy Holdings, Inc. ("Spartan Holdings"), which owns 100% of Spartan Energy Services, LLC ("Spartan"), a portfolio company of Prospect with \$34,399 in senior secured term loans (the "Spartan Term Loans") due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, we report our investments in Spartan as control investments beginning June 30, 2019. Spartan remains the direct borrower and guarantor to Prospect for the Spartan Term Loans. In December 2019, Wolf Energy Holdings, Inc. ("Wolf Energy Holdings"), our Consolidated Holding Company that previously owned 100% of Appalachian Energy LLC ("AEH"); Wolf Energy Services Company, LLC (Wolf Energy Services"); and Wolf Energy, LLC (collectively our previously controlled membership interest and net profit interest investments in "Wolf Energy"), merged with and into CP Energy, with CP Energy continuing as the surviving entity. CP Energy acquired 100% of our equity in Wolf Energy, which is reflected in our valuation of CP Energy common stock as of December 31, 2019. (See Note 14).
- (21) Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), a consolidated entity in which we own 100% of the membership interests, owns 98.63% and 98.41% of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC ("Credit Central")) as of March 31, 2020 and June 30, 2019, respectively. 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, the operating companies. We report Credit Central as a separate controlled company.
- (22) Prospect holds an 11.51% membership interest in Edmentum Ultimate Holdings, LLC ("Edmentum Holdings"), which owns 100% of the equity of Edmentum, Inc.
- (23) First Tower Holdings of Delaware LLC ("First Tower Delaware"), a consolidated entity in which 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, the operating company as of March 31, 2020 and June 30, 2019. We report First Tower Finance as a separate controlled company.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

- (24) Energy Solutions Holdings Inc., a consolidated entity in which we own 100% of the equity, owns 100% of Freedom Marine Solutions, LLC (“Freedom Marine”), which owns Vessel Company, LLC, Vessel Company II, LLC and Vessel Company III, LLC. We report Freedom Marine as a separate controlled company.
- (25) MITY Holdings of Delaware Inc. (“MITY Delaware”), a consolidated entity in which we own 100% of the common stock, owns 100% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) (“MITY”). MITY owns 100% of each of MITY-Lite, Inc. (“Mity-Lite”); Broda Enterprises USA, Inc.; and Broda Enterprises ULC (“Broda Canada”). We report MITY as a separate controlled company. Our subordinated unsecured note issued and outstanding to Broda Canada is denominated in Canadian Dollars (“CAD”). As of March 31, 2020 and June 30, 2019, the principal balance of this note was CAD 7,371. In accordance with ASC 830, *Foreign Currency Matters* (“ASC 830”), this note was remeasured into our functional currency, US Dollars (USD), and is presented on our *Consolidated Schedule of Investments* in USD. We formed a separate legal entity domiciled in the United States, MITY FSC, Inc., (“MITY FSC”) in which Prospect owns 100% of the equity. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distributes it to its shareholder.
- (26) NPH Property Holdings, LLC (“NPH”), a consolidated entity in which we own 100% of the membership interests, owns 100% of the common equity of National Property REIT Corp. (“NPRC”) (f/k/a National Property Holdings Corp.), a property REIT which holds investments in several real estate properties. Additionally, NPRC invests in online consumer loans and rated secured structured notes through American Consumer Lending Limited (“ACLL”) and National General Lending Limited (“NGL”), respectively, its wholly owned subsidiaries. We report NPRC as a separate controlled company. See Note 3 for further discussion of the investments held by NPRC. Effective December 31, 2018, we amended and restated the terms of our credit agreement with NPRC. As part of the amendment, we increased our investment through a New Term Loan A Secured Note (“New TLA”) in the aggregate principal amount of \$433,553, a New Term Loan B Secured Note (“New TLB”) in the aggregate principal amount of \$205,000, and our net operating income interest was revised to a residual profit interest (refer to endnote 37 for residual profit interest calculation). NPRC utilized a portion of the proceeds from the New TLA and New TLB to repay the previously outstanding Senior Secured Term Loan A and Senior Secured Term Loan E. The remaining proceeds of \$140,351 were returned to us as a return of capital, reducing our equity investment in NPRC. Effective October 31, 2019, we amended the terms of our credit agreement to increase our investment in NPRC and its wholly-owned subsidiaries through a new \$51,428 Senior Secured Term Loan C (“TLC”) and \$12,857 in equity financing.
- (27) Nationwide Acceptance Holdings LLC (“Nationwide Holdings”), a consolidated entity in which we own 100% of the membership interests, owns 94.48% of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC), the operating company, as of March 31, 2020 and June 30, 2019. We report Nationwide Loan Company LLC as a separate controlled company. On June 1, 2015, Nationwide Acceptance LLC completed a reorganization and was renamed Nationwide Loan Company LLC (“Nationwide”) and formed two new wholly owned subsidiaries: Pelican Loan Company LLC (“Pelican”) and Nationwide Consumer Loans LLC. Nationwide assigned 100% of the equity interests in its other subsidiaries to Pelican which, in turn, assigned these interests to a new operating company wholly owned by Pelican named Nationwide Acceptance LLC (“New Nationwide”). New Nationwide also assumed the existing senior subordinated term loan due to Prospect.
- (28) NMMB Holdings, Inc. (“NMMB Holdings”), a consolidated entity in which we own 100% of the equity, owns 92.50% and 94.10% of the fully diluted equity of NMMB, Inc. (“NMMB”) as of March 31, 2020 and June 30, 2019, respectively. NMMB owns 100% of Refuel Agency, Inc., which owns 100% of Armed Forces Communications, Inc. We report NMMB as a separate controlled company. On December 30, 2019, NMMB executed a dividend recapitalization whereby Prospect invested \$15,100 of a first lien term loan to repay NMMB’s existing term loan, provide a shareholder distribution, and pay fees and expenses. As part of the recapitalization, Prospect converted its Series A and Series B preferred securities into 92.42% common equity and received a dividend distribution of \$2,797.
- (29) During the year ended June 30, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent, Inc. (“InterDent”) and to appoint a new Board of Directors of InterDent. As a result, Prospect’s investment in InterDent is classified as a control investment.
- (30) Prospect owns 99.96% of the equity of USES Corp. as of March 31, 2020 and June 30, 2019.
- (31) Valley Electric Holdings I, Inc., a consolidated entity in which we own 100% of the common stock, owns 100% of Valley Electric Holdings II, Inc. (“Valley Holdings II”), another consolidated entity. Valley Holdings II owns 94.99% of Valley Electric Company, Inc. (“Valley Electric”). 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. We report Valley Electric as a separate controlled company.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

- (32) On March 14, 2017, assets previously held by Ark-La-Tex Wireline Services, LLC (“Ark-La-Tex”) were assigned to Wolf Energy Services Company, LLC, a new wholly owned subsidiary of Wolf Energy Holdings, Inc. (“Wolf Energy Holdings”), in exchange for a full reduction of Ark-La-Tex’s Senior Secured Term Loan A and a partial reduction of the Senior Secured Term Loan B cost basis, in total equal to \$22,145. The cost basis of the transferred assets is equal to the appraised fair value of assets at the time of transfer. During the three months ended June 30, 2017, Ark-La-Tex Term Loan B was written off and a loss of \$19,818 was realized. On June 30, 2017, the 18.00% Senior Secured Promissory Note, due April 15, 2018, in Wolf Energy, LLC was contributed to the equity of Wolf Energy LLC. There was no impact from the transaction due to the note being on non-accrual status and having zero cost basis. In December 2019, Wolf Energy Holdings merged with and into CP Energy, with CP Energy continuing as the surviving entity. See endnote 20.
- (33) Prospect owns 9.67% of the equity in Targus Cayman HoldCo Limited (“Targus”), the parent company of Targus International LLC (“Targus International”), as of March 31, 2020 and June 30, 2019.
- (34) On December 10, 2018, UTP Holdings Group, Inc. (“UTP Holdings”) purchased all of the voting stock of Universal Turbine Parts, LLC (“UTP”) and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly owned holding company controlled by Prospect and therefore Prospect’s investment in UTP is classified as a control investment as of June 30, 2019.
- (35) Centerfield Media Holding Company and Oology Direct Holdings, Inc. are joint borrowers and guarantors on the senior secured loan facilities.
- (36) Keystone Acquisition Corp. is the parent borrower on the second lien term loan. Other joint borrowers on this debt investment include Keystone Peer Review Organization, Inc., KEPRO Acquisitions, Inc., APS Healthcare Bethesda, Inc., Ohio KEPRO, Inc., and APS Healthcare Quality Review, Inc.
- (37) As of June 30, 2019, the residual profit interest was equal to 25% of NPRC’s residual profit, calculated quarterly in arrears. Effective October 31, 2019, the residual profit interest was amended to include both 8.33% of New TLA residual profit and 100% of New TLC residual profits, calculated in arrears.
- (38) The consolidated revenue interest is equal to the lesser of (i) 2.0% of consolidated revenue for the twelve-month period ending on the last day of the prior fiscal quarter (or portion thereof) and (ii) 25% of the amount of interest accrued on the Notes at the cash interest rate for such fiscal quarter (or portion thereof).
- (39) As of March 31, 2020 and June 30, 2019, Prospect owns 8.57% of the equity in Encinitas Watches Holdco, LLC (f/k/a Nixon Holdco, LLC), the parent company of Nixon, Inc. On February 26, 2018, Prospect entered into a debt forgiveness agreement with Nixon, Inc., which terminated \$17,472 Senior Secured Term Loan receivable due to us. We recorded a realized loss of \$14,197 in our *Consolidated Statement of Operations* for the year ended June 30, 2018 as a result of this transaction.
- (40) On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of Pacific World Corporation (“Pacific World”) and to appoint a new Board of Directors of Pacific World. As a result, Prospect’s investment in Pacific World is classified as a control investment.
- (41) BAART Programs, Inc. and MedMark Services, Inc. are joint borrowers of the second lien term loan.
- (42) Turning Point Brands, Inc. and North Atlantic Trading Company, Inc. are joint borrowers and guarantors on the secured loan facility.
- (43) The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

(44) The following shows the composition of our investment portfolio at cost by control designation, investment type and by industry as of March 31, 2020:

Industry	1st Lien Term Loan	2nd Lien Term Loan	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Control Investments						
Aerospace & Defense	\$ 62,971	\$ —	\$ —	\$ —	\$ 22,738	\$ 85,709
Commercial Services & Supplies	124,656	—	—	6,488	6,849	137,993
Construction & Engineering	43,731	—	—	—	25,143	68,874
Consumer Finance	—	350,643	—	—	120,939	471,582
Diversified Consumer Services	—	—	—	—	2,378	2,378
Energy Equipment & Services	72,139	—	—	—	193,358	265,497
Equity Real Estate Investment Trusts (REITs)	311,218	—	—	—	62,887	374,105
Health Care Providers & Services	261,787	—	—	—	1	261,788
Machinery	—	28,622	—	—	6,866	35,488
Media	5,062	—	—	—	12,869	17,931
Online Lending	59,316	—	—	—	100,949	160,265
Personal Products	208,402	—	—	—	37,100	245,502
Trading Companies & Distributors	65,619	—	—	—	—	65,619
Structured Finance (A)	78,359	—	—	—	19,590	97,949
Total Control Investments	\$ 1,293,260	\$ 379,265	\$ —	\$ 6,488	\$ 611,667	\$ 2,290,680
Affiliate Investments						
Distributors	\$ —	\$ 105,478	\$ —	\$ —	\$ —	\$ 105,478
Diversified Consumer Services	—	8,434	—	36,348	6,577	51,359
Textiles, Apparel & Luxury Goods	—	—	—	—	2,805	2,805
Total Affiliate Investments	\$ —	\$ 113,912	\$ —	\$ 36,348	\$ 9,382	\$ 159,642
Non-Control/Non-Affiliate Investments						
Air Freight & Logistics	\$ —	\$ 12,500	\$ —	\$ —	\$ —	\$ 12,500
Auto Components	1,233	25,512	—	—	—	26,745
Chemicals	31,907	—	—	—	—	31,907
Commercial Services & Supplies	54,603	175,741	—	—	—	230,344
Communications Equipment	9,098	50,522	—	—	—	59,620
Consumer Finance	28,685	—	—	—	—	28,685
Distributors	173,330	—	—	—	—	173,330
Diversified Consumer Services	—	100,091	—	—	—	100,091
Diversified Financial Services	30,216	—	—	—	—	30,216
Diversified Telecommunication Services	18,523	39,364	—	—	—	57,887
Entertainment	51,019	—	—	—	—	51,019
Food Products	—	24,847	—	—	—	24,847
Health Care Equipment & Supplies	—	7,472	—	—	—	7,472
Health Care Providers & Services	156,054	113,207	—	—	—	269,261
Hotels, Restaurants & Leisure	23,377	—	—	—	—	23,377
Household Durables	15,719	9,918	—	—	—	25,637
Household Products	24,500	—	—	—	—	24,500
Insurance	—	2,989	—	—	—	2,989
Interactive Media & Services	207,121	—	—	—	—	207,121
Internet & Direct Marketing Retail	15,638	—	—	—	—	15,638
IT Services	117,804	85,709	—	—	—	203,513

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Leisure Products	28,619	—	—	—	1	28,620
Machinery	48,982	—	—	—	—	48,982
Media	65,564	35,000	—	—	—	100,564
Paper & Forest Products	4,382	11,387	—	—	—	15,769
Professional Services	29,025	74,462	—	—	—	103,487
Real Estate Management & Development	38,222	—	—	—	—	38,222
Software	8,420	66,755	—	—	—	75,175
Technology Hardware, Storage & Peripherals	—	12,411	—	—	—	12,411
Textiles, Apparel & Luxury Goods	171,927	36,736	—	—	—	208,663
Transportation Infrastructure	—	27,641	—	—	—	27,641
Structured Finance (A)	—	—	1,090,083	—	—	1,090,083
Total Non-Control/Non-Affiliate	\$ 1,353,968	\$ 912,264	\$ 1,090,083	\$ —	\$ 1	\$ 3,356,316
Total Portfolio Investment Cost	\$ 2,647,228	\$ 1,405,441	\$ 1,090,083	\$ 42,836	\$ 621,050	\$ 5,806,638

The following table shows the composition of our investment portfolio at fair value by control designation, investment type and by industry as of March 31, 2020:

Industry	1st Lien Term Loan	2nd Lien Term Loan	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Control Investments							
Aerospace & Defense	\$ 62,971	\$ —	\$ —	\$ —	\$ 21,869	\$ 84,840	2.9%
Commercial Services & Supplies	71,355	—	—	—	—	71,355	2.4%
Construction & Engineering	43,731	—	—	—	78,259	121,990	4.2%
Consumer Finance	—	353,723	—	—	226,315	580,038	19.8%
Diversified Consumer Services	—	—	—	—	3,838	3,838	0.1%
Energy Equipment & Services	55,178	—	—	—	33,009	88,187	3.0%
Equity Real Estate Investment Trusts (REITs)	311,218	—	—	—	443,201	754,419	25.7%
Health Care Providers & Services	202,352	—	—	—	—	202,352	6.9%
Machinery	—	28,622	—	—	9,221	37,843	1.3%
Media	5,062	—	—	—	31,498	36,560	1.2%
Online Lending	57,639	—	—	—	—	57,639	2.0%
Personal Products	53,224	—	—	—	—	53,224	1.8%
Trading Companies & Distributors	28,233	—	—	—	—	28,233	1.0%
Structured Finance (A)	78,359	—	—	—	9,595	87,954	3.0%
Total Control Investments	\$ 969,322	\$ 382,345	\$ —	\$ —	\$ 856,805	\$ 2,208,472	75.3%
Fair Value % of Net Assets	33.1%	13.0%	—%	—%	29.2%	75.3%	
Affiliate Investments							
Distributors	\$ —	\$ 4,716	\$ —	\$ —	\$ —	\$ 4,716	0.2%
Diversified Consumer Services	—	8,434	—	48,263	—	56,697	1.9%
Textiles, Apparel & Luxury Goods	—	—	—	—	18,042	18,042	0.6%
Total Affiliate Investments	\$ —	\$ 13,150	\$ —	\$ 48,263	\$ 18,042	\$ 79,455	2.7%
Fair Value % of Net Assets	—%	0.5%	—%	1.6%	0.6%	2.7%	
Non-Control/Non-Affiliate Investments							
Air Freight & Logistics	\$ —	\$ 12,409	\$ —	\$ —	\$ —	\$ 12,409	0.4%
Auto Components	1,399	25,451	—	—	—	26,850	0.9%
Chemicals	31,805	—	—	—	—	31,805	1.1%
Commercial Services & Supplies	50,689	171,484	—	—	—	222,173	7.6%
Communications Equipment	8,106	39,862	—	—	—	47,968	1.6%
Consumer Finance	24,651	—	—	—	—	24,651	0.8%

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Distributors	169,185	—	—	—	—	169,185	5.8%
Diversified Consumer Services	—	57,239	—	—	—	57,239	2.0%
Diversified Financial Services	30,216	—	—	—	—	30,216	1.0%
Diversified Telecommunication Services	17,741	37,612	—	—	—	55,353	1.9%
Electronic Equipment, Instruments & Components	—	—	—	—	2,337	2,337	0.1%
Entertainment	50,320	—	—	—	—	50,320	1.7%
Food Products	—	25,000	—	—	—	25,000	0.9%
Health Care Equipment & Supplies	—	5,527	—	—	—	5,527	0.2%
Health Care Providers & Services	155,186	111,620	—	—	—	266,806	9.1%
Hotels, Restaurants & Leisure	21,836	—	—	—	—	21,836	0.7%
Household Durables	4,799	8,089	—	—	—	12,888	0.4%
Household Products	23,848	—	—	—	—	23,848	0.8%
Insurance	—	2,852	—	—	—	2,852	0.1%
Interactive Media & Services	207,121	—	—	—	—	207,121	7.1%
Internet & Direct Marketing Retail	16,214	—	—	—	—	16,214	0.6%
IT Services	117,465	85,750	—	—	—	203,215	6.9%
Leisure Products	28,307	—	—	—	—	28,307	1.0%
Machinery	48,484	—	—	—	—	48,484	1.7%
Media	64,963	18,380	—	—	—	83,343	2.8%
Paper & Forest Products	4,363	11,122	—	—	—	15,485	0.5%
Professional Services	29,413	76,704	—	—	—	106,117	3.6%
Real Estate Management & Development	38,222	—	—	—	—	38,222	1.3%
Software	8,246	63,716	—	—	—	71,962	2.5%
Technology Hardware, Storage & Peripherals	—	11,851	—	—	—	11,851	0.4%
Textiles, Apparel & Luxury Goods	170,497	34,493	—	—	—	204,990	7.0%
Transportation Infrastructure	—	27,638	—	—	—	27,638	0.9%
Structured Finance (A)	—	—	704,403	—	—	704,403	24.0%
Total Non-Control/Non-Affiliate	\$ 1,323,076	\$ 826,799	\$ 704,403	\$ —	\$ 2,337	\$ 2,856,615	97.4%
Fair Value % of Net Assets	45.1%	28.2%	24.0%	—%	0.1%	97.4%	
Total Portfolio	\$ 2,292,398	\$ 1,222,294	\$ 704,403	\$ 48,263	\$ 877,184	\$ 5,144,542	175.4%
Fair Value % of Net Assets	78.2%	41.7%	24.0%	1.6%	29.9%	175.4%	

(A) Our SSN investments do not have industry concentrations and as such have been separated in the tables above.

(B) Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

(45) The following table shows the composition of our investment portfolio at cost by control designation, investment type and by industry as of June 30, 2019:

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Control Investments							
Aerospace & Defense	\$ 54,841	\$ —	\$ —	\$ —	\$ —	\$ 22,738	\$ 77,579
Commercial Services & Supplies	126,505	—	—	—	6,915	6,849	140,269
Construction & Engineering	43,731	—	—	—	—	26,204	69,935
Consumer Finance	—	348,606	—	—	—	116,839	465,445
Energy Equipment & Services	69,447	—	—	—	—	192,216	261,663
Equity Real Estate Investment Trusts (REITs)	433,553	—	—	—	—	62,887	496,440

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Health Care Providers & Services	248,872	—	—	—	—	1	248,873
Machinery	—	28,622	—	—	—	6,866	35,488
Media	3,114	—	—	—	—	12,869	15,983
Online Lending	172,000	—	—	—	—	100,949	272,949
Personal Products	212,969	—	—	—	—	25,000	237,969
Trading Companies & Distributors	63,213	—	—	—	—	—	63,213
Total Control Investments	\$ 1,428,245	\$ 377,228	\$ —	\$ —	\$ 6,915	\$ 573,418	\$ 2,385,806
Affiliate Investments							
Distributors	\$ —	\$ 127,091	\$ —	\$ —	\$ —	\$ —	\$ 127,091
Diversified Consumer Services	—	8,159	—	—	32,018	6,577	46,754
Textiles, Apparel & Luxury Goods	—	—	—	—	—	3,771	3,771
Total Affiliate Investments	\$ —	\$ 135,250	\$ —	\$ —	\$ 32,018	\$ 10,348	\$ 177,616
Non-Control/Non-Affiliate Investments							
Air Freight & Logistics	\$ —	\$ 12,500	\$ —	\$ —	\$ —	\$ —	\$ 12,500
Auto Components	—	25,450	—	—	—	—	25,450
Building Products	—	19,842	—	—	—	—	19,842
Capital Markets	—	25,084	—	—	—	—	25,084
Commercial Services & Supplies	60,513	175,674	—	—	—	—	236,187
Communications Equipment	—	50,503	—	—	—	—	50,503
Consumer Finance	22,333	—	—	—	—	—	22,333
Distributors	172,815	—	—	—	—	—	172,815
Diversified Consumer Services	—	100,091	—	—	—	—	100,091
Diversified Telecommunication Services	9,923	26,311	—	—	—	—	36,234
Entertainment	16,128	20,093	—	—	—	—	36,221
Food Products	—	34,729	—	—	—	—	34,729
Health Care Equipment & Supplies	33,673	7,469	—	—	—	—	41,142
Health Care Providers & Services	125,265	96,284	—	—	—	—	221,549
Hotels, Restaurants & Leisure	27,252	7,485	—	—	—	—	34,737
Household Durables	15,888	13,403	—	—	—	—	29,291
Household Products	24,688	—	—	—	—	—	24,688
Insurance	—	12,988	—	—	—	—	12,988
Interactive Media & Services	37,861	—	—	—	—	—	37,861
IT Services	270,714	35,382	—	—	—	—	306,096
Leisure Products	32,868	—	—	—	—	1	32,869
Media	87,379	35,000	—	—	—	—	122,379
Paper & Forest Products	—	11,361	—	—	—	—	11,361
Professional Services	118,403	69,695	—	—	—	—	188,098
Real Estate Management & Development	38,852	—	—	—	—	—	38,852
Software	—	64,723	—	—	—	—	64,723
Technology Hardware, Storage & Peripherals	—	12,400	—	—	—	—	12,400
Textiles, Apparel & Luxury Goods	190,678	36,657	—	—	—	—	227,335
Tobacco	—	14,419	—	—	—	—	14,419
Transportation Infrastructure	—	27,578	—	—	—	—	27,578
Structured Finance (A)	—	—	44,774	1,103,751	—	—	1,148,525

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Total Non-Control/Non-Affiliate	\$ 1,285,233	\$ 935,121	\$ 44,774	\$ 1,103,751	\$ —	\$ 1	\$ 3,368,880
Total Portfolio Investment Cost	\$ 2,713,478	\$ 1,447,599	\$ 44,774	\$ 1,103,751	\$ 38,933	\$ 583,767	\$ 5,932,302

The following table shows the composition of our investment portfolio at fair value by control designation, investment type and by industry as of June 30, 2019:

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Control Investments								
Aerospace & Defense	\$ 54,841	\$ —	\$ —	\$ —	\$ —	\$ 34,860	\$ 89,701	2.7%
Commercial Services & Supplies	62,627	—	—	—	—	—	62,627	1.9%
Construction & Engineering	43,731	—	—	—	—	99,954	143,685	4.3%
Consumer Finance	—	351,926	—	—	—	246,502	598,428	18.1%
Energy Equipment & Services	69,447	—	—	—	—	84,418	153,865	4.7%
Equity Real Estate Investment Trusts (REITs)	433,553	—	—	—	—	394,134	827,687	25.0%
Health Care Providers & Services	224,876	—	—	—	—	—	224,876	6.8%
Machinery	—	28,622	—	—	—	5,002	33,624	1.0%
Media	3,114	—	—	—	—	21,069	24,183	0.7%
Online Lending	172,000	—	—	—	—	4,778	176,778	5.3%
Personal Products	112,427	—	—	—	—	—	112,427	3.4%
Trading Companies & Distributors	28,043	—	—	—	—	—	28,043	0.8%
Total Control Investments	\$ 1,204,659	\$ 380,548	\$ —	\$ —	\$ —	\$ 890,717	\$ 2,475,924	74.9%
Fair Value % of Net Assets	36.4%	11.5%	—%	—%	—%	26.9%	74.9%	
Affiliate Investments								
Distributors	\$ —	\$ 18,866	\$ —	\$ —	\$ —	\$ —	\$ 18,866	0.6%
Diversified Consumer Services	—	8,159	—	—	33,058	—	41,217	1.2%
Textiles, Apparel & Luxury Goods	—	—	—	—	—	16,599	16,599	0.5%
Total Affiliate Investments	\$ —	\$ 27,025	\$ —	\$ —	\$ 33,058	\$ 16,599	\$ 76,682	2.3%
Fair Value % of Net Assets	—%	0.8%	—%	—%	1.0%	0.5%	2.3%	
Non-Control/Non-Affiliate Investments								
Air Freight & Logistics	\$ —	\$ 12,233	\$ —	\$ —	\$ —	\$ —	\$ 12,233	0.4%
Auto Components	—	25,450	—	—	—	—	25,450	0.8%
Building Products	—	19,842	—	—	—	—	19,842	0.6%
Capital Markets	—	25,222	—	—	—	—	25,222	0.8%
Commercial Services & Supplies	58,094	175,951	—	—	—	—	234,045	7.1%
Communications Equipment	—	48,760	—	—	—	—	48,760	1.5%
Consumer Finance	20,555	—	—	—	—	—	20,555	0.6%
Distributors	171,271	—	—	—	—	—	171,271	5.2%
Diversified Consumer Services	—	100,091	—	—	—	—	100,091	3.0%
Diversified Telecommunication Services	9,923	26,311	—	—	—	—	36,234	1.1%
Electronic Equipment, Instruments & Components	—	—	—	—	—	2,239	2,239	0.1%
Entertainment	16,178	20,149	—	—	—	—	36,327	1.1%
Food Products	—	34,729	—	—	—	—	34,729	1.1%
Health Care Equipment & Supplies	34,010	7,144	—	—	—	—	41,154	1.2%
Health Care Providers & Services	124,075	96,284	—	—	—	—	220,359	6.7%
Hotels, Restaurants & Leisure	27,252	7,485	—	—	—	—	34,737	1.1%

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Household Durables	10,252	12,208	—	—	—	—	22,460	0.7%
Household Products	24,688	—	—	—	—	—	24,688	0.7%
Insurance	—	12,988	—	—	—	—	12,988	0.4%
Interactive Media & Services	37,861	—	—	—	—	—	37,861	1.1%
IT Services	269,657	35,703	—	—	—	—	305,360	9.2%
Leisure Products	32,868	—	—	—	—	—	32,868	1.0%
Media	86,704	30,580	—	—	—	—	117,284	3.5%
Paper & Forest Products	—	11,500	—	—	—	—	11,500	0.3%
Professional Services	118,813	71,365	—	—	—	—	190,178	5.8%
Real Estate Management & Development	38,852	—	—	—	—	—	38,852	1.2%
Software	—	64,729	—	—	—	—	64,729	2.0%
Technology Hardware, Storage & Peripherals	—	12,400	—	—	—	—	12,400	0.4%
Textiles, Apparel & Luxury Goods	189,725	36,657	—	—	—	—	226,382	6.8%
Tobacco	—	14,500	—	—	—	—	14,500	0.4%
Transportation Infrastructure	—	28,104	—	—	—	—	28,104	0.9%
Structured Finance (A)	—	—	46,851	850,694	—	—	897,545	27.1%
Total Non-Control/Non-Affiliate	\$ 1,270,778	\$ 930,385	\$ 46,851	\$ 850,694	\$ —	\$ 2,239	\$ 3,100,947	93.8%
Fair Value % of Net Assets	38.4%	28.1%	1.4%	25.7%	—%	0.1%	93.8%	
Total Portfolio	\$ 2,475,437	\$ 1,337,958	\$ 46,851	\$ 850,694	\$ 33,058	\$ 909,555	\$ 5,653,553	171.0%
Fair Value % of Net Assets	74.9%	40.5%	1.4%	25.7%	1.0%	27.5%	171.0%	

(A) Our RSSN and SSN investments do not have industry concentrations and as such have been separated in the tables above.

(B) Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

- (46) The interest rate on these investments, excluding those on non-accrual, contains a paid in kind (“PIK”) provision, whereby the issuer has either the option or the obligation to make interest payments with the issuance of additional securities. The interest rate in the schedule represents the current interest rate in effect for these investments.

The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed under the existing credit agreements, as of and for three months ended March 31, 2020:

Security Name	PIK Rate - Capitalized	PIK Rate - Paid as cash	Maximum Current PIK Rate
Cinedigm DC Holdings, LLC - Senior Secured Term Loan	—%	2.50%	2.50%
CP Energy Services Inc. - Senior Secured Term Loan	6.48%	6.47%	12.95% (A)
Credit Central Loan Company, LLC - Subordinated Term Loan	10.00%	—%	10.00% (B)
Echelon Transportation, LLC - Senior Secured Term Loan	2.25%	—%	2.25% (C)
Echelon Transportation, LLC - Senior Secured Term Loan	1.00%	—%	1.00% (D)
Edmentum Ultimate Holdings, LLC - Second Lien Revolving Credit Facility	5.00%	—%	5.00%
Edmentum Ultimate Holdings, LLC - Unsecured Senior PIK Note	8.50%	—%	8.50%
Edmentum Ultimate Holdings, LLC - Unsecured Junior PIK Note	10.00%	—%	10.00%
First Tower Finance Company LLC - Subordinated Term Loan	—%	10.50%	10.50%
InterDent, Inc. - Senior Secured Term Loan B	10.00%	—%	10.00%
Medusind Acquisition, Inc - First Lien Term Loan	7.47%	4.28%	11.75% (E)
MITY, Inc. - Senior Secured Note B	10.00%	—%	10.00%
National Property REIT Corp. - Senior Secured Term Loan A-2	—%	5.00%	5.00%
National Property REIT Corp. - Senior Secured Term Loan B-2	—%	5.50%	5.50%
National Property REIT Corp. - Senior Secured Term Loan C	—%	2.25%	2.25%
Nationwide Loan Company LLC - Senior Subordinated Term Loan	3.39%	6.61%	10.00%
SEOTownCenter, Inc. - Senior Secured Term Loan B	1.33%	13.17%	14.50% (F)
Valley Electric Co. of Mt. Vernon, Inc. - Senior Secured Note	—%	2.50%	2.50%
Valley Electric Company, Inc. - Senior Secured Note	—%	10.00%	10.00%
Venio LLC - Second Lien Term Loan	10.00%	—%	10.00%

(A) On March 30, 2020, the CP Energy Fourth Amendment to Loan Agreement was amended to allow 50% of the March 31, 2020 interest accruing in cash to be payable in kind resulting in a current PIK rate capitalized of 6.48%.

(B) On December 17, 2018, the Credit Central Senior Subordinated Loan Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 20.00%.

(C) On January 31, 2018, the Echelon Fourth Amended and Restated Credit Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 14.50%.

(D) On January 31, 2018, the Echelon Fourth Amended and Restated Credit Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 12.50%.

(E) On April 13, 2020, the Medusind Fourth Amendment to Credit and Guaranty Agreement was amended to allow \$447 of the March 31, 2020 interest accruing in cash to be payable in kind resulting in a current PIK rate capitalized of 7.47%.

(F) On March 30, 2020, the SEOTownCenter Third Amendment to Loan Agreement was amended to allow \$119 of the March 31, 2020 interest accruing in cash on Term Loan B to be payable in kind resulting in a current PIK rate capitalized of 1.33%.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed under the existing credit agreements, as of and for three months ended June 30, 2019:

Security Name	PIK Rate - Capitalized	PIK Rate - Paid as cash	Maximum Current PIK Rate
Cinedigm DC Holdings, LLC	—%	2.50%	2.50%
CP Energy - Spartan Energy Services, LLC Term Loan B	16.44%	—%	16.44%
Credit Central Loan Company	6.53%	3.47%	10.00% (A)
Echelon Transportation, LLC	2.25%	—%	2.25% (B)
Echelon Transportation, LLC	1.00%	—%	1.00% (C)
Edmentum Ultimate Holdings, LLC - Revolver	5.00%	—%	5.00%
Edmentum Ultimate Holdings, LLC - Senior PIK Note	8.50%	—%	8.50%
First Tower Finance Company LLC	7.48%	3.02%	10.50%
Interdent, Inc - Senior Secured Term Loan B	16.00%	—%	16.00%
MITY, Inc.	10.00%	—%	10.00%
National Property REIT Corp. - Senior Secured Term Loan A	—%	5.00%	5.00%
National Property REIT Corp. - Senior Secured Term Loan B	—%	5.50%	5.50%
Nationwide Loan Company LLC	10.00%	—%	10.00%
Valley Electric Co. of Mt. Vernon, Inc.	—%	2.50%	2.50%
Valley Electric Company, Inc.	5.00%	5.00%	10.00%
Venio LLC	10.10%	—%	10.10%

(A) On December 17, 2018, the Credit Central Senior Subordinated Loan Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 20.00%.

(B) On January 31, 2018, the Echelon Fourth Amended and Restated Credit Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 14.50%. Next PIK payment/capitalization date was July 31, 2019.

(C) On January 31, 2018, the Echelon Fourth Amended and Restated Credit Agreement was amended to allow interest accruing in cash to be payable in kind resulting in a maximum current PIK rate of 12.50%. Next PIK payment/capitalization date was July 31, 2019.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

- (47) As defined in the 1940 Act, we are deemed to “Control” these portfolio companies because we own more than 25% of the portfolio company’s outstanding voting securities. Transactions during the nine months ended March 31, 2020 with these controlled investments were as follows:

Portfolio Company	Fair Value at June 30, 2019	Gross Additions (Cost)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at March 31, 2020	Interest income	Dividend income	Other income	Net realized gains (losses)
CP Energy Services Inc.	\$ 104,533	\$ 5,613	\$ —	\$ (56,933)	\$ 53,213	\$ 3,514	\$ —	\$ —	\$ —
CP Energy - Spartan Energy Services, Inc.	34,398	2,119	—	(16,961)	19,556	2,816	—	6	—
Credit Central Loan Company, LLC	71,417	9,725	—	(9,556)	71,587	8,978	—	112	—
Echelon Transportation, LLC	89,701	8,130	—	(12,991)	84,840	6,168	—	—	—
First Tower Finance Company LLC	494,036	2,849	(5,908)	(17,791)	473,185	43,485	—	—	—
Freedom Marine Solutions, LLC	14,920	—	—	498	15,418	—	—	—	—
InterDent, Inc.	224,876	12,916	—	(35,440)	202,352	14,159	—	—	—
Kickapoo Ranch Pet Resort	—	2,378	—	1,460	3,838	—	—	36	—
MITY, Inc.	46,902	2,601	(428)	6,097	55,173	6,722	—	293	—
National Property REIT Corp.	1,004,465	97,949	(235,019)	32,617	900,012	52,901	—	32,512	—
Nationwide Loan Company LLC	32,975	971	(1,500)	2,820	35,266	2,918	—	—	—
NMMB, Inc.	24,183	15,100	(13,152)	10,429	36,560	518	2,797	453	—
Pacific World Corporation	112,427	12,100	(4,566)	(66,736)	53,224	527	—	—	—
R-V Industries, Inc.	33,624	—	—	4,219	37,843	2,360	—	—	—
Universal Turbine Parts, LLC	28,043	2,900	(494)	(2,216)	28,233	1,903	—	100	—
USES Corp.	15,725	1,500	(5,950)	4,907	16,182	—	—	—	—
Valley Electric Company, Inc.	143,685	—	(1,062)	(20,633)	121,990	5,332	6,538	500	—
Wolf Energy, LLC	14	(3,914)	18	3,882	—	—	—	—	—
Total	\$ 2,475,924	\$ 172,937	\$ (268,061)	\$ (172,328)	\$ 2,208,472	\$ 152,301	\$ 9,335	\$ 34,012	\$ —

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, OID accretion and PIK interest, and any transfer of investments.

(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

- (48) As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the nine months ended March 31, 2020 with these affiliated investments were as follows:

Portfolio Company	Fair Value at June 30, 2019	Gross Additions (Cost)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at March 31, 2020	Interest income	Dividend income	Other income	Net realized gains (losses)
Edmentum Ultimate Holdings, LLC	\$ 41,217	\$ 7,740	\$ (3,133)	\$ 10,873	\$ 56,697	\$ 5,325	\$ —	\$ —	\$ —
Nixon, Inc.	—	—	—	—	—	—	—	—	—
Targus Cayman HoldCo Limited	16,599	—	(967)	2,410	18,042	—	—	—	—
United Sporting Companies, Inc.	18,866	—	(21,613)	7,463	4,716	—	—	—	—
Total	\$ 76,682	\$ 7,740	\$ (25,713)	\$ 20,746	\$ 79,455	\$ 5,325	\$ —	\$ —	\$ —

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest, and any transfer of investments.

(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

- (49) As defined in the 1940 Act, we are deemed to “Control” these portfolio companies because we own more than 25% of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2019 with these controlled investments were as follows:

Portfolio Company	Fair Value at June 30, 2018	Gross Additions (Cost)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at June 30, 2019	Interest income	Dividend income	Other income	Net realized gains (losses)
CCPI, Inc.	\$ 35,756	\$ —	\$ (27,459)	\$ (8,297)	\$ —	\$ 2,629	\$ —	\$ 1,301	\$ 12,105
CP Energy Services Inc.(C)	123,261	34,184	—	(18,514)	138,931	4,810	—	—	—
Credit Central Loan Company, LLC	76,677	5,081	—	(10,341)	71,417	11,886	—	—	—
Echelon Transportation LLC	82,278	7,742	—	(319)	89,701	7,102	—	—	—
First Tower Finance Company LLC	443,010	6,823	(2,478)	46,681	494,036	56,125	—	—	—
Freedom Marine Solutions, LLC	13,037	300	—	1,583	14,920	—	—	—	—
InterDent, Inc.	197,621	36,173	—	(8,918)	224,876	24,779	—	—	—
MITY, Inc.	58,894	5,143	(284)	(16,851)	46,902	8,149	—	276	—
National Property REIT Corp.	1,054,976	11,583	(69,181)	7,087	1,004,465	75,249	21,000	33,634	—
Nationwide Loan Company LLC	33,853	1,206	—	(2,084)	32,975	3,621	165	—	—
NMMB, Inc.	18,735	—	(5,500)	10,948	24,183	958	—	—	—
Pacific World Corporation	165,020	19,000	(9,606)	(61,987)	112,427	3,762	—	—	—
R-V Industries, Inc.	31,886	—	—	1,738	33,624	3,295	—	—	—
SB Forging Company II, Inc.	2,194	—	—	(2,194)	—	—	—	—	2,204
Universal Turbine Parts, LLC (D)	—	45,129	(488)	(16,598)	28,043	1,970	—	—	—
USES Corp.	16,319	3,500	—	(4,094)	15,725	—	—	—	—
Valley Electric Company, Inc.	50,797	5,521	—	87,367	143,685	6,877	12,962	800	—
Wolf Energy, LLC	12	46	58	(102)	14	—	—	—	—
Total	\$ 2,404,326	\$ 181,431	\$ (114,938)	\$ 5,105	\$ 2,475,924	\$ 211,212	\$ 34,127	\$ 36,011	\$ 14,309

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest, and any transfer of investments.

(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

(C) In June 2019, CP Energy purchased approximately 67.2% (64.1% including options) of the common equity of Spartan Holdings, which owns 100% of Spartan, a portfolio company of Prospect. As a result of CP Energy’s purchase, and given Prospect’s controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Accordingly, Spartan was transferred from non-controlled/non-affiliate investments at \$33,313, the fair market value at the beginning of the three month period ended June 30, 2019. Refer to endnote 20.

(D) Investment was transferred from non-controlled/non-affiliate investments at \$45,129, the fair market value at the beginning of the three month period ended December 31, 2018. Refer to endnote 34.

- (50) As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2019 with these affiliated investments were as follows:

Portfolio Company	Fair Value at June 30, 2018	Gross Additions (Cost)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at June 30, 2019	Interest income	Dividend income	Other income	Net realized gains (losses)
Edmentum Ultimate Holdings, LLC	\$ 35,216	\$ 8,850	\$ (7,855)	\$ 5,006	\$ 41,217	\$ 943	\$ —	\$ —	\$ —
Nixon, Inc.	—	—	—	—	—	—	—	—	—
Targus Cayman HoldCo Limited	23,220	—	(6,106)	(515)	16,599	—	659	—	—
United Sporting Companies, Inc. (C)	—	58,806	—	(39,940)	18,866	—	—	—	—
Total	\$ 58,436	\$ 67,656	\$ (13,961)	\$ (35,449)	\$ 76,682	\$ 943	\$ 659	\$ —	\$ —

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest and any transfer of investments.

(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

(C) Investment was transferred from non-controlled/non-affiliate investments at \$58,806, the fair market value at the beginning of the three month period ended September 30, 2018. Refer to endnote 18.

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

(51) Acquisition date represents the date of PSEC's initial investment. Follow-on acquisitions have occurred on the following dates to arrive at PSEC's current investment (excluding effects of capitalized PIK interest, premium/original issue discount amortization/accretion, and partial repayments) (See endnote 52 for NPRC follow-on acquisitions):

Portfolio Company	Investment	Follow-On Acquisition Dates	Follow-On Acquisitions (Excluding initial investment cost)
ACE Cash Express, Inc.	Senior Secured Note	5/24/2019, 7/16/2019, 12/20/2019	\$ 10,882
AgaMatrix, Inc.	Senior Secured Term Loan	4/11/2018	5,000
Apidos CLO IX	Subordinated Structured Note	2/26/2015	2,325
Apidos CLO XI	Subordinated Structured Note	11/10/2016	2,160
Apidos CLO XII	Subordinated Structured Note	2/22/2018	4,070
Apidos CLO XV	Subordinated Structured Note	4/20/2018	6,480
Apidos CLO XXII	Subordinated Structured Note	2/24/2020	1,912
Atlantis Health Care Group (Puerto Rico), Inc.	Revolving Line of Credit	4/15/2013, 5/21/2013, 3/11/2014, 6/26/2017, 9/29/2017, 10/12/2017, 10/31/2017	7,500
Atlantis Health Care Group (Puerto Rico), Inc.	Senior Secured Term Loan	12/9/2016	42,000
Barings CLO 2018-III	Subordinated Structured Note	6/15/2018	9,255
Broder Bros., Co.	Senior Secured Note	1/29/2019, 2/28/2019	450
Brookside Mill CLO Ltd.	Subordinated Structured Note	7/2/2013, 2/15/2018	3,696
California Street CLO IX Ltd.	Subordinated Structured Note	9/9/2016, 10/17/2016	6,842
Capstone Logistics Acquisition, Inc.	Second Lien Term Loan	6/12/2015	37,500
CCS-CMGC Holdings, Inc.	First Lien Term Loan	10/8/2019	4,692
CCS-CMGC Holdings, Inc.	Second Lien Term Loan	8/20/2019	1,993
Cent CLO 21 Limited	Subordinated Structured Note	7/27/2018	1,024
Centerfield Media Holding Company	Senior Secured Term Loan A	9/14/2018	10,100
Centerfield Media Holding Company	Senior Secured Term Loan B	9/14/2018	10,100
CIFC Funding 2014-IV-R, Ltd.	Subordinated Structured Note	10/18/2018	1,158
Coverall North America, Inc.	Senior Secured Term Loan A	7/2/2018	13
Coverall North America, Inc.	Senior Secured Term Loan B	7/2/2018	2
CP Energy Services Inc.	Common Stock	10/11/2013, 12/26/2013, 4/6/2018, 12/31/2019	69,586
CP VI Bella Midco	Second Lien Term Loan	8/10/2018, 10/15/2018, 5/23/2019, 6/4/2019	13,711
Credit Central Loan Company, LLC	Class A Units	12/28/2012, 3/28/2014, 6/26/2014, 9/28/2016, 8/21/2019	11,975
Credit Central Loan Company, LLC	Subordinated Term Loan	6/26/2014, 9/28/2016	41,335
Echelon Transportation, LLC	Membership Interest	3/31/2014, 9/30/2014, 12/9/2016	22,488
Echelon Transportation, LLC	Senior Secured Term Loan	11/14/2018, 7/9/2019	2,100
Edmentum Ultimate Holdings, LLC	Second Lien Revolving Credit Facility to Edmentum, Inc.	2/19/2016, 3/17/2016, 4/20/2016, 5/19/2016, 6/22/2016, 1/31/2017, 2/14/2017, 3/1/2017, 3/14/2017, 3/28/2017, 4/11/2017, 4/25/2017, 5/10/2017, 10/30/2017, 11/8/2017, 11/21/2017, 12/20/2017, 1/3/2018, 1/17/2018, 1/30/2018, 12/12/2018, 12/21/2018, 1/15/2019, 2/1/2019, 2/26/2019, 2/28/2019, 3/18/2019, 4/9/2019, 11/22/2019, 12/17/2019, 1/21/2020	33,080
First Tower Finance Company LLC	Class A Units	12/30/2013, 6/24/2014, 12/15/2015, 11/21/2016, 3/9/2018	39,885
First Tower Finance Company LLC	Subordinated Term Loan to First Tower, LLC	12/15/2015, 3/9/2018	20,924
Freedom Marine Solutions, LLC	Membership Interest	10/1/2009, 12/22/2009, 1/13/2010, 3/30/2010, 5/13/2010, 2/14/2011, 4/28/2011, 7/7/2011, 10/20/2011, 10/30/2015, 1/7/2016, 4/11/2016, 8/11/2016, 1/30/2017, 4/20/2017, 6/13/2017, 8/30/2017, 1/17/2018, 2/15/2018, 5/8/2018, 10/31/2018	39,868
Galaxy XV CLO, Ltd.	Subordinated Structured Note	8/26/2015, 3/15/2017	9,161
Galaxy XXVII CLO, Ltd.	Subordinated Structured Note	6/16/2015	1,460
GEON Performance Solutions, LLC	Revolving Line of Credit	12/12/2019, 1/10/2020, 2/3/2020, 2/6/2020, 3/2/2020, 3/6/2020	3,192
Global Tel*Link Corporation	Second Lien Term Loan	4/10/2019, 8/22/2019, 9/20/2019	14,686
HELP/SYSTEMS HOLDINGS, INC.	First Lien Term Loan	11/29/2019	8,415
Help/Systems Holdings, Inc.	Second Lien Term Loan	5/10/2018, 3/11/2019, 11/22/2019	19,649
Inpatient Care Management Company, LLC	Senior Secured Term Loan	12/22/2016, 6/29/2018	10,003
Interdent, Inc.	Senior Secured Term Loan A	2/11/2014, 4/21/2014, 11/25/2014, 12/23/2014	76,125

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Portfolio Company	Investment	Follow-On Acquisition Dates	Follow-On Acquisitions (Excluding initial investment cost)
Interdent, Inc.	Senior Secured Term Loan B	2/11/2014, 4/21/2014, 11/25/2014, 12/23/2014	76,125
Interdent, Inc.	Senior Secured Term Loan C	8/1/2018	31,558
Interdent, Inc.	Senior Secured Term Loan D	2/3/2020	3,750
Janus International Group, LLC	Second Lien Term Loan	8/3/2018, 8/9/2018, 8/20/2018, 9/6/2018	9,915
JD Power and Associates	Second Lien Term Loan	8/10/2017, 8/31/2018, 3/11/2019, 4/10/2019	15,239
Jefferson Mill CLO Ltd.	Subordinated Structured Note	9/27/2018	2,047
K&N Parent, Inc.	Second Lien Term Loan	8/14/2018, 9/5/2018, 9/7/2018, 9/10/2018, 9/24/2018	12,695
Kickapoo Ranch Pet Resort	Membership Interest	10/21/2019, 12/4/2019	28
LCM XIV Ltd.	Subordinated Structured Note	11/2/2015, 6/6/2018	9,422
Madison Park Funding IX, Ltd.	Subordinated Structured Note	7/1/2016	7,320
MITY, Inc.	Common Stock	6/23/2014	7,200
MITY, Inc.	Senior Secured Note A	1/17/2017	8,000
MITY, Inc.	Senior Secured Note B	6/23/2014, 1/17/2017, 6/3/2019	26,769
MRP Holdco, Inc.	Senior Secured Term Loan A	12/7/2018	12,000
MRP Holdco, Inc.	Senior Secured Term Loan B	12/7/2018	12,000
Nationwide Loan Company LLC	Class A Units	3/28/2014, 6/18/2014, 9/30/2014, 6/29/2015, 3/31/2016, 8/31/2016, 5/31/2017, 10/31/2017	20,469
Nationwide Loan Company LLC	Senior Subordinated Term Loan to Nationwide Acceptance LLC	12/28/2015, 8/31/2016	1,999
National Property REIT Corp.	Senior Secured Term Loan C	10/31/2019, 1/23/2020, 3/31/2020	78,359
NMMB, Inc.	Senior Secured Term Loan	12/30/2019	15,100
NMMB, Inc.	Series A and B Preferred Stock	12/13/2013, 10/1/2014	8,469
Octagon Investment Partners XV, Ltd.	Subordinated Structured Note	4/30/2015, 8/6/2015, 6/30/2017	10,516
Octagon Investment Partners 18-R Ltd.	Subordinated Structured Note	4/20/2018	8,908
Pacific World Corporation	Revolving Line of Credit	10/21/2014, 12/19/2014, 4/7/2015, 4/22/2015, 8/12/2016, 10/18/2016, 2/7/2017, 2/21/2017, 4/26/2017, 10/11/2017, 10/17/2017, 1/16/2018, 12/27/2018, 3/15/2019, 7/2/2019, 8/15/2019	36,825
Pacific World Corporation	Convertible Preferred Equity	4/3/2019, 4/29/2019, 6/3/2019, 10/4/2019, 11/12/2019, 12/20/2019, 1/7/2020, 3/5/2020	20,100
PeopleConnect Holdings, LLC	Revolving Line of Credit	1/31/2020	1,115
PeopleConnect Intermediate, LLC	Revolving Line of Credit	12/18/2017	500
PeopleConnect Intermediate, LLC	Senior Secured Term Loan A	8/11/2015	6,500
PeopleConnect Intermediate, LLC	Senior Secured Term Loan B	8/11/2015	6,500
PG Dental Holdings New Jersey, LLC	Delayed Draw Term Loan	8/26/2019	2,000
PG Dental Holdings New Jersey, LLC	Senior Secured Term Loan	5/31/2019	20
PGX Holdings, Inc.	Second Lien Term Loan	12/23/2016, 12/28/2016	15,034
RGIS Services, LLC	Senior Secured Term Loan	7/19/2017, 8/2/2017, 8/9/2017, 8/16/2017, 9/11/2017, 4/10/2019, 5/1/2019	19,293
Romark WM-R Ltd.	Subordinated Structured Note	10/21/2014, 4/12/2018	5,313
Rosa Mexicano	Revolving Line of Credit	3/27/2020	500
R-V Industries, Inc.	Common Stock	12/27/2016	1,854
Securus Technologies Holdings, Inc.	Second Lien Term Loan	11/13/2017, 11/24/2017, 8/6/2018, 8/24/2018, 3/18/2019	22,750
SEOTownCenter, Inc.	Senior Secured Term Loan A	11/2/2018	3,000
SEOTownCenter, Inc.	Senior Secured Term Loan B	11/2/2018	2,000
SESAC Holdco II LLC	Second Lien Term Loan	4/5/2019	4,975
Sorenson Communications, LLC	First Lien Term Loan	5/14/2019	8,000
Symphony CLO XV, Ltd.	Subordinated Structured Note	12/24/2018	2,655
TouchTunes Interactive Networks, Inc.	Second Lien Term Loan	11/3/2016, 11/14/2016	9,000
Town & Country Holdings, Inc.	First Lien Term Loan	7/13/2018, 7/16/2018	105,000
Transplace Holdings, Inc.	Second Lien Term Loan	1/4/2018	3,518
United Sporting Companies, Inc.	Second Lien Term Loan	3/7/2013	58,650
Universal Turbine Parts, LLC	Delayed Draw Term Loan	10/24/2019, 2/7/2020, 2/26/2020	2,900

See notes to consolidated financial statements.

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

Endnote Explanations as of March 31, 2020 (Unaudited) and June 30, 2019 (Continued)

Portfolio Company	Investment	Follow-On Acquisition Dates	Follow-On Acquisitions (Excluding initial investment cost)
USES Corp.	Senior Secured Term Loan A	6/15/2016, 6/29/2016, 2/22/2017, 4/27/2017, 5/4/2017, 8/30/2017, 10/11/2017, 12/11/2018, 8/30/2019	14,100
USG Intermediate, LLC	Revolving Line of Credit	7/2/2015, 9/23/2015, 9/14/2017, 8/21/2019	5,200
USG Intermediate, LLC	Senior Secured Term Loan A	8/24/2017	2,025
USG Intermediate, LLC	Senior Secured Term Loan B	8/24/2017	2,975
Valley Electric Company, Inc.	Common Stock	12/31/2012, 6/24/2014	18,502
Valley Electric Company, Inc.	Senior Secured Note	6/30/2014, 8/31/2018	5,129
VC GB Holdings, Inc.	Subordinated Secured Term Loan	3/13/2019	1,485
Voya CLO 2014-1, Ltd.	Subordinated Structured Note	4/19/2018	3,943
Voya CLO 2016-3, Ltd.	Subordinated Structured Note	7/1/2019	75
Wolf Energy, LLC	Membership Interest in Wolf Energy Services Company, LLC	5/17/2017	16

- (52) Since Prospect's initial common equity investment in NPRC on December 31, 2013, we have made numerous additional follow-on investments that have been used to invest in new and existing properties as well as online consumer loans and rated secured structured notes. These follow-on acquisitions are summarized by fiscal year below (excluding effects of return of capital distributions). Details of specific transactions are included in the respective fiscal year Form 10-K filing:

Fiscal Year	Follow-On Investments (NPRC Common Stock, excluding cost of initial investment)
2014	\$ 4,555
2015	68,693
2016	93,857
2017	116,830
2018	137,024
2019	11,582
2020	19,590

- (53) The interest rate on these investments is subject to the base rate of 6-Month LIBOR, which was 1.18% and 2.21% at March 31, 2020 and June 30, 2019, respectively. The current base rate for each investment may be different from the reference rate on March 31, 2020 and June 30, 2019.
- (54) The interest rate on these investments is subject to the base rate of PRIME, which was 3.25% and 5.50% at March 31, 2020 and June 30, 2019, respectively. The current base rate for each investment may be different from the reference rate on March 31, 2020 and June 30, 2019.

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(in thousands, except share and per share data)

Note 1. Organization

In this report, the terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise.

Prospect is a financial services company that primarily lends to and invests in middle market privately-held companies. 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 “Code”). We were organized on April 13, 2004, and were funded in an initial public offering completed on July 27, 2004.

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 small business whole loans on a recurring basis from online small business loan originators, including On Deck Capital, Inc. (“OnDeck”). On September 30, 2014, we formed a wholly owned subsidiary Prospect Yield Corporation, LLC (“PYC”) and effective October 23, 2014, PYC holds a portion of our investments in Rated Secured Structured Notes (“RSSN”) and Subordinated Structured Notes (“SSN”) (collectively referred to as “collateralized loan obligations” or “CLOs”). Each of these subsidiaries have been consolidated since operations commenced.

We consolidate certain of our wholly owned and substantially wholly owned holding companies formed by us in order to facilitate our investment strategy. The following companies are included in our consolidated financial statements and are collectively referred to as the “Consolidated Holding Companies”: CP Holdings of Delaware LLC; Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc.; NPH Property Holdings, LLC; STI Holding, Inc.; UTP Holdings Group Inc.; Valley Electric Holdings I, Inc.; and Valley Electric Holdings II, Inc.

We are externally managed by our investment adviser, Prospect Capital Management L.P. (“Prospect Capital Management” or the “Investment Adviser”). Prospect Administration LLC (“Prospect Administration” or the “Administrator”), a wholly owned subsidiary of the Investment Adviser, provides administrative services and facilities necessary for us to operate.

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We invest primarily in senior and subordinated debt and equity of private companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to identify investments with historical cash flows, asset collateral or contracted pro forma cash flows for investment.

Note 2. Significant Accounting Policies

Basis of Presentation and Consolidation

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

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 nine months ended March 31, 2020.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

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 the issuers of our investment portfolio and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

Investment Classification

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

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). As of March 31, 2020 and June 30, 2019, our qualifying assets as a percentage of total assets, stood at 74.91% and 73.85%, respectively.

Investment Transactions

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. Specifically, we record all security transactions on a trade date basis. 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. In accordance with ASC 325-40, *Beneficial Interest in Securitized Financial Assets*, investments in CLOs are periodically assessed for other-than-temporary impairment (“OTTI”). When the Company determines that a CLO has OTTI, the amortized cost basis of the CLO is written down to its fair value as of the date of the determination based on events and information evaluated and that write-down is recognized as a realized loss. Amounts for investments traded but not yet settled are reported in Due to Broker or Due from Broker, in the *Consolidated Statements of Assets and Liabilities*.

Foreign Currency

Foreign currency amounts are translated into US Dollars (USD) on the following basis:

- i. fair value of investment securities, other assets and liabilities—at the spot exchange rate on the last business day of the period; and
- ii. purchases and sales of investment securities, income and expenses—at the rates of exchange prevailing on the respective dates of such investment transactions, income or expenses.

We do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held or disposed of during the period. Such fluctuations are included within the net realized and net change in unrealized gains or losses from investments in the *Consolidated Statements of Operations*.

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.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Prepayment Risk

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making us less likely to fully earn all of the expected income of that security and reinvesting in a lower yielding instrument.

Structured Credit Related Risk

CLO investments may be riskier and less transparent to us than direct investments in underlying companies. CLOs typically will have no significant assets other than their underlying senior secured loans. Therefore, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans.

Online Small-and-Medium-Sized Business Lending Risk

With respect to our online small-and-medium-sized business ("SME") lending initiative, we invest primarily in marketplace loans through marketplace lending platforms (e.g. OnDeck). We do not conduct loan origination activities ourselves. Therefore, our ability to purchase SME loans, and our ability to grow our portfolio of SME loans, is directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending platforms from which we purchase SME loans. In addition, our ability to analyze the risk-return profile of SME loans is significantly dependent on the marketplace platforms' ability to effectively evaluate a borrower's credit profile and likelihood of default. If we are unable to effectively evaluate borrowers' credit profiles or the credit decisioning and scoring models implemented by each platform, we may incur unanticipated losses which could adversely impact our operating results.

Foreign Currency

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

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.

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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 prepare independent valuations for each investment based on their own independent assessments and issue their report.
3. The Audit Committee of our Board of Directors reviews and discusses with the independent valuation firms the valuation reports, and then makes a recommendation to the Board of Directors of the value for each investment.
4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield technique, enterprise value (“EV”) technique, net asset value technique, asset recovery technique, discounted cash flow technique, or a combination of techniques, as appropriate. The yield technique uses loan spreads for loans and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV technique, 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) valuation approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent merger and acquisitions transactions, and/or a discounted cash flow technique. The net asset value technique, an income approach, 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 asset recovery technique 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 technique converts 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 fair value 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 valuing 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 Level 3 fair value measured securities under ASC 820 and are valued using a discounted multi-path cash flow model. The CLO structures are analyzed to identify the risk exposures and to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which is a simulation used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows from the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and

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relevant data in the CLO market as well as certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the multi-path cash flows. We are not responsible for and have no influence over the asset management of the portfolios underlying the CLO investments we hold, as those portfolios are managed by non-affiliated third-party CLO collateral managers. The main risk factors are default risk, prepayment risk, interest rate risk, downgrade risk, and credit spread risk.

Valuation of Other Financial Assets and Financial Liabilities

ASC 825, *Financial Instruments*, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the “Fair Value Option”). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 for the disclosure of the fair value of our outstanding debt and the market observable inputs used in determining fair value.

Convertible Notes

We have recorded the Convertible Notes at their contractual amounts. We have determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under ASC 815, *Derivatives and Hedging*. See Note 5 for further discussion.

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. Loan origination fees, original issue discount, and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable, and adjusted only for material amendments or prepayments. Upon a prepayment of a loan, prepayment premiums, original issue discount, or market discounts are recorded as interest income.

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 are either applied to the cost basis or interest income, depending upon management’s judgment of the collectibility of the loan receivable. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management’s judgment, is likely to remain current and future principal and interest collections when due are probable. Interest received and applied against cost while a loan is on non-accrual, and PIK interest capitalized but not recognized while on non-accrual, is recognized prospectively on the effective yield basis through maturity of the loan when placed back on accrual status, to the extent deemed collectible by management. As of March 31, 2020, approximately 1.6% of our total assets at fair value are in non-accrual status.

Some of our loans and other investments may have contractual payment-in-kind (“PIK”) interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, we capitalize the accrued interest (reflecting such amounts in the basis as additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point that we believe PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. We do not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if we believe that PIK is expected to be realized.

Interest income from investments in Subordinated Structured Notes (typically preferred shares, income notes or subordinated notes of CLO funds) and “equity” class of security of securitized trust 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 and securitized trust 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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Other income generally includes amendment fees, commitment fees, administrative agent fees and structuring fees which are recorded when earned. Excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 for further discussion.

Federal and State Income Taxes

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

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. As of March 31, 2020, we do not expect to have any excise tax due for the 2020 calendar year. Thus, we have not accrued any excise tax for this period.

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 income tax rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years. 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 five years.

We follow ASC 740, *Income Taxes* ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of March 31, 2020, we did not record any unrecognized tax benefits or liabilities. 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 federal tax returns for the tax years ended August 31, 2016 and thereafter 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 taxable earnings. Net realized capital gains, if any, are distributed at least annually.

Financing Costs

We record origination expenses related to our Revolving Credit Facility, and Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our "Unsecured Notes") as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation for our Revolving Credit Facility. The same methodology is used to approximate the effective yield method for our Prospect Capital InterNotes® and our at-the-market offerings of our existing unsecured notes that mature on June 15, 2024 ("2024 Notes Follow-on Program"), June 15, 2028 ("2028 Notes Follow-on Program"), and June 15, 2029 ("2029 Follow-on Program"). The effective interest method is used to amortize deferred financing costs for our remaining Unsecured Notes over the respective expected life or maturity. In the event that we modify or

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extinguish our debt before maturity, we follow the guidance in ASC 470-50, *Modification and Extinguishments* (“ASC 470-50”). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

Unamortized deferred financing costs are presented as a direct deduction to the respective Unsecured Notes (see Notes 5, 6, and 7).

We may record registration expenses related to shelf filings as prepaid expenses. These expenses consist principally of the Securities and Exchange Commission (“SEC”) registration fees, legal fees and accounting fees incurred. These prepaid expenses are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed. As of March 31, 2020 and June 30, 2019, there are no prepaid expenses related to registration expenses and all amounts incurred have been expensed.

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 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, related to the subsequent measurement of accretable yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact, if any, of adopting this ASU on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted upon issuance of this ASU. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

Tax Cuts and Jobs Act

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the “Tax Act”), which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies. However, our portfolio companies may or may not make certain elections under the Tax Act that could materially increase their taxable earnings and profits. Any such increase in the earnings and profits of a portfolio company may result in the characterization of certain distributions sourced from sale proceeds as dividend income, which may increase our distributable taxable income.

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Note 3. Portfolio Investments

At March 31, 2020, we had investments in 121 long-term portfolio investments, which had an amortized cost of \$5,806,638 and a fair value of \$5,144,542. At June 30, 2019, we had investments in 135 long-term portfolio investments, which had an amortized cost of \$5,932,302 and a fair value of \$5,653,553.

The original cost basis of debt placement and equity securities acquired, including follow-on investments for existing portfolio companies, payment-in-kind interest, and structuring fees, totaled \$823,546 and \$516,605 during the nine months ended March 31, 2020 and March 31, 2019, respectively. Debt repayments and considerations from sales of equity securities of approximately \$943,197 and \$415,165 were received during the nine months ended March 31, 2020 and March 31, 2019, respectively.

The following table shows the composition of our investment portfolio as of March 31, 2020 and June 30, 2019:

	March 31, 2020		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Revolving Line of Credit	\$ 38,337	\$ 38,298	\$ 33,928	\$ 34,239
Senior Secured Debt	2,617,325	2,262,534	2,687,709	2,449,357
Subordinated Secured Debt	1,397,007	1,213,860	1,439,440	1,329,799
Subordinated Unsecured Debt	42,836	48,263	38,933	33,058
Rated Secured Structured Notes	—	—	44,774	46,851
Subordinated Structured Notes	1,090,083	704,403	1,103,751	850,694
Equity	621,050	877,184	583,767	909,555
Total Investments	<u>\$ 5,806,638</u>	<u>\$ 5,144,542</u>	<u>\$ 5,932,302</u>	<u>\$ 5,653,553</u>

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In the previous table and throughout the remainder of this footnote, we aggregate our portfolio investments by type of investment, which may differ slightly from the nomenclature used by the constituent instruments defining the rights of holders of the investment, as disclosed on our *Consolidated Schedules of Investments* (“SOI”). The following investments are included in each category:

- Revolving Line of Credit includes our investments in delayed draw term loans.
- Senior Secured Debt includes investments listed on the SOI such as senior secured term loans, senior term loans, secured promissory notes, senior demand notes, and first lien term loans.
- Subordinated Secured Debt includes investments listed on the SOI such as subordinated secured term loans, subordinated term loans, senior subordinated notes, and second lien term loans.
- Subordinated Unsecured Debt includes investments listed on the SOI such as subordinated unsecured notes and senior unsecured notes.
- Small Business Loans includes our investments in SME whole loans purchased from OnDeck.
- Rated Secured Structured Notes includes our investments in the “debt” class of security of CLO funds.
- Subordinated Structured Notes includes our investments in the “equity” security class of CLO funds such as income notes, preference shares, and subordinated notes.
- Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of March 31, 2020:

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	\$ —	\$ —	\$ 38,298	\$ 38,298
Senior Secured Debt	—	—	2,262,534	2,262,534
Subordinated Secured Debt	—	—	1,213,860	1,213,860
Subordinated Unsecured Debt	—	—	48,263	48,263
Rated Secured Structured Notes	—	—	—	—
Subordinated Structured Notes	—	—	704,403	704,403
Equity	—	—	877,184	877,184
Total Investments	\$ —	\$ —	\$ 5,144,542	\$ 5,144,542

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, 2019:

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	\$ —	\$ —	\$ 34,239	\$ 34,239
Senior Secured Debt	—	—	2,449,357	2,449,357
Subordinated Secured Debt	—	—	1,329,799	1,329,799
Subordinated Unsecured Debt	—	—	33,058	33,058
Rated Secured Structured Notes	—	—	46,851	46,851
Subordinated Structured Notes	—	—	850,694	850,694
Equity	—	—	909,555	909,555
Total Investments	\$ —	\$ —	\$ 5,653,553	\$ 5,653,553

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The following tables show the aggregate changes in the fair value of our Level 3 investments during the nine months ended March 31, 2020:

	Fair Value Measurements Using Unobservable Inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-Control/Non-Affiliate Investments	Total
Fair value as of June 30, 2019	\$ 2,475,924	\$ 76,682	\$ 3,100,947	\$ 5,653,553
Net realized losses on investments	\$ —	\$ —	\$ (1,138)	\$ (1,138)
Net change in unrealized (losses) gains(1)	(172,328)	20,746	(230,459)	(382,041)
Net realized and unrealized (losses) gains	\$ (172,328)	\$ 20,746	\$ (231,597)	\$ (383,179)
Purchases of portfolio investments	142,899	3,134	627,374	773,407
Payment-in-kind interest	29,796	2,199	3,139	35,134
Accretion (amortization) of discounts and premiums, net	242	2,407	(8,534)	(5,885)
Repayments and sales of portfolio investments	(268,061)	(25,713)	(648,547)	(942,321)
Transfers within Level 3	—	—	—	—
Transfers out of Level 3(1)	—	—	(20,555)	(20,555)
Transfers into Level 3(2)	—	—	34,388	34,388
Fair value as of March 31, 2020	\$ 2,208,472	\$ 79,455	\$ 2,856,615	\$ 5,144,542

	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Rated Secured Structured Notes	Subordinated Structured Notes	Equity	Total
Fair value as of June 30, 2019	\$ 34,239	\$ 2,449,357	\$ 1,329,799	\$ 33,058	\$ 46,851	\$ 850,694	\$ 909,555	\$ 5,653,553
Net realized (losses) gains on investments	(22)	(619)	14	—	1,885	(2,396)	—	(1,138)
Net change in unrealized (losses) gains(1)	(351)	(115,131)	(73,504)	11,301	(2,078)	(132,626)	(69,652)	(382,041)
Net realized and unrealized (losses) gains	(373)	(115,750)	(73,490)	11,301	(193)	(135,022)	(69,652)	(383,179)
Purchases of portfolio investments	13,341	587,923	123,907	—	5,534	1,912	40,790	773,407
Payment-in-kind interest	274	22,654	10,281	1,925	—	—	—	35,134
Accretion (amortization) of discounts and premiums, net	—	722	4,213	2,407	(70)	(13,157)	—	(5,885)
Repayments and sales of portfolio investments	(9,183)	(696,205)	(180,850)	(428)	(52,122)	(24)	(3,509)	(942,321)
Transfers within Level 3	—	—	—	—	—	—	—	—
Transfers out of Level 3(1)	—	(20,555)	—	—	—	—	—	(20,555)
Transfers into Level 3(2)	—	34,388	—	—	—	—	—	34,388
Fair value as of March 31, 2020	\$ 38,298	\$ 2,262,534	\$ 1,213,860	\$ 48,263	\$ —	\$ 704,403	\$ 877,184	\$ 5,144,542

- Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred. During the three months ended September 30, 2019 one of our senior secured notes transferred out of Level 3 to Level 2 because the inputs to the valuation became observable.
- Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred. During the three months ended March 31, 2020 two of our senior secured notes transferred from Level 2 to Level 3 because the inputs to the valuation became unobservable.

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The following tables show the aggregate changes in the fair value of our Level 3 investments during the nine months ended March 31, 2019:

	Fair Value Measurements Using Unobservable Inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-Control/Non-Affiliate Investments	Total
Fair value as of June 30, 2018	\$ 2,404,326	\$ 58,436	\$ 3,264,517	\$ 5,727,279
Net realized gains on investments	14,309	—	(1,977)	12,332
Net change in unrealized (losses)(1)	(22,129)	(23,750)	(98,338)	(144,217)
Net realized and unrealized (losses)	(7,820)	(23,750)	(100,315)	(131,885)
Purchases of portfolio investments	50,129	7,385	429,428	486,942
Payment-in-kind interest	25,069	743	3,851	29,663
Accretion (amortization) of discounts and premiums, net	970	—	1,684	2,654
Repayments and sales of portfolio investments	(123,087)	(10,578)	(280,315)	(413,980)
Transfers within Level 3(1)	45,129	58,806	(103,935)	—
Transfers in (out) of Level 3(1)	—	—	—	—
Fair value as of March 31, 2019	\$ 2,394,716	\$ 91,042	\$ 3,214,915	\$ 5,700,673

	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Small Business Loans	Rated Secured Structured Notes	Subordinated Structured Notes	Equity	Total
Fair value as of June 30, 2018	\$ 38,559	\$ 2,481,353	\$ 1,260,525	\$ 32,945	\$ 17	\$ 6,159	\$ 954,035	\$ 953,686	\$ 5,727,279
Net realized gains on investments	—	(823)	—	—	73	—	—	13,082	12,332
Net change in unrealized gains (losses)	48	(91,134)	(34,059)	(6,881)	13	2,737	(75,272)	60,331	(144,217)
Net realized and unrealized gains (losses)	48	(91,957)	(34,059)	(6,881)	86	2,737	(75,272)	73,413	(131,885)
Purchases of portfolio investments	16,385	315,387	217,820	—	—	38,524	6,885	(108,059)	486,942
Payment-in-kind interest	244	21,760	7,158	501	—	—	—	—	29,663
Accretion (amortization) of discounts and premiums, net	—	2,442	4,632	—	—	100	(4,520)	—	2,654
Repayments and sales of portfolio investments	(16,855)	(224,748)	(113,009)	(143)	(103)	—	—	(59,122)	(413,980)
Transfers within Level 3	—	—	—	—	—	—	—	—	—
Transfers in (out) of Level 3	—	—	—	—	—	—	—	—	—
Fair value as of March 31, 2019	\$ 38,381	\$ 2,504,237	\$ 1,343,067	\$ 26,422	\$ —	\$ 47,520	\$ 881,128	\$ 859,918	\$ 5,700,673

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

For the nine months ended March 31, 2020 and March 31, 2019, the net change in unrealized losses on the investments that use Level 3 inputs was (\$370,612) and (\$131,870) for investments still held as of March 31, 2020 and March 31, 2019, respectively.

Impact of the novel coronavirus ("Wuhan Virus") pandemic

The U.S. capital markets are experiencing a period of extreme volatility and disruption. In December 2019, a novel strain of coronavirus (the "Wuhan Virus") surfaced in Wuhan, China and the World Health Organization has declared a global pandemic, the United States has declared a national emergency and for the first time in its history, every state in the United States is under a federal disaster declaration. Many states, including those in which we and our portfolio companies operate, have issued orders requiring the closure of non-essential businesses and/or requiring residents to stay at home. The Wuhan Virus pandemic and preventative measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, cancellations of events and travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability both globally and in the United States. Such effects will likely continue for the duration of the pandemic, which is uncertain, and for some period thereafter.

The Wuhan Virus pandemic (including the preventative measures taken in response thereto) has to date (i) created significant business disruption issues for certain of our portfolio companies, and (ii) materially and adversely impacted the value and performance of certain of our portfolio companies and SSN investments. The Wuhan Virus pandemic is having a particularly

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adverse impact on industries in which certain of our portfolio companies operate, including energy, hospitality, travel, retail and restaurants. Certain of our portfolio companies in other industries have also been significantly impacted. The Wuhan Virus pandemic is continuing as of the filing date of this Quarterly Report, and its extended duration may have further adverse impacts on our portfolio companies and SSN investments after March 31, 2020, including for the reasons described herein. Although on March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which contains provisions intended to mitigate the adverse economic effects of the Wuhan Virus pandemic, it is uncertain whether, or how much, our portfolio companies will be able to benefit from the CARES Act or any other subsequent legislation intended to provide financial relief or assistance. As a result of this disruption and the pressures on their liquidity, certain of our portfolio companies have been, or may continue to be, incentivized to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans.

As a BDC, we are required to carry our investments at fair value as determined in good faith by our Board of Directors. Depending on market conditions, we could incur substantial losses in future periods, which could have a material adverse impact on our business, financial condition, and results of operations.

Although it is difficult to predict the extent of the impact of the Wuhan Virus outbreak on the underlying CLO vehicles we invest in, the failure by a CLO vehicle to satisfy certain financial covenants, including with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to us. In the event the CLO vehicle fails certain tests, holders of debt senior to us may be entitled to additional payments that would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting CLO vehicle or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

The Wuhan Virus pandemic has adversely impacted the fair value of our investments as of March 31, 2020, and the values assigned as of this date may differ materially from the values that we may ultimately realize with respect to our investments. The impact of the Wuhan Virus pandemic may not yet be fully reflected in the valuation of our investments as our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that is often from a time period earlier, generally two to three months, than the quarter for which we are reporting. Additionally, we may not have yet received information or certifications from our portfolio companies that indicate any or the full extent of declining performance or non-compliance with debt covenants, as applicable, as a result of the Wuhan Virus pandemic. As a result, our valuations at March 31, 2020 may not show the complete or continuing impact of the Wuhan Virus pandemic and the resulting measures taken in response thereto. In addition, write downs in the value of our investments have reduced, and any additional write downs may further reduce, our net asset value (and, as a result, our asset coverage calculation). Accordingly, we may continue to incur additional net unrealized losses or may incur realized losses after March 31, 2020, which could have a material adverse effect on our business, financial condition and results of operations.

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The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of March 31, 2020 were as follows:

Asset Category	Fair Value	Primary Valuation Approach or Technique	Unobservable Input		Weighted Average
			Input	Range	
Senior Secured Debt	\$ 1,302,803	Discounted cash flow (Yield analysis)	Market yield	6.6% to 22.5%	11.0%
Senior Secured Debt	385,404	Enterprise value waterfall (Market approach)	EBITDA multiple	2.8x to 9.0x	6.8x
Senior Secured Debt	74,205	Enterprise value waterfall (Market approach)	Revenue multiple	0.4x to 0.9x	0.4x
Senior Secured Debt	62,971	Enterprise value waterfall (Discounted cash flow)	Discount rate	9.1% to 12.0%	10.4%
Senior Secured Debt	28,233	Asset recovery analysis	N/A	N/A	N/A
Senior Secured Debt (1)	57,639	Enterprise value waterfall	Loss-adjusted discount rate	4.0% to 14.3%	9.7%
Senior Secured Debt (2)	78,359	Enterprise value waterfall	Discount rate (3)	8.6% to 13.7%	10.7%
Senior Secured Debt	311,218	Enterprise value waterfall (NAV analysis)	Capitalization Rate	4.0% to 8.1%	6.1%
Subordinated Secured Debt	781,464	Discounted cash flow (Yield analysis)	Market yield	7.0% to 40.0%	13.2%
Subordinated Secured Debt	73,957	Enterprise value waterfall (Market approach)	EBITDA multiple	5.5x to 8.0x	6.9x
Subordinated Secured Debt	4,716	Asset recovery analysis	N/A	N/A	N/A
Subordinated Secured Debt (4)	353,723	Enterprise value waterfall (Market approach)	Tangible book value multiple	0.8x to 2.7x	2.5x
Subordinated Unsecured Debt	48,263	Enterprise value waterfall (Market approach)	EBITDA multiple	5.5x to 14.7x	13.7x
Subordinated Structured Notes	704,403	Discounted cash flow	Discount rate (3)	0.4% to 28.0%	21.9%
Preferred Equity	17,591	Enterprise value waterfall (Market approach)	EBITDA multiple	4.0x to 5.0x	4.5x
Common Equity/Interests/Warrants	134,404	Enterprise value waterfall (Market approach)	EBITDA multiple	4.0x to 14.7x	4.7x
Common Equity/Interests/Warrants (2)	9,595	Enterprise value waterfall	Discount rate (3)	8.6% to 13.7%	10.7%
Common Equity/Interests/Warrants	406,267	Enterprise value waterfall (NAV analysis)	Capitalization Rate	4.0% to 8.1%	6.1%
Common Equity/Interests/Warrants (5)	226,315	Enterprise value waterfall (Market approach)	Tangible book value multiple	0.8x to 2.7x	2.6x
Common Equity/Interests/Warrants (6)	36,934	Enterprise value waterfall (NAV analysis)	Capitalization Rate	4.0% to 8.1%	6.1%
Common Equity/Interests/Warrants	28,323	Enterprise value waterfall (Discounted cash flow)	Discount rate	9.4% to 30.0%	12.8%
Common Equity/Interests/Warrants	15,418	Asset recovery analysis	N/A	N/A	N/A
Escrow Receivable	2,337	Discounted cash flow	Discount rate	7.3% to 8.8%	8.0%
Total Level 3 Investments	<u>\$ 5,144,542</u>				

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- (1) Represents an investment in a Real Estate Investment Trust subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's consumer loans purchased from online consumer lending platforms, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above. In addition, the valuation also used projected loss rates as an unobservable input ranging from 0.0%-8.2%, with a weighted average of 0.5%
- (2) Represents an investment in a Real Estate Investment Trust subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's rated secured structured notes, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above.
- (3) Represents the implied discount rate based on our internally generated single-cash flow model that is derived from the fair value estimated by the corresponding multi-path cash flow model utilized by the independent valuation firm.
- (4) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 5.5x to 8.0x with a weighted average of 7.2x and the discount rate ranges from 13.1% to 14.1% with a weighted average of 13.6%.
- (5) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 5.5x to 8.0x with a weighted average of 7.4x and the discount rate ranges from 13.1% to 14.1% with a weighted average of 13.6%.
- (6) Represents Residual Profit Interests in Real Estate Investments.

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The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2019 were as follows:

Asset Category	Fair Value	Primary Valuation Approach or Technique	Unobservable Input		Weighted Average
			Input	Range	
Senior Secured Debt	\$ 1,260,526	Discounted Cash Flow (Yield analysis)	Market yield	5.6% - 19.1%	10.3%
Senior Secured Debt	434,524	Enterprise Value Waterfall (Market approach)	EBITDA multiple	3.0x - 9.5x	7.7x
Senior Secured Debt	128,152	Enterprise Value Waterfall (Market approach)	Revenue multiple	0.5x - 1.3x	1.1x
Senior Secured Debt	54,841	Enterprise Value Waterfall (Discounted cash flow)	Discount rate	7.6% - 10.5%	8.9%
Senior Secured Debt (1)	172,000	Enterprise Value Waterfall	Loss-adjusted discount rate	3.9% - 14.1%	10.6%
Senior Secured Debt (2)	433,553	Enterprise Value Waterfall (NAV Analysis)	Capitalization Rate	3.9% - 7.9%	5.9%
		Discounted Cash Flow	Discount rate	6.5% - 7.5%	7.0%
Subordinated Secured Debt	930,385	Discounted Cash Flow (Yield analysis)	Market yield	6.1% - 26.4%	11.5%
Subordinated Secured Debt	28,622	Enterprise Value Waterfall (Market approach)	EBITDA multiple	8.0x - 9.0x	8.5x
Subordinated Secured Debt	18,866	Liquidation Analysis	N/A	N/A	N/A
Subordinated Secured Debt (3)	351,926	Enterprise Value Waterfall (Market approach)	Book value multiple	0.8x - 3.0x	2.7x
Subordinated Unsecured Debt	33,058	Enterprise Value Waterfall (Market approach)	EBITDA multiple	5.8x - 11.3x	10.8x
Rated Secured Structured Notes	46,851	Discounted Cash Flow	Discount rate (4)	10.7% - 11.1%	10.9%
Subordinated Structured Notes	850,694	Discounted Cash Flow	Discount rate (4)	2.2% - 34.2%	19.8%
Preferred Equity	84,294	Enterprise Value Waterfall (Market approach)	EBITDA multiple	4.0x - 8.5x	7.1x
Common Equity/Interests/Warrants	127,814	Enterprise value waterfall (Market approach)	EBITDA multiple	5.8x - 9.0x	6.5x
Common Equity/Interests/Warrants (1)	4,778	Enterprise value waterfall	Loss-adjusted discount rate	3.9% - 14.1%	10.6%
Common Equity/Interests/Warrants (2)	297,525	Enterprise value waterfall (NAV analysis)	Capitalization rate	3.9% - 7.9%	5.9%
		Discounted cash flow	Discount rate	6.5% - 7.5%	7.0%
Common Equity/Interests/Warrants (5)	246,502	Enterprise value waterfall (Market approach)	Book value multiple	0.8x - 3.0x	2.6x
Common Equity/Interests/Warrants (6)	96,609	Discounted cash flow	Capitalization rate	3.9% - 7.9%	5.9%
Common Equity/Interests/Warrants	34,860	Discounted cash flow	Discount rate	7.1% - 14.6%	8.4%
Common Equity/Interests/Warrants	14,934	Liquidation analysis	N/A	N/A	N/A
Escrow Receivable	2,239	Discounted cash flow	Discount rate	6.1% - 7.2%	6.7%
Total Level 3 Investments	<u>\$ 5,653,553</u>				

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- (1) Represents an investment in a Real Estate Investment Trust subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's consumer loans purchased from online consumer lending platforms, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above. In addition, the valuation also used projected loss rates as an unobservable input ranging from 0.0%-12.5%, with a weighted average of 1.3%.
- (2) Represents Real Estate Investments. Enterprise Value Waterfall methodology uses both the net asset value analysis and discounted cash flow technique, which are weighted equally (50%).
- (3) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes tangible book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 8.8x to 12.5x with a weighted average of 11.5x and the discount rate ranges from 12.7% to 14.6% with a weighted average of 13.3%.
- (4) Represents the implied discount rate based on our internally generated single-cash flow model that is derived from the fair value estimated by the corresponding multi-path cash flow model utilized by the independent valuation firm.
- (5) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 8.8x to 12.5x with a weighted average of 11.8x and the discount rate ranges from 12.7% to 14.6% with a weighted average of 13.3%.
- (6) Represents Residual Profit Interests in Real Estate Investments.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, management and the independent valuation firm look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. In determining the range of values for debt instruments where market quotations are not available, except CLOs and debt investments in controlling portfolio companies, management and the independent valuation firm estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow technique was then applied using the appropriate yield to maturity as the discount rate, to determine a range of values. In determining the range of values for debt investments of controlled companies and equity investments, the enterprise value was determined by applying a market approach such as using earnings before income interest, tax, depreciation and amortization ("EBITDA") multiples, net income and/or book value multiples for similar guideline public companies and/or similar recent investment transactions and/or an income approach, such as the discounted cash flow technique. The enterprise value technique may also be used to value debt investments which are credit impaired. For stressed debt and equity investments, an asset recovery analysis was used.

In determining the range of values for our investments in CLOs, the independent valuation firm uses a discounted multi-path cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view as well as to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations to generate probability-weighted (i.e., multi-path) cash flows for the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market and certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the corresponding multi-path cash flow model.

Our portfolio consists of residual interests and debt investments in CLOs, which involve a number of significant risks. CLOs are typically very highly levered (10 - 14 times), and therefore the residual interest tranches that we invest in are subject to a higher degree of risk of total loss. In particular, investors in CLO residual interests indirectly bear risks of the underlying loan investments held by such CLOs. We generally have the right to receive payments only from the CLOs, and generally do not have direct rights against the underlying borrowers or the entity that sponsored the CLOs. While the CLOs we target generally enable the investor to acquire interests in a pool of senior loans without the expenses associated with directly holding the same investments, the prices of indices and securities underlying our CLOs will rise or fall. These prices (and, therefore, the prices of the CLOs) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. The failure by a CLO investment in which we invest to satisfy financial covenants, including with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to us. In the event that a CLO fails certain tests, holders of debt senior to us would be entitled to additional payments that would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new

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terms with a defaulting CLO or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

The interests we have acquired in CLOs are generally thinly traded or have only a limited trading market. CLOs are typically privately offered and sold, even in the secondary market. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLO residual interests carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) our investments in CLO tranches will likely be subordinate to other senior classes of note tranches thereof; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO investment or unexpected investment results. Our net asset value may also decline over time if our principal recovery with respect to CLO residual interests is less than the cost of those investments. Our CLO investments and/or the CLOs' underlying senior secured loans may prepay more quickly than expected, which could have an adverse impact on our value.

An increase in LIBOR would materially increase the CLO's financing costs. Since most of the collateral positions within the CLOs have LIBOR floors, there may not be corresponding increases in investment income (if LIBOR increases but stays below the LIBOR floor rate of such investments) resulting in materially smaller distribution payments to the residual interest investors.

On July 27, 2017, the Financial Conduct Authority ("FCA") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. On August 24, 2017, the Federal Reserve Board requested public comment on a proposal by the Federal Reserve Bank of New York, in cooperation with the Office of Financial Research, to produce three new reference rates intended to serve as alternatives to LIBOR. These alternative rates are based on overnight repurchase agreement transactions secured by U.S. Treasury Securities. On December 12, 2017, following consideration of public comments, the Federal Reserve Board concluded that the public would benefit if the Federal Reserve Bank of New York published the three proposed reference rates as alternatives to LIBOR (the "Federal Reserve Board Notice"). The Federal Reserve Bank of New York said that the publication of these alternative rates is targeted to commence by mid-2018.

At this time, it is not possible to predict the effect of the FCA Announcement, the Federal Reserve Board Notice, or other regulatory changes or announcements, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom, the United States or elsewhere. As such, the potential effect of any such event on our net investment income cannot yet be determined. The CLOs in which the Company is invested generally contemplate a scenario where LIBOR is no longer available by requiring the CLO administrator to calculate a replacement rate primarily through dealer polling on the applicable measurement date. However, there is uncertainty regarding the effectiveness of the dealer polling processes, including the willingness of banks to provide such quotations, which could adversely impact our net investment income. In addition, the effect of a phase out of LIBOR on U.S. senior secured loans, the underlying assets of the CLOs in which we invest, is currently unclear. To the extent that any replacement rate utilized for senior secured loans differs from that utilized for a CLO that holds those loans, the CLO would experience an interest rate mismatch between its assets and liabilities which could have an adverse impact on the Company's net investment income and portfolio returns.

We hold more than a 10% interest in certain foreign corporations that are treated as controlled foreign corporations ("CFC") for U.S. federal income tax purposes (including our residual interest tranche investments in CLOs). Therefore, we are treated as receiving a deemed distribution (taxable as ordinary income) each year from such foreign corporations in an amount equal to our pro rata share of the corporation's income for that tax year (including both ordinary earnings and capital gains). We are required to include such deemed distributions from a CFC in our taxable income and we are required to distribute at least 90% of such income to maintain our RIC status, regardless of whether or not the CFC makes an actual distribution during such year.

If we acquire shares in "passive foreign investment companies" ("PFICs") (including residual interest tranche investments in CLOs that are PFICs), we may be subject to federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend to our stockholders. Certain elections may be available to mitigate or eliminate such tax on excess distributions, but such elections (if available) will generally require us to recognize our share of the PFIC's income for each year regardless of whether we receive any distributions from such PFICs. We must nonetheless distribute such income to maintain our status as a RIC.

Legislation enacted in 2010 imposes a withholding tax of 30% on payments of U.S. source interest and dividends paid after December 31, 2013, or gross proceeds from the disposition of an instrument that produces U.S. source interest or dividends paid after December 31, 2016, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless

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such non-U.S. entity complies with certain reporting requirements regarding its United States account holders and its United States owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, it could reduce the amounts available to distribute to residual interest and junior debt holders in such CLO vehicle, which could materially and adversely affect our operating results and cash flows.

If we are required to include amounts in income prior to receiving distributions representing such income, we may have to sell some of our investments at times and/or at prices management would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose.

The significant unobservable input used to value our investments based on the yield technique and discounted cash flow technique 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/dividend payments. Increases or decreases in the market yield (or applicable discount rate) would result in a decrease or increase, respectively, in the fair value measurement. Management and the independent valuation firms consider the following factors when selecting market yields or discount rates: 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, net income, or book value of identified guideline public companies, implied valuation multiples from precedent M&A transactions, and/or discount rates applied in a discounted cash flow technique. 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 such as net income or book value, is typically calculated. The independent valuation firm utilizes the determined multiples to estimate the portfolio company's EV generally based on the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Increases or decreases in the multiple would result in an increase or decrease, respectively, in EV which would result in an increase or decrease in the fair value measurement of the debt of controlled companies 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 private REIT investments based on the net asset value analysis is the capitalization rate applied to the earnings measure of the underlying property. Increases or decreases in the capitalization 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 measurement of certain of our investments. Generally, an increase in market yields, discount rates or capitalization rates, or a decrease in EBITDA (or other) multiples may result in a decrease in the fair value measurement 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 currently assigned valuations.

During the three months ended March 31, 2020, the valuation methodology for Staples, Inc. ("Staples") changed to incorporate the yield technique. As a result of an increase in observed credit spreads, the fair value of our investment in Staples decreased to \$8,106 as of March 31, 2020, a discount of \$786 from its amortized cost, compared to the \$14 unrealized depreciation recorded as of December 31, 2019.

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During the nine months ended March 31, 2020, four of our Subordinated Structured Notes were deemed to have an other-than-temporary loss. In accordance with ASC 325-40, Beneficial Interest in Securitized Financial Assets, we recorded a total loss of \$2,420 related to these investments for the amount our amortized cost exceeded fair value as of the respective determination dates. During the nine months ended March 31, 2019, there was no OTTI assessed for any Subordinated Structured Notes within our portfolio.

During the nine months ended March 31, 2020, we received partial repayments of \$235,019 of our loans previously outstanding with NPRC, and provided \$19,590 of equity financing and \$78,359 of debt financing to NPRC to fund purchases of rated secured structured notes, expenses and structuring fees.

The online consumer loan investments held by certain of NPRC's wholly owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from \$1 to \$50, with fixed terms ranging from 24 to 84 months. As of March 31, 2020, the outstanding investment in online consumer loans by certain of NPRC's wholly owned subsidiaries was comprised of 11,570 individual loans and residual interest in four securitizations, and had an aggregate fair value of \$54,224. The average outstanding individual loan balance is approximately \$3 and the loans mature on dates ranging from April 1, 2020 to April 19, 2025 with a weighted-average outstanding term of 20 months as of March 31, 2020. Fixed interest rates range from 6.0% to 36.0% with a weighted-average current interest rate of 22.4%. As of March 31, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to online consumer lending had a fair value of \$57,639.

As of March 31, 2020, based on outstanding principal balance, 11.5% of the portfolio was invested in super prime loans (borrowers with a Fair Isaac Corporation ("FICO") score, of 720 or greater), 29.4% of the portfolio in prime loans (borrowers with a FICO score of 660 to 719) and 59.1% of the portfolio in near prime loans (borrowers with a FICO score of 580 to 659, a portion of which are considered sub-prime).

Loan Type	Outstanding Principal Balance	Fair Value	Interest Rate Range	Weighted Average Interest Rate*
Super Prime	\$ 4,561	\$ 4,366	6.0% - 24.1%	12.5%
Prime	11,636	10,966	6.0% - 36.0%	17.7%
Near Prime	23,364	21,916	6.0% - 36.0%	26.6%

*Weighted by outstanding principal balance of the online consumer loans.

The rated secured structured note investments held by certain of NPRC's wholly owned subsidiaries are subordinated debt interests in broadly syndicated loans managed by established collateral management teams with many years of experience in the industry. As of March 31, 2020, the outstanding investment in rated secured structured notes by certain of NPRC's wholly owned subsidiaries was comprised of 34 investments with a fair value of \$188,969 and face value of \$208,342. The average outstanding note is approximately \$6,128 with a stated maturity date ranging from April 2026 to October 2032 and weighted-average stated maturity of 10 years as of March 31, 2020. Coupons range from three-month Libor ("3ML") plus 5.45% to 9.45% with a weighted-average coupon of 3ML + 7.16%. As of March 31, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to rated secured structured notes had a fair value of \$87,954.

As of March 31, 2020, based on outstanding notional balance, 25% of the portfolio was invested in Single - B rated tranches and 75% of the portfolio in BB rated tranches.

As of March 31, 2020, our investment in NPRC and its wholly owned subsidiaries had an amortized cost of \$632,319 and a fair value of \$900,012, including our investment in online consumer lending and rated secured structured notes as discussed above. As of March 31, 2020, our investment in NPRC and its wholly owned subsidiaries relating to the real estate portfolio had a fair value of \$754,419. This portfolio was comprised of thirty-nine multi-families properties, eight student housing properties and three commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of March 31, 2020.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Filet of Chicken	Forest Park, GA	10/24/2012	\$ 7,400	\$ —
2	Arlington Park Marietta, LLC	Marietta, GA	5/8/2013	14,850	—
3	Cordova Regency, LLC	Pensacola, FL	11/15/2013	13,750	11,156
4	Crestview at Oakleigh, LLC	Pensacola, FL	11/15/2013	17,500	13,578
5	Inverness Lakes, LLC	Mobile, AL	11/15/2013	29,600	24,224

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No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
6	Kings Mill Pensacola, LLC	Pensacola, FL	11/15/2013	20,750	17,212
7	Plantations at Pine Lake, LLC	Tallahassee, FL	11/15/2013	18,000	13,820
8	Verandas at Rocky Ridge, LLC	Birmingham, AL	11/15/2013	15,600	10,008
9	Crestview at Cordova, LLC	Pensacola, FL	1/17/2014	8,500	7,461
10	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
11	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
12	Canterbury Green Apartments Holdings LLC	Fort Wayne, IN	9/29/2014	85,500	85,790
13	Abbie Lakes OH Partners, LLC	Canal Winchester, OH	9/30/2014	12,600	15,644
14	Kengary Way OH Partners, LLC	Reynoldsburg, OH	9/30/2014	11,500	15,812
15	Lakeview Trail OH Partners, LLC	Canal Winchester, OH	9/30/2014	26,500	30,169
16	Lakepoint OH Partners, LLC	Pickerington, OH	9/30/2014	11,000	17,164
17	Sunbury OH Partners, LLC	Columbus, OH	9/30/2014	13,000	17,401
18	Heatherbridge OH Partners, LLC	Blacklick, OH	9/30/2014	18,416	24,911
19	Jefferson Chase OH Partners, LLC	Blacklick, OH	9/30/2014	13,551	19,352
20	Goldenstrand OH Partners, LLC	Hilliard, OH	10/29/2014	7,810	11,808
21	SSIL I, LLC	Aurora, IL	11/5/2015	34,500	26,347
22	Vesper Tuscaloosa, LLC	Tuscaloosa, AL	9/28/2016	54,500	43,081
23	Vesper Iowa City, LLC	Iowa City, IA	9/28/2016	32,750	24,825
24	Vesper Corpus Christi, LLC	Corpus Christi, TX	9/28/2016	14,250	10,800
25	Vesper Campus Quarters, LLC	Corpus Christi, TX	9/28/2016	18,350	14,175
26	Vesper College Station, LLC	College Station, TX	9/28/2016	41,500	32,058
27	Vesper Kennesaw, LLC	Kennesaw, GA	9/28/2016	57,900	51,202
28	Vesper Statesboro, LLC	Statesboro, GA	9/28/2016	7,500	7,480
29	Vesper Manhattan KS, LLC	Manhattan, KS	9/28/2016	23,250	15,459
30	JSIP Union Place, LLC	Franklin, MA	12/7/2016	64,750	51,800
31	9220 Old Lantern Way, LLC	Laurel, MD	1/30/2017	187,250	153,580
32	7915 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	95,700	76,560
33	8025 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	15,300	12,240
34	23275 Riverside Drive Owner, LLC	Southfield, MI	11/8/2017	52,000	44,044
35	23741 Pond Road Owner, LLC	Southfield, MI	11/8/2017	16,500	14,185
36	150 Steeplechase Way Owner, LLC	Largo, MD	1/10/2018	44,500	36,668
37	Laurel Pointe Holdings, LLC	Forest Park, GA	5/9/2018	33,005	26,400
38	Bradford Ridge Holdings, LLC	Forest Park, GA	5/9/2018	12,500	10,000
39	Olentangy Commons Owner LLC	Columbus, OH	6/1/2018	113,000	92,876
40	Villages of Wildwood Holdings LLC	Fairfield, OH	7/20/2018	46,500	39,525
41	Falling Creek Holdings LLC	Richmond, VA	8/8/2018	25,000	19,335
42	Crown Pointe Passthrough LLC	Danbury, CT	8/30/2018	108,500	89,400
43	Ashwood Ridge Holdings LLC	Jonesboro, GA	9/21/2018	9,600	7,300
44	Lorring Owner LLC	Forestville, MD	10/30/2018	58,521	47,680
45	Hamptons Apartments Owner, LLC	Beachwood, OH	1/9/2019	96,500	79,520
46	5224 Long Road Holdings, LLC	Orlando, FL	6/28/2019	26,500	21,200
47	Druid Hills Holdings LLC	Atlanta, GA	7/30/2019	96,000	79,104
48	Bel Canto NPRC Parcstone LLC	Fayetteville, NC	10/15/2019	45,000	30,127
49	Bel Canto NPRC Stone Ridge LLC	Fayetteville, NC	10/15/2019	21,900	14,662
50	Sterling Place Holdings LLC	Columbus, OH	10/28/2019	41,500	34,196
				<u>\$ 1,843,477</u>	<u>\$ 1,541,339</u>

On December 10, 2018, we received a final distribution from our investment in American Gilsonite Company and recorded a realized gain of \$24, as a result of this transaction.

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On December 31, 2018, we liquidated our investment in SB Forging Company II, we recorded a realized gain of \$2,802, as a result of this transaction.

On February 1, 2019, Maverick Healthcare Equity, LLC was sold. No proceeds were received, resulting in a realized loss of \$1,252.

During the period from January 23, 2019 to February 28, 2019, we sold \$76,000, or 39.13%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co. We recorded a realized loss of \$450 as a result of these transactions.

On March 1, 2019, we sold our 94.59% common equity interest in CCPI, Inc. for \$18,865 in net proceeds. Concurrently, CCPI Inc. fully repaid the \$2,797 Senior Secured Term Loan A and the \$17,566 Senior Secured Term Loan B receivable to us. We recorded a realized gain of \$12,105 on the sale of our equity position in CCPI, Inc. In connection with the sale we recognized an advisory fee payment of \$1,301 recorded as other income. In addition, there is \$2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received.

On March 27, 2019, Ark-La-Tex sold the remainder of its assets for \$773. The remainder of our debt investment in Ark-La-Tex was written off and we recorded a realized loss of \$371.

On July 16, 2019, we sold \$16,000, or 8.39%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co. We recorded a realized loss of \$120 as a result of these transactions.

On August 6, 2019, Medmark repaid the \$7,000 subordinated secured loan receivable to us. We recorded a realized gain of \$13 as a result of these transactions.

On November 1, 2019, we sold six of our rated secured structured notes to NPRC's wholly-owned subsidiary National General Lending Limited ("NGL") at fair value. We recorded a realized gain of \$1,885 as a result of these transactions.

On January 28, 2020, we sold \$24,994 of our Senior Secured Term Loan investment and \$1,082 of our Revolving Line of Credit commitment in PeopleConnect Holdings, Inc., or 10.6% of our initial investment, at a price of 98.0. As a result of the sale, we recorded a realized loss of \$522.

On March 6, 2020, we received additional bankruptcy proceeds for our previously impaired investment in New Century Transportation, Inc., and recorded a realized gain of \$449, offsetting the previously recognized loss.

As of March 31, 2020, \$2,967,576 of our loans to portfolio companies, at fair value, bear interest at floating rates and have LIBOR floors ranging from 0.0% - 3.0%. As of March 31, 2020, \$595,379 of our loans to portfolio companies, at fair value, bear interest at fixed rates ranging from 1.0% - 20.5%. As of June 30, 2019, \$3,294,584 of our loans to portfolio companies, at fair value, bore interest at floating rates and have LIBOR floors ranging from 0.0% - 3.0%. As of June 30, 2019, \$598,720 of our loans to portfolio companies, at fair value, bore interest at fixed rates ranging from 1.0% - 20.5%.

At March 31, 2020, eleven loan investments were on non-accrual status: CP Energy Services Inc. (the Senior Secured Term Loan B to Spartan Energy Services, Inc.), Easy Gardener Products, Inc., Interdent (the Senior Secured Term Loan C and the Senior Secured Term Loan D), Pacific World Corporation (the Revolving Line of Credit, the Senior Secured Term Loan A and the Senior Secured Term Loan B), United Sporting Companies, Inc. ("USC"), USES Corp. ("USES," the Senior Secured Term Loan A and the Senior Secured Term Loan B), and UTP (the Senior Secured Term Loan B). At June 30, 2019, nine loan investments were on non-accrual status: Edmentum (the Unsecured Junior PIK Note), InterDent (the Senior Secured Term Loan C and the Senior Secured Term Loan D), Pacific World Corporation (the Senior Secured Term Loan A and the Senior Secured Term Loan B), USC, USES (the Senior Secured Term Loan A and the Senior Secured Term Loan B), and UTP (the Senior Secured Term Loan B). Cost balances of these loans amounted to \$496,196 and \$487,356 as of March 31, 2020 and June 30, 2019, respectively. The fair value of these loans amounted to \$85,321 and \$167,833 as of March 31, 2020 and June 30, 2019, respectively. The fair values of these investments represent approximately 1.6% and 2.9% of our total assets at fair value as of March 31, 2020 and June 30, 2019, respectively.

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of March 31, 2020 and June 30, 2019, we had \$38,135 and \$23,375, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. The fair value of our undrawn committed revolvers and delayed draw term loans was zero as of March 31, 2020 and June 30, 2019.

We have guaranteed \$2,487 in standby letters of credit issued through a financial intermediary and \$2,624 of equipment lease obligations on behalf of InterDent, Inc. ("InterDent") as of March 31, 2020. Under these arrangements, we would be required to

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make payments to the financial intermediary or equipment lease provider, respectively, if InterDent was to default on their related payment obligations. As of March 31, 2020, we have not recorded a liability on the statement of assets and liabilities for these guarantees as the likelihood of default on the standby letters of credit or equipment lease is deemed to be remote.

Unconsolidated Significant Subsidiaries

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

Pursuant to Regulation S-X 10-01(b), *Interim Financial Statements*, summarized interim income statement information is required for an unconsolidated subsidiary within a quarterly report if the unconsolidated subsidiary would otherwise require separate audited financial statements within an annual report pursuant to Regulation S-X 3-09.

CP Energy Services Inc. (“CP Energy”) is a significant subsidiary due to income for the nine months ended March 31, 2020. The following table shows summarized income statement information for CP Energy for the periods included in this quarterly report:

Summary Statement of Operations	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Total revenue	\$ 7,250	\$ 12,874	\$ 28,630	\$ 46,404
Cost of sales	9,583	15,162	35,028	50,448
Operating expenses	1,509	2,124	5,864	7,478
Other expenses (including tax expense)	1,139	1,273	5,790	4,284
Net loss	\$ (4,981)	\$ (5,685)	\$ (18,052)	\$ (15,806)

National Property REIT Corp. (“NPRC”), which was a significant subsidiary due to assets and income for our fiscal years ending June 30, 2019 and June 30, 2018, is a significant subsidiary due to assets and income for the nine months ended March 31, 2020. The following table shows summarized income statement information for NPRC for the periods included in this quarterly report:

Summary Statement of Operations	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Total revenue	\$ 118,326	\$ 113,251	\$ 407,921	\$ 382,509
Operating expenses	88,822	85,173	273,452	269,749
Operating income	\$ 29,504	\$ 28,078	\$ 134,469	\$ 112,760
Depreciation and amortization	(24,718)	(29,935)	(73,764)	(71,035)
Fair value adjustment	(11,562)	(5,638)	(16,519)	(25,358)
Net (loss) income	\$ (6,776)	\$ (7,495)	\$ 44,186	\$ 16,367

Pacific World Corporation (“Pacific World”), which was a significant subsidiary due to income for our fiscal year ending June 30, 2019, is a significant subsidiary due to income for the nine months ended March 31, 2020. The following table shows summarized income statement information for Pacific World for the periods included in this quarterly report:

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Summary Statement of Operations	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Net Sales	\$ 16,037	\$ 20,467	\$ 53,691	\$ 65,414
Cost of sales	12,849	16,165	44,008	52,540
Selling, general and administrative expenses	9,222	10,046	36,460	49,858
Interest expense	6,012	6,148	18,244	17,904
Other expense (income), net	1,302	451	490	1,998
Income tax expense (benefit)	56	74	137	285
Net loss	\$ (13,403)	\$ (12,418)	\$ (45,648)	\$ (57,172)

The SEC has requested comments on the proper mechanics of how the calculations related to Regulation S-X 3-09 and Regulation S-X 4-08(g) should be completed. There is currently diversity in practice for the calculations. We expect that the SEC will clarify the calculation methods in the future.

Note 4. Revolving Credit Facility

On August 29, 2014, we renegotiated our previous credit facility and closed an expanded five and a half year revolving credit facility (the “2014 Facility”). The lenders had extended commitments of \$885,000 under the 2014 Facility as of June 30, 2018. The 2014 Facility included an accordion feature which allowed commitments to be increased up to \$1,500,000 in the aggregate. Interest on borrowings under the 2014 Facility was one-month LIBOR plus 225 basis points. Additionally, the lenders charged a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility was drawn or 100 basis points otherwise.

On August 1, 2018, we renegotiated the 2014 Facility and closed an expanded five and a half year revolving credit (the “2018 Facility”). The lenders had extended commitments of \$1,132,500 as of June 30, 2019. The 2018 Facility included an accordion feature which allowed commitments to be increased up to \$1,500,000 in the aggregate.

On September 9, 2019, we amended the 2018 Facility and closed an expanded revolving credit facility (the “2019 Facility” and collectively with the 2014 Facility and the 2018 Facility, the “Revolving Credit Facility”). The lenders had extended commitments of \$1,077,500 as of March 31, 2020. The Revolving Credit Facility includes an accordion feature which allows commitments to be increased up to \$1,500,000 in the aggregate. The Revolving Credit Facility matures on September 9, 2024. It includes a revolving period that extends through September 9, 2023, followed by an additional one-year amortization period, with distributions allowed to Prospect after the completion of the revolving period. During such one-year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one-year amortization period, the remaining balance will become due, if required by the lenders.

The Revolving Credit 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 Revolving 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 Revolving Credit Facility. The Revolving Credit Facility also requires the maintenance of a minimum liquidity requirement. As of March 31, 2020, we were in compliance with the applicable covenants.

Interest on borrowings under the 2019 Facility is one-month LIBOR plus 220 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, or 100 basis points if more than 35% and an amount less than or equal to 60% of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35% of the credit facility is drawn. The 2019 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

For the nine months ended March 31, 2020 and March 31, 2019, the average stated interest rate (i.e., rate in effect plus the spread) and average outstanding borrowings for the Revolving Credit Facility were as follows:

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	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Average stated interest rate	3.54%	4.69%	3.84%	4.53%
Average outstanding balance	\$262,084	\$295,511	\$161,373	\$256,409

As of March 31, 2020 and June 30, 2019, we had \$528,039 and \$684,212, respectively, available to us for borrowing under the Revolving Credit Facility, of which \$165,600 and \$167,000 was outstanding as of March 31, 2020 and June 30, 2019, respectively. As of March 31, 2020, the investments, including cash and cash equivalents, used as collateral for the Revolving Credit Facility had an aggregate fair value of \$1,641,230, which represents 31.6% 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. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of \$1,077,500. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred \$10,904 of new fees and \$7,787 were carried over for continuing participants from the previous facilities, all of which are being amortized over the term of the facility in accordance with ASC 470-50. As of March 31, 2020, \$9,688 remains to be amortized and is reflected as deferred financing costs on the *Consolidated Statements of Assets and Liabilities*. During the nine months ended March 31, 2020, \$398 of fees were expensed relating to credit providers in the 2018 Facility who did not commit to the 2019 Facility.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$5,867 and \$6,209, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense. During the nine months ended March 31, 2020 and March 31, 2019, we recorded \$16,841 and \$17,535, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

Note 5. Convertible Notes

2017 Notes

On April 16, 2012, we issued \$130,000 aggregate principal amount of convertible notes that matured on October 15, 2017 (the “2017 Notes”). The 2017 Notes bore 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 March 28, 2016, we repurchased \$500 aggregate principal amount of the 2017 Notes at a price of 98.25, including commissions. The transaction resulted in our recognizing a \$9 gain for the period ended March 31, 2016. On April 6, 2017, we repurchased \$78,766 aggregate principal amount of the 2017 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a \$1,786 loss during the three months ended June 30, 2017. On October 15, 2017, we repaid the outstanding principal amount of \$50,734 of the 2017 Notes, plus interest. No gain or loss was realized on the transaction.

2018 Notes

On August 14, 2012, we issued \$200,000 aggregate principal amount of convertible notes that matured on March 15, 2018 (the “2018 Notes”). The 2018 Notes bore 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 April 6, 2017, we repurchased \$114,581 aggregate principal amount of the 2018 Notes at a price of 103.5, including commissions. The transaction resulted in our recognizing a \$4,700 loss during the three months ended June 30, 2017. On March 15, 2018, we repaid the outstanding principal amount of \$85,419 of the 2018 Notes, plus interest. No gain or loss was realized on the transaction.

2019 Notes

On December 21, 2012, we issued \$200,000 aggregate principal amount of convertible notes that matured on January 15, 2019 (the “2019 Notes”). The 2019 Notes bore interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were \$193,600. On May 30, 2018, we repurchased \$98,353 aggregate principal amount of the 2019 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a \$2,383 loss during the three months ended June 30, 2018. On January 15, 2019, we repaid the outstanding principal amount of \$101,647 of the 2019 Notes, plus interest. No gain or loss was realized on the transaction.

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2020 Notes

On April 11, 2014, we issued \$400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were \$387,500. On January 30, 2015, we repurchased \$8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain of \$332, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance cost. During the three months ended December 31, 2018, we repurchased an additional \$13,500 aggregate principal amount of the 2020 Notes at a price of 99.5, including commissions. As a result of this transaction, we recorded a loss of \$41, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended March 31, 2019, we repurchased an additional \$129,798 aggregate principal amount of the 2020 Notes at a weighted average price of 101.4, including commission. As a result of these transactions, we recorded a net loss of \$2,787 during the three months ended March 31, 2019, in the amount of the difference between the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended June 30, 2019, we repurchased an additional \$24,588 aggregate principal amount of the 2020 Notes at a weighted average price of \$101.10, including commissions. As a result of these transactions, we recorded a net loss of \$414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the \$224,114 then outstanding aggregate principal amount of the 2020 Notes (“June Tender Offer”). On July 27, 2019, \$32,948 aggregate principal amount of the 2020 Notes, representing 14.7% of the previously outstanding 2020 Notes, were validly tendered and accepted. On August 12, 2019, we commenced a tender offer to purchase for cash up to \$60,000 aggregate principal amount of the 2020 Notes (“August Tender Offer”). On September 10, 2019, \$13,597 aggregate principal amount of the 2020 Notes, representing 7.1% of the previously outstanding 2020 Notes, were validly tendered and accepted. The June Tender Offer and August Tender Offer, resulted in our recognizing a loss of \$668 during the three months ended September 30, 2019.

On September 24, 2019, we commenced a tender offer to purchase for cash up to \$40,000 outstanding aggregate principal amount of the 2020 Notes (“2020 Notes September Tender Offer”). On October 23, 2019, \$2,140 aggregate principal amount of the 2020 Notes, representing 1.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. On November 7, 2019, we commenced a tender offer to purchase for cash up to \$10,000 aggregate principal amount of the 2020 Notes (“2020 Notes November Tender Offer”). On December 7, 2019, \$392 aggregate principal amount of the 2020 Notes, representing 0.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes September Tender Offer and 2020 Notes November Tender Offer resulted in our recognizing a loss of \$31 during the three months ended December 31, 2019.

On December 23, 2019, we commenced a tender offer to purchase for cash up to \$10,000 aggregate principal amount of the 2020 Notes (“2020 Notes December Tender Offer”). On January 22, 2020, \$2,215 aggregate principal amount of the 2020 Notes, representing 1.3% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes December Tender Offer resulted in our recognizing a loss of \$14 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional \$45,111 aggregate principal amount of the 2020 Notes at a weighted average price of 100.5 including commissions. As a result of this transaction, we recorded a loss of \$220, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2020 Notes is \$127,711.

2022 Notes

On April 11, 2017, we issued \$225,000 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Original 2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Original 2022 Notes bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2017. Total proceeds from the issuance of the Original 2022 Notes, net of underwriting discounts and offering costs, were \$218,010. On May 18, 2018, we issued an additional \$103,500 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Additional 2022 Notes,” and together with the Original 2022 Notes, the “2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Additional 2022 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2022 Notes and bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2018. Total proceeds from the issuance of the Additional 2022 Notes, net of underwriting discounts and offering costs, were \$100,749.

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On October 18, 2019, we repurchased \$22,941 aggregate principal amount of the 2022 Notes at a price of 102.8 including commissions. As a result of this transaction, we recorded a loss of \$1,072 in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. On November 7, 2019, we commenced a tender offer to purchase for cash up to \$50,000 aggregate principal amount of the 2022 Notes (“2022 Notes November Tender Offer”). On December 7, 2019, \$13,432 aggregate principal amount of the 2022 Notes, representing 4.4% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes November Tender Offer resulted in our recognizing a loss of \$599, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs.

On December 23, 2019, we commenced a tender offer to purchase for cash up to \$25,000 aggregate principal amount of the 2022 Notes (“2022 Notes December Tender Offer”). On January 22, 2020, \$1,302 aggregate principal amount of the 2022 Notes, representing 0.5% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes December Tender Offer resulted in our recognizing a loss of \$51 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional \$32,585 aggregate principal amount of the 2022 Notes at a weighted average price of 89.1 including commissions. As a result of this transaction, we recorded a gain of \$3,045, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2022 Notes is \$258,240.

2025 Notes

On March 1, 2019, we issued \$175,000 aggregate principal amount of senior convertible notes that mature on March 1, 2025 (the “2025 Notes”), unless previously converted or repurchased in accordance with their terms. We granted the underwriters a 13-day over-allotment option to purchase up to an additional \$26,250 aggregate principal amount of the 2025 Notes. The underwriters fully exercised the over-allotment option on March 11, 2019 and we issued \$26,250 aggregate principal amount of 2025 Notes at settlement on March 13, 2019. The 2025 Notes bear interest at a rate of 6.375% per year, payable semi-annually on March 1 and September 1 each year, beginning September 1, 2019. Total proceeds from the issuance of the 2025 Notes, net of underwriting discounts and offering costs, were \$198,674. As of March 31, 2020, the outstanding aggregate principal amount of the 2025 Notes is \$201,250.

Certain key terms related to the convertible features for the 2020 Notes, the 2022 Notes, and the 2025 Notes (collectively, the “Convertible Notes”) are listed below:

	2020 Notes	2022 Notes	2025 Notes
Initial conversion rate(1)	80.6647	100.2305	110.7420
Initial conversion price	\$ 12.40	\$ 9.98	\$ 9.03
Conversion rate at March 31, 2020(1)(2)	80.6670	100.2305	110.7420
Conversion price at March 31, 2020(2)(3)	\$ 12.40	\$ 9.98	\$ 9.03
Last conversion price calculation date	4/11/2019	4/11/2019	3/1/2020
Dividend threshold amount (per share)(4)	\$ 0.110525	\$ 0.083330	\$ 0.060000

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

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

(3) The conversion price will increase only if the current monthly dividends (per share) exceed the dividend threshold amount (per share).

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment. Current dividend rates are at or below the minimum dividend threshold amount for further conversion rate adjustments for all bonds.

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

No holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the

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effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Convertible Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

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

In connection with the issuance of the Convertible Notes, we recorded a discount of \$4,025 and debt issuance costs of \$21,107 which are being amortized over the terms of the Convertible Notes. As of March 31, 2020, \$3,412 of the original issue discount and \$6,398 of the debt issuance costs remain to be amortized and are included as a reduction within Convertible Notes on the *Consolidated Statement of Assets and Liabilities*.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$9,728 and \$10,460, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense. During the nine months ended March 31, 2020 and March 31, 2019, we recorded \$30,089 and \$33,352, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

Note 6. Public Notes

2023 Notes

On March 15, 2013, we issued \$250,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Original 2023 Notes”). The Original 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 Original 2023 Notes, net of underwriting discounts and offering costs, were \$243,641. On June 20, 2018, we issued an additional \$70,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Additional 2023 Notes,” and together with the Original 2023 Notes, the “2023 Notes”). The Additional 2023 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2023 Notes and 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, 2018. Total proceeds from the issuance of the Additional 2023 Notes, net of underwriting discounts, were \$69,403. As of March 31, 2020, the outstanding aggregate principal amount of the 2023 Notes is \$320,000.

5.00% 2019 Notes

On April 7, 2014, we issued \$300,000 aggregate principal amount of unsecured notes that mature on July 15, 2019 (the “5.00% 2019 Notes”). Included in the issuance is \$45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were \$295,998. On June 7, 2018, we commenced a tender offer to purchase for cash any and all of the \$300,000 aggregate principal amount outstanding of the 5.00% 2019 Notes. On June 20, 2018, \$146,464 aggregate principal amount of the 5.00% 2019 Notes, representing 48.8% of the previously outstanding 5.00% 2019 Notes, were validly tendered and accepted. The transaction resulted in our recognizing a loss of \$3,705 during the three months ended June 30, 2018. On September 26, 2018, we repurchased the remaining \$153,536 aggregate principal amount of the 5.00% 2019 Notes at a price of 101.645, including commissions. The transaction resulted in our recognizing a loss of \$2,874 during the three months ended September 30, 2018.

2024 Notes

On December 10, 2015, we issued \$160,000 aggregate principal amount of unsecured notes that mature on June 15, 2024 (the “2024 Notes”). The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2016. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and offering costs, were \$155,043. On June 16, 2016, we entered into an at-the-market (“ATM”) program with FBR Capital Markets & Co. through which we could sell, by means of ATM offerings, from time to time, up to \$100,000 in aggregate principal amount of our existing 2024 Notes (“Initial 2024 Notes ATM”). Following the initial 2024 Notes ATM, the aggregate principal amount of the 2024 Notes issued was \$199,281 for net proceeds of \$193,253, after commissions and offering costs. On July 2, 2018, we entered into a second ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to \$100,000 in aggregate principal

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amount of the 2024 Notes (“Second 2024 Notes ATM,” and together with the Initial 2024 Notes ATM, the “2024 Notes Follow-on Program”). The 2024 Notes are listed on the New York Stock Exchange (“NYSE”) and trade thereon under the ticker “PBB”.

During the year ended June 30, 2019, we issued an additional \$35,162 aggregate principal amount under the Second 2024 Notes ATM, for net proceeds of \$34,855, after commissions and offering costs. On March 20, 2020, we commenced a tender offer to purchase for cash any and all of the \$234,443 aggregate principal amount of the 2024 Notes (“2024 Notes March Tender Offer”). On March 31, 2020, \$655 aggregate principal amount of the 2024 Notes, representing 0.3% of the previously outstanding 2024 Notes, were validly tendered and accepted. The 2024 Notes March Tender Offer, resulted in our recognizing a gain of \$203 during the three months ended March 31, 2020. As of March 31, 2020, the outstanding aggregate principal amount of the 2024 Notes is \$233,788.

2028 Notes

On June 7, 2018, we issued \$55,000 aggregate principal amount of unsecured notes that mature on June 15, 2028 (the “2028 Notes”). The 2028 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the 2028 Notes, net of underwriting discounts and offering costs were \$53,119. On July 2, 2018, we entered into an ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to \$100,000 in aggregate principal amount of our existing 2028 Notes (“2028 Notes ATM” or “2028 Notes Follow-on Program”). The 2028 Notes are listed on the NYSE and trade thereon under the ticker “PBY”. During the year ended June 30, 2019, we issued an additional \$15,761 aggregate principal amount under the 2028 Notes ATM, for net proceeds of \$15,530, after commissions and offering costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2028 Notes is \$70,761.

6.375% 2024 Notes

On October 1, 2018, we issued \$100,000 aggregate principal amount of unsecured notes that mature on January 15, 2024 (the “6.375% 2024 Notes”). The 6.375% 2024 Notes bear interest at a rate of 6.375% per year, payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2019. Total proceeds from the issuance of the 6.375% 2024 Notes, net of underwriting discounts and offering costs, were \$98,985. As of March 31, 2020, the outstanding aggregate principal amount of the 6.375% 2024 Notes is \$100,000.

2029 Notes

On December 5, 2018, we issued \$50,000 aggregate principal amount of unsecured notes that mature on June 15, 2029 (the “2029 Notes”). The 2029 Notes bear interest at a rate of 6.875% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning March 15, 2019. Total proceeds from the issuance of the 2029 Notes, net of underwriting discounts and offering costs, were \$48,057. On February 9, 2019, we entered into an ATM program with B. Riley FBR, Inc., BB&T Capital Markets, and Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to \$100,000 in aggregate principal amount of our existing 2029 Notes (“2029 Notes ATM” or “2029 Notes Follow-on Program”). The 2029 Notes are listed on the NYSE and trade thereon under the ticker “PBC”. During the year ended June 30, 2019, we issued an additional \$19,170 aggregate principal amount under the 2029 Notes ATM, for net proceeds of \$18,523, after commissions and offering costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2029 Notes is \$69,170.

The 2023 Notes, the 2024 Notes, the 2028 Notes, the 6.375% 2024 Notes, and the 2029 Notes (collectively, the “Public Notes”) are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes we recorded a discount of \$4,112 and debt issuance costs of \$16,226, which are being amortized over the terms of the notes. As of March 31, 2020, \$2,172 of the original issue discount and \$10,034 of the debt issuance costs remain to be amortized and are included as a reduction within Public Notes on the *Consolidated Statement of Assets and Liabilities*.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$12,834 and \$12,272, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense. During the nine months ended March 31, 2020 and March 31, 2019, we recorded \$38,481 and \$35,102, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

Note 7. Prospect Capital InterNotes®

On February 16, 2012, we entered into a selling agent agreement (the “Original 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®, which was

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increased to \$1,500,000 in May 2014. On May 10, 2019, the Original Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the “May 2019 Selling Agent Agreement”), authorizing the issuance and sale from time to time of up to \$1,000,000 of Prospect Capital InterNotes®.

On September 16, 2019, the May 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the “September 2019 Selling Agent Agreement”), authorizing the issuance and sale from time to time of up to \$500,000 of Prospect Capital InterNotes®. We sold approximately \$1,700,000 in aggregate principal amount of Prospect Capital InterNotes® under the Original Selling Agent Agreement, May 2019 Selling Agent Agreement, and September 2019 Selling Agent Agreement (collectively the “Previous Selling Agent Agreements”).

On February 13, 2020, the September 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the “Selling Agent Agreement”), authorizing the issuance and sale from time to time of up to \$1,000,000 of Prospect Capital InterNotes® (collectively with the previously authorized selling agent agreements, the “InterNotes® Offerings”). 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. We have, from time to time, repurchased certain notes issued through the InterNotes® Offerings and, therefore, as of March 31, 2020, \$672,559 aggregate principal amount of Prospect Capital InterNotes® were outstanding.

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

During the nine months ended March 31, 2020, we issued \$224,934 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$221,194. These notes were issued with stated interest rates ranging from 3.75% to 5.50% with a weighted average interest rate of 4.29%. These notes mature between July 15, 2024 and March 15, 2030. The following table summarizes the Prospect Capital InterNotes® issued during the nine months ended March 31, 2020:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 105,379	3.75%–5.00%	4.12%	July 15, 2024 – March 15, 2025
7	44,184	4.00%–5.25%	4.26%	July 15, 2026 – March 15, 2027
10	75,371	3.75%–5.50%	4.56%	July 15, 2029 – March 15, 2030
	<u>\$ 224,934</u>			

During the nine months ended March 31, 2019, we issued \$124,643 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$122,592. These notes were issued with stated interest rates ranging from 5.00% to 6.25% with a weighted average interest rate of 5.78%. These notes mature between July 15, 2023 and March 15, 2029. The following table summarizes the Prospect Capital InterNotes® issued during the nine months ended March 31, 2019:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 57,751	5.00%–5.75%	5.48%	July 15, 2023 – March 15, 2024
7	31,499	5.50%–6.00%	5.93%	July 15, 2025 – March 15, 2026
8	385	5.75%	5.75%	July 15, 2026
10	35,008	6.00%–6.25%	6.13%	July 15, 2028 – March 15, 2029
	<u>\$ 124,643</u>			

During the nine months ended March 31, 2020, we redeemed, prior to maturity, \$255,822 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 5.06% in order to replace shorter maturity debt with longer-term debt. During the nine months ended March 31, 2020, we repaid \$4,252 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor’s Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the nine months ended March 31, 2020 was \$2,435.

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The following table summarizes the Prospect Capital InterNotes® outstanding as of March 31, 2020:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 210,555	3.75% – 5.75%	4.80%	September 15, 2023 – March 15, 2025
7	103,703	4.00% – 6.00%	5.11%	July 15, 2024 – March 15, 2027
8	24,455	4.50% – 5.75%	4.67%	August 15, 2025 – July 15, 2026
10	159,424	3.75% – 6.25%	5.31%	January 15, 2024 – March 15, 2030
12	2,978	6.00%	6.00%	November 15, 2025 – December 15, 2025
15	17,063	5.25% – 6.00%	5.35%	May 15, 2028 – November 15, 2028
18	18,862	4.13% – 6.25%	5.58%	December 15, 2030 – August 15, 2031
20	3,847	5.75% – 6.00%	5.89%	November 15, 2032 – October 15, 2033
25	30,860	6.25% – 6.50%	6.39%	August 15, 2038 – May 15, 2039
30	100,812	5.50% – 6.75%	6.25%	November 15, 2042 – October 15, 2043
	<u>\$ 672,559</u>			

During the nine months ended March 31, 2019, we redeemed, prior to maturity \$123,418 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.83% in order to replace debt with shorter maturity dates. During the nine months ended March 31, 2019, we repaid \$7,428 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the nine months ended March 31, 2019 was \$905.

The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2019:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 283,450	4.00% – 5.75%	5.10%	July 15, 2021 - June 15, 2024
5.5	1,399	4.25%	4.25%	July 15, 2020
6.5	34,745	5.10% – 5.25%	5.24%	January 15, 2022 - May 15, 2022
7	83,731	4.00% – 6.00%	5.56%	January 15, 2020 - June 15, 2026
7.5	1,996	5.75%	5.75%	February 15, 2021
8	24,500	4.50% – 5.75%	4.67%	August 15, 2025 - July 15, 2026
10	99,529	5.50% – 7.00%	6.09%	March 15, 2022 - June 15, 2029
12	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	17,077	5.25% – 6.00%	5.35%	May 15, 2028 - November 15, 2028
18	19,306	4.13% – 6.25%	5.58%	December 15, 2030 - August 15, 2031
20	3,887	5.75% – 6.00%	5.90%	November 15, 2032 - October 15, 2033
25	31,855	6.25% – 6.50%	6.39%	August 15, 2038 - May 15, 2039
30	103,246	5.50% – 6.75%	6.24%	November 15, 2042 - October 15, 2043
	<u>\$ 707,699</u>			

In connection with the issuance of Prospect Capital InterNotes®, we incurred \$28,694 of fees which are being amortized over the term of the notes, of which \$13,042 remains to be amortized and is included as a reduction within Prospect Capital InterNotes® on the *Consolidated Statement of Assets and Liabilities* as of March 31, 2020.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$9,217 and \$10,005, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense. During the nine months ended March 31, 2020 and March 31, 2019, we recorded \$28,192 and \$31,521, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

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Note 8. Fair Value and Maturity of Debt Outstanding

As of March 31, 2020, our asset coverage stood at 230.6% based on outstanding senior securities of \$2,219,079.

The following table shows our outstanding debt as of March 31, 2020.

	Principal Outstanding	Unamortized Discount & Debt Issuance Costs	Net Carrying Value	Fair Value(1)	Effective Interest Rate	
Revolving Credit Facility(2)	\$ 165,600	\$ 9,688	\$ 165,600 (3)	\$ 165,600	1ML+2.20%	(6)
2020 Notes	127,711	294	127,417	127,711 (4)	5.39%	(7)
2022 Notes	258,240	3,999	254,241	230,378 (4)	5.65%	(7)
2025 Notes	201,250	5,517	195,733	173,534 (4)	6.63%	(7)
Convertible Notes	587,201		577,391	531,623		
6.375% 2024 Notes	100,000	828	99,172	102,711 (4)	6.64%	(7)
2023 Notes	320,000	2,642	317,358	265,766 (4)	6.09%	(7)
2024 Notes	233,788	4,153	229,635	193,763 (4)	6.76%	(7)
2028 Notes	70,761	2,193	68,568	56,326 (4)	6.77%	(7)
2029 Notes	69,170	2,390	66,780	55,391 (4)	7.38%	(7)
Public Notes	793,719		781,513	673,957		
Prospect Capital InterNotes®	672,559	13,042	659,517	571,817 (5)	6.05%	(8)
Total	\$ 2,219,079		\$ 2,184,021	\$ 1,942,997		

- (1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of March 31, 2020.
- (2) The maximum draw amount of the Revolving Credit facility as of March 31, 2020 is \$1,077,500.
- (3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See Note 2 for accounting policy details.
- (4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.
- (5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.
- (6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.
- (7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the 2028 Notes, and the 2029 Notes, the rate presented is a combined effective interest rate of their respective original Note issuances and Note Follow-on Programs.
- (8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation which approximates level yield, are weighted against the average year-to-date principal balance.

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As of June 30, 2019, our asset coverage stood at 234.8% based on outstanding senior securities of \$2,422,937.

The following table shows our outstanding debt as of June 30, 2019:

	Principal Outstanding	Unamortized Discount & Debt Issuance Costs	Net Carrying Value	Fair Value (1)	Effective Interest Rate
Revolving Credit Facility(2)	\$ 167,000	\$ 8,529	\$ 167,000 (3)	\$ 167,000	1ML+2.20% (6)
2020 Notes	224,114	1,012	223,102	226,933 (4)	5.38% (7)
2022 Notes	328,500	6,681	321,819	330,964 (4)	5.71% (7)
2025 Notes	201,250	6,174	195,076	207,847 (4)	6.63% (7)
Convertible Notes	753,864		739,997	765,744	
6.375% 2024 Notes	100,000	1,020	98,980	106,747 (4)	5.29% (7)
2023 Notes	320,000	3,270	316,730	340,314 (4)	6.09% (7)
2024 Notes	234,443	4,746	229,697	239,788 (4)	6.74% (7)
2028 Notes	70,761	2,303	68,458	73,025 (4)	6.72% (7)
2029 Notes	69,170	2,487	66,683	71,245 (4)	7.38% (7)
Public Notes	794,374		780,548	831,119	
Prospect Capital InterNotes®	707,699	12,349	695,350	741,227 (5)	6.16% (8)
Total	\$ 2,422,937		\$ 2,382,895	\$ 2,505,090	

- (1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2019.
- (2) The maximum draw amount of the Revolving Credit facility as of June 30, 2019 is \$1,132,500.
- (3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See Note 2 for accounting policy details.
- (4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.
- (5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.
- (6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.
- (7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the 2028 Notes, and the 2029 Notes, the rate presented is a combined effective interest rate of their respective original Note issuances and Note Follow-on Programs.
- (8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation which approximates level yield, are weighted against the average year-to-date principal balance.

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of March 31, 2020:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	\$ 165,600	—	\$ —	\$ 165,600	\$ —
Convertible Notes	587,201	127,711	258,240	201,250	—
Public Notes	793,719	—	320,000	333,788	139,931
Prospect Capital InterNotes®	672,559	—	—	234,491	438,068
Total Contractual Obligations	\$ 2,219,079	\$ 127,711	\$ 578,240	\$ 935,129	\$ 577,999

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The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2019:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	\$ 167,000	\$ —	\$ —	\$ 167,000	\$ —
Convertible Notes	753,864	224,114	—	328,500	201,250
Public Notes	794,374	—	—	654,443	139,931
Prospect Capital InterNotes®	707,699	4,402	188,037	189,795	325,465
Total Contractual Obligations	\$ 2,422,937	\$ 228,516	\$ 188,037	\$ 1,339,738	\$ 666,646

We may from time to time seek to cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including secured debt, unsecured debt and/or debt securities convertible into common stock. Any such purchases or exchanges of outstanding debt would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors.

Note 9. Stock Repurchase Program, Equity Offerings, Offering Expenses, and Distributions

On August 24, 2011, our Board of Directors approved a share repurchase plan (the “Repurchase Program”) under which we may repurchase up to \$100,000 of our common stock at prices below our net asset value per share. Prior to any repurchase, we are required to notify shareholders of our intention to purchase our common stock. Our last notice was delivered with our annual proxy mailing on September 19, 2019.

We did not repurchase any shares of our common stock during the nine months ended March 31, 2020 and March 31, 2019. As of March 31, 2020, the approximate dollar value of shares that may yet be purchased under the Repurchase Program is \$65,860.

On February 13, 2020, we filed a registration statement on Form N-2 (File No. 333-236415) that was effective upon filing pursuant to Rule 462(e) under the Securities Act as permitted under the Small Business Credit Availability Act. The registration statement permits us to issue, through one or more transactions, an indeterminate amount of securities, consisting of common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities.

Excluding dividend reinvestments, during the nine months ended March 31, 2020 and March 31, 2019, we did not issue any shares of our common stock.

During the nine months ended March 31, 2020 and March 31, 2019, we distributed approximately \$198,455 and \$197,555, respectively, to our stockholders. The following table summarizes our distributions declared and payable for the nine months ended March 31, 2019 and March 31, 2020.

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Declaration Date	Record Date	Payment Date	Amount Per Share	Amount Distributed (in thousands)
5/9/2018	7/31/2018	8/23/2018	\$ 0.06	\$ 21,881
5/9/2018	8/31/2018	9/20/2018	0.06	21,898
8/28/2018	9/28/2018	10/18/2018	0.06	21,914
8/28/2018	10/31/2018	11/21/2018	0.06	21,930
11/6/2018	11/30/2018	12/20/2018	0.06	21,945
11/6/2018	1/2/2019	1/24/2019	0.06	21,963
11/6/2018	1/31/2019	2/21/2019	0.06	22,003
2/6/2019	2/28/2018	3/21/2019	0.06	22,008
2/6/2019	3/29/2019	4/18/2019	0.06	22,013
Total declared and payable for the nine months ended March 31, 2019				197,555
5/8/2019	7/31/2019	8/22/2019	\$ 0.06	\$ 22,032
5/8/2019	8/30/2019	9/19/2019	0.06	22,037
8/27/2019	9/30/2019	10/24/2019	0.06	22,042
8/27/2019	10/31/2019	11/20/2019	0.06	22,046
11/6/2019	11/29/2019	12/19/2019	0.06	22,051
11/6/2019	1/2/2020	1/23/2020	0.06	22,055
11/6/2019	1/31/2020	2/20/2020	0.06	22,059
2/10/2020	2/28/2020	3/19/2020	0.06	22,064
2/10/2020	3/31/2020	4/23/2020	0.06	22,069
Total declared and payable for the nine months ended March 31, 2020				\$ 198,455

Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during nine months ended March 31, 2020 and March 31, 2019. 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 recorded and payable subsequent to March 31, 2020:

- \$0.06 per share for April 2020 holders of record on April 30, 2020 with a payment date of May 21, 2020.

During the nine months ended March 31, 2020 and March 31, 2019, we issued 686,901 and 2,475,036 shares of our common stock, respectively, in connection with the dividend reinvestment plan.

On February 9, 2016, we amended our dividend reinvestment plan that provided for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash, to add the ability of stockholders to purchase additional shares by making optional cash investments. Under the revised dividend reinvestment and direct stock repurchase plan, stockholders may elect to purchase additional shares through our transfer agent in the open market or in negotiated transactions.

During the nine months ended March 31, 2020, Prospect officers and directors purchased 29,682,307 shares of our stock, or 8.07% of total outstanding shares as of March 31, 2020, both through the open market transactions and shares issued in connection with our dividend reinvestment plan.

As of March 31, 2020, we have reserved 58,472,418 shares of our common stock for issuance upon conversion of the Convertible Notes (see Note 5).

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Note 10. Other Income

Other income consists of structuring fees, overriding royalty interests, revenue receipts related to net profit interests, deal deposits, administrative agent fees, and other miscellaneous and sundry cash receipts. The following table shows income from such sources during the three and nine months ended March 31, 2020 and March 31, 2019.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Structuring, advisory, and amendment fees	\$ 3,545	\$ 2,256	\$ 19,904	\$ 20,699
Royalty and net revenue interests	9,435	9,095	22,267	13,026
Administrative agent fees	138	158	369	460
Total other income	<u>\$ 13,118</u>	<u>\$ 11,509</u>	<u>\$ 42,540</u>	<u>\$ 34,185</u>

Note 11. Net Increase (Decrease) in Net Assets per Share

The following information sets forth the computation of net increase in net assets resulting from operations per share during the three and nine months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Net (decrease) increase in net assets resulting from operations	\$ (185,699)	\$ 89,195	\$ (178,837)	\$ 105,601
Weighted average common shares outstanding	367,685,511	366,590,492	367,460,412	365,648,290
Net (decrease) increase in net assets resulting from operations per share	<u>\$ (0.51)</u>	<u>\$ 0.24</u>	<u>\$ (0.49)</u>	<u>\$ 0.29</u>

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. The tax return for the tax year ended August 31, 2019 has not been filed. Taxable income and all amounts related to taxable income for the tax year ended August 31, 2019 are estimates and will not be fully determined until the Company's tax return is filed.

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, 2019, 2018, and 2017 were as follows:

	Tax Year Ended August 31,		
	2019	2018	2017
Ordinary income	\$ 263,773	\$ 269,095	\$ 359,215
Capital gain	—	—	—
Return of capital	—	—	—
Total dividends paid to shareholders	<u>\$ 263,773</u>	<u>\$ 269,095</u>	<u>\$ 359,215</u>

We generate certain types of income that may be exempt from U.S. withholding tax when distributed to non-U.S. shareholders. Under IRC Section 871(k), a RIC is permitted to designate distributions of qualified interest income and short-term capital gains as exempt from U.S. withholding tax when paid to non-U.S. shareholders with proper documentation. For the 2020 calendar year, 45.47% of our distributions as of March 31, 2020 qualified as interest related dividends which are exempt from U.S. withholding tax applicable to non-U.S. shareholders.

For the tax year ending August 31, 2020, the tax character of dividends paid to shareholders through March 31, 2020 is expected to be ordinary income. However, due to the difference between our fiscal and tax year ends, the final determination of the tax character of dividends between ordinary income, capital gains, and return of capital will not be made until we file our tax return for the tax year ending August 31, 2020.

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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, 2019, 2018, and 2017:

	Tax Year Ended August 31,		
	2019	2018	2017
Net increase in net assets resulting from operations	\$ 422,090	\$ 389,732	\$ 254,904
Net realized (gains) losses on investments	(5,923)	26,762	100,765
Net unrealized (gains) on investments	(111,838)	(105,599)	(61,939)
Other temporary book-to-tax differences	(87,987)	(42,583)	(32,117)
Permanent differences	78	31	(772)
Taxable income before deductions for distributions	<u>\$ 216,420</u>	<u>\$ 268,343</u>	<u>\$ 260,841</u>

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. As of August 31, 2019, we had capital loss carryforwards of approximately \$193,893 available for use in later tax years. 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, some of the Company's capital loss carryforwards may become permanently unavailable due to limitations by the Code.

For the tax year ended August 31, 2019, we had no cumulative taxable income in excess of cumulative distributions.

As of March 31, 2020, the cost basis of investments for tax purposes was \$5,800,880 resulting in an estimated net unrealized loss of \$656,338. As of March 31, 2020, the gross unrealized gains and losses were \$610,442 and \$1,266,780, respectively. As of June 30, 2019, the cost basis of investments for tax purposes was \$5,905,269 resulting in an estimated net unrealized loss of \$251,716. As of June 30, 2019, the gross unrealized gains and losses were \$595,002 and \$846,718, 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 March 31, 2020 and June 30, 2019 was calculated based on the book cost of investments as of March 31, 2020 and June 30, 2019, respectively, with cumulative book-to-tax adjustments for investments through August 31, 2019 and 2018, 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 excise taxes, among other items. During the tax year ended August 31, 2019, we decreased overdistributed net investment income by \$78 and decreased capital in excess of par value by \$78. During the tax year ended August 31, 2018, we decreased overdistributed net investment income by \$31 and decreased capital in excess of par value by \$31. Due to the difference between our fiscal and tax year end, the reclassifications for the taxable year ended August 31, 2019 is being recorded in the fiscal year ending June 30, 2020 and the reclassifications for the taxable year ended August 31, 2018 were recorded in the fiscal year ended June 30, 2019.

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 total assets. 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.

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The total gross base management fee incurred to the favor of the Investment Adviser was \$26,625 and \$29,540 during the three months ended March 31, 2020 and March 31, 2019, respectively. The total gross base management fee incurred to the favor of the Investment Advisor was \$82,631 and \$92,794 during the nine months ended March 31, 2020 and March 31, 2019, respectively. The total gross base management fee for the nine months ended March 31, 2019 included a \$2,757 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser, for which we incurred \$64 in accrued interest on those past due amounts. The interest on the amount owed to the Investment Adviser was calculated using the average of 1-month LIBOR rates from September 2010 through the date of payment. The Investment Adviser has entered into a servicing agreement with certain institutions that purchased loans with us, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. We receive payments from these institutions on behalf of the Investment Adviser, for providing such services under the servicing agreement. We were given a credit for these payments as a reduction of the base management fee payable by us to the Investment Adviser. We received payments of \$110 from these institutions for the nine months ended March 31, 2019, resulting in a net base management fee of \$92,684 for the prior year to date period. There was no such adjustment in the nine months ended March 31, 2020.

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 gains or losses. 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).

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.

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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 our portfolio. For the purpose of this calculation, an “investment” is defined as the total of all rights and claims which may be 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 amortized 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 amortized 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 amortized 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 \$17,119 and \$19,315 during the three months ended March 31, 2020 and March 31, 2019, respectively. The fees incurred for the nine months ended March 31, 2020 and March 31, 2019 were \$51,855 and \$60,808, respectively. No capital gains incentive fee was incurred during the three or nine months ended March 31, 2020 and March 31, 2019.

Administration Agreement

We have also entered into an administration agreement (the “Administration Agreement”) with 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 her staff, including the internal legal staff. 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* section 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 wholly owned subsidiary of the Investment Adviser.

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. Our payments to Prospect Administration are reviewed quarterly by our Board of Directors.

The allocation of net overhead expense from Prospect Administration was \$4,096 and \$2,084 for the three months ended March 31, 2020 and March 31, 2019, respectively.

The allocation of net overhead expense from Prospect Administration was \$13,601 and \$11,091 for the nine months ended March 31, 2020 and March 31, 2019, respectively. Prospect Administration received estimated payments of \$1,225 and \$607 directly from our portfolio companies, and certain funds managed by the Investment Adviser for legal services during the nine months ended March 31, 2020 and March 31, 2019, respectively. 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 this amount.

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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 to controlled and non-controlled portfolio companies will vary according to the particular needs of each portfolio company. Examples of such activities include (i) advice on recruiting, hiring, management and termination of employees, officers and directors, succession planning and other human resource matters; (ii) advice on capital raising, capital budgeting, and capital expenditures; (iii) advice on advertising, marketing, and sales; (iv) advice on fulfillment, operations, and execution; (v) advice on managing relationships with unions and other personnel organizations, financing sources, vendors, customers, lessors, lessees, lawyers, accountants, regulators and other important counterparties; (vi) evaluating acquisition and divestiture opportunities, plant expansions and closings, and market expansions; (vii) participating in audit committee, nominating committee, board and management meetings; (viii) consulting with and advising board members and officers of portfolio companies (on overall strategy and other matters); and (ix) providing other organizational, operational, managerial and financial guidance.

Prospect Administration, when performing a managerial assistance agreement executed with each portfolio company to which we provide managerial assistance, arranges for the provision of such managerial assistance on our behalf. When doing so, Prospect Administration utilizes personnel of our Investment Adviser. We, on behalf of Prospect Administration, invoice portfolio companies receiving and paying for managerial assistance, and we remit to Prospect Administration its cost of providing such services, including the charges deemed appropriate by our Investment Adviser for providing such managerial assistance. No income is recognized by Prospect.

During the three months ended March 31, 2020 and March 31, 2019, we received payments of \$2,010 and \$1,353, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration. During the nine months ended March 31, 2020 and March 31, 2019, we received payments of \$3,310 and \$6,299, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration.

Co-Investments

On January 13, 2020, we received an exemptive order from the SEC (the “Order”), which superseded a prior co-investment exemptive order granted on February 10, 2014, that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed or owned by the Investment Adviser or certain affiliates, including Priority Income Fund, Inc. and TP Flexible Income Fund, Inc., where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions included therein.

Under the terms of the Order, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. In certain situations where a co-investment with one or more funds managed or owned 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 or owned by the Investment Adviser or its affiliates has previously invested.

We reimburse CLO investment valuation services fees initially incurred by Priority Income Fund, Inc. During the three months ended March 31, 2020 and March 31, 2019, we recognized expenses that were reimbursed for valuation services of \$36 and \$52, respectively. During the nine months ended March 31, 2020 and March 31, 2019, we recognized expenses that were reimbursed for valuation services of \$123 and \$155, respectively. Conversely, Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. reimburse us for software fees, expenses which were initially incurred by Prospect. As of March 31, 2020 and June 30, 2019, we accrued a receivable from Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. for software fees of \$36 and \$32, respectively, which will be reimbursed to us.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

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. Certain of the controlled entities discussed below were consolidated effective July 1, 2014 (see Note 1). As such, transactions with these Consolidated Holding Companies are presented on a consolidated basis.

Arctic Energy Services, LLC

Prospect owned 100% of the equity of Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a Consolidated Holding Company. 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. As of June 30, 2017, we reported Arctic Energy as a separate controlled company. On April 6, 2018, Arctic Equipment merged with CP Energy Services, Inc. ("CP Energy") and our equity interest was exchanged for newly issued common shares of CP Energy. Refer to discussion on CP Energy ownership below.

CCPI Inc.

Prospect owns 100% of the equity of CCPI Holdings Inc. ("CCPI Holdings"), a Consolidated Holding Company. CCPI Holdings held 94.59% of the equity of CCPI Inc. ("CCPI") as of June 30, 2018, with CCPI management owning the remaining 5.41% 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 March 1, 2019, we converted the \$2,797 Senior Secured Term Loan A and the \$17,566 Senior Secured Term Loan B to preferred equity and subsequently sold our \$6,759 common equity interest in CCPI, Inc. and our new \$20,363 preferred shares. We recorded a realized gain of \$12,105 on the sale of our equity position in CCPI, Inc. In addition, there is \$2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ —	\$ 806	\$ —	\$ 2,629
Other Income				
Advisory Fee	—	1,301	—	1,301
Total Other Income	\$ —	\$ 1,301	\$ —	\$ 1,301
Managerial Assistance (1)	\$ —	\$ 45	\$ —	\$ 165
Reimbursement of Legal, Tax, etc.(2)	—	54	54	54

(1) No income recognized by Prospect. MA payments were paid from CCPI to Prospect and subsequently remitted to PA.

(2) Paid from CCPI to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to CCPI (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Repayment of loan receivable	\$ —	\$ 20,363	\$ —	\$ 20,700

CP Energy Services Inc.

Prospect owns 100% of the equity of CP Holdings of Delaware LLC ("CP Holdings"), a Consolidated Holding Company. CP Holdings owns 99.83% of the equity of CP Energy Services, Inc. ("CP Energy"), and the remaining equity is owned by CP Energy management. CP Energy owns directly or indirectly 100% of each of CP Well; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On October 1, 2017, we restructured our investment in CP Energy. Concurrent with the restructuring, we exchanged \$35,048 of Series B Convertible Preferred Stock for \$35,048 of senior secured debt. We received \$228 of an advisory fee related to the above transaction, which we recognized as other income.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
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On January 18, 2018, CP Energy redeemed common shares belonging to senior management, which increased our ownership percentage from 82.3% to 94.2% as of March 31, 2018.

On April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. On the date of the merger, our common equity investment cost in the amount of \$60,876 in Arctic Equipment was exchanged for newly issued common shares of CP Energy. As a result of this merger between these controlled portfolio companies, our equity ownership percentage in CP Energy increased to 99.8%. There were no realized gain or loss recognized by us since this was a merger amongst two portfolio companies under our control.

In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Energy Holdings, Inc. ("Spartan Holdings"), which owns 100% of Spartan Energy Services, LLC ("Spartan") a portfolio company of Prospect with \$34,399 in senior secured term loans (the "Spartan Term Loans") due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans.

In December 2019, Wolf Energy Holdings, Inc. ("Wolf Energy Holdings"), our Consolidated Holding Company that previously owned 100% of Appalachian Energy LLC ("AEH"); Wolf Energy Services Company, LLC (Wolf Energy Services"); and Wolf Energy, LLC (collectively our previously controlled membership interest and net profit interest investments in "Wolf Energy"), merged with and into CP Energy, with CP Energy continuing as the surviving entity. CP Energy acquired 100% of our equity investment in Wolf Energy, which is reflected in our valuation of the CP Energy common stock as of December 31, 2019.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income				
Interest Income from CP Energy	\$ 1,147	\$ 1,210	\$ 3,514	\$ 3,605
Interest Income from Spartan	313	—	2,816	—
Total Interest Income	<u>\$ 1,460</u>	<u>\$ 1,210</u>	<u>\$ 6,330</u>	<u>\$ 3,605</u>
Other Income				
Administrative Agent	6	—	6	—
Total Other Income	6	—	6	—
Managerial Assistance ⁽¹⁾	\$ —	\$ —	\$ 150	\$ 300

(1) No income recognized by Prospect. MA payments were paid from CP Energy to Prospect and subsequently remitted to PA.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions	\$ —	\$ —	\$ 5,039	\$ —
Interest Income Capitalized as PIK	574	—	2,693	—

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable ⁽²⁾	\$ 15	\$ 1,624
Other Receivables - Due to PA ⁽³⁾	—	150
Other Receivables ⁽⁴⁾	22	35

(2) Interest income recognized but not yet paid.

(3) Managerial assistance recognized but not yet paid by CP Energy and is included by Prospect within Other Receivable and Due to PA.

(4) Represents amounts due from CP Energy and Spartan to Prospect for reimbursement of expenses paid by Prospect on behalf of CP Energy and Spartan.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Holdings of Delaware, LLC (“Credit Central Delaware”), a Consolidated Holding Company. Credit Central Delaware owns 98.63% of the equity of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) (“Credit Central”), with entities owned by Credit Central management owning the remaining 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.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 3,011	\$ 2,719	\$ 8,978	\$ 8,043
Other Income				
Structuring Fee	\$ —	\$ —	\$ 112	\$ —
Total Other Income	\$ —	\$ —	\$ 112	\$ —
Managerial Assistance (1)	\$ 175	\$ 175	\$ 175	\$ 525
Reimbursement of Legal, Tax, etc.(2)	—	—	7	—

(1) No income recognized by Prospect. MA payments were paid from Credit Central to Prospect and subsequently remitted to PA.

(2) Paid from Credit Central to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to Credit Central (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions (3)	\$ —	\$ —	\$ 5,600	\$ —
Accreted Original Issue Discount	86	63	239	971
Interest Income Capitalized as PIK	2,923	1,346	3,886	3,122

(3) During the three months ended September 30, 2019, Prospect provided \$5,600 of equity financing to support growth in Credit Central’s loan portfolio.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (4)	\$ 33	\$ 963
Other Receivables - Due to PA (5)	—	175

(4) Interest income recognized but not yet paid.

(5) Managerial assistance recognized but not yet paid by Credit Central and is included by Prospect within Other Receivable and Due to PA.

Echelon Transportation LLC (f/k/a Echelon Aviation LLC)

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

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 2,094	\$ 1,806	\$ 6,168	\$ 5,189
Managerial Assistance (1)	63	63	—	188
Reimbursement of Legal, Tax, etc.(2)	—	—	—	735

(1) No income recognized by Prospect. MA payments were paid from Echelon to Prospect and subsequently remitted to PA.

(2) Paid from Echelon to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to Echelon (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions (3)	\$ —	\$ —	\$ 500	\$ —
Interest Income Capitalized as PIK	3,856	3,367	7,630	5,492

(3) During the six months ended December 31, 2019, Prospect made a follow-on \$500 first lien senior secured debt.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (4)	\$ 1,621	\$ 3,162
Other Receivables - Due to PA (5)	—	63
Other Receivables (6)	5	3

(4) Interest income recognized but not yet paid.

(5) Managerial assistance recognized but not yet paid by Echelon and is included by Prospect within Other Receivable and Due to PA.

(6) Represents amounts due from Echelon to Prospect for reimbursement of expenses paid by Prospect on behalf of Echelon.

Energy Solutions Holdings Inc.

Prospect owns 100% of the equity of Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings Inc.) (“Energy Solutions”), a Consolidated Holding Company. Energy Solutions owns 100% of each of Change Clean Energy Company, LLC (f/k/a Change Clean Energy Holdings, LLC) (“Change Clean”); Freedom Marine Solutions, LLC (f/k/a Freedom Marine Services Holdings, LLC) (“Freedom Marine”); and Yatesville Coal Company, LLC (f/k/a Yatesville Coal Holdings, LLC) (“Yatesville”). Change Clean owns 100% of each of Change Clean Energy, LLC and Down East Power Company, LLC, and 50.1% of BioChips LLC. Freedom Marine owns 100% of each of Vessel Company, LLC (f/k/a Vessel Holdings, LLC) (“Vessel”); Vessel Company II, LLC (f/k/a Vessel Holdings II, LLC) (“Vessel II”); and Vessel Company III, LLC (f/k/a Vessel Holdings III, LLC) (“Vessel III”). Yatesville owns 100% of North Fork Collieries, 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.

Transactions between Prospect and Freedom Marine are separately discussed below under “Freedom Marine Solutions, LLC.”

First Tower Finance Company LLC

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

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 14,278	\$ 13,948	\$ 43,485	\$ 41,827
Managerial Assistance (1)	600	600	1,800	1,800
Reimbursement of Legal, Tax, etc. (2)	—	—	1	—

(1) No income recognized by Prospect. MA payments were paid from First Tower to Prospect and subsequently remitted to PA.

(2) Paid from First Tower to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to First Tower (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
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	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income Capitalized as PIK	\$ —	\$ —	\$ 2,849	\$ 1,582
Repayment of loan receivable	3,635	—	5,908	2,478

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (3)	\$ 156	\$ 4,897
Other Receivables (4)	6	7

(3) Interest income recognized but not yet paid.

(4) Represents amounts due from Credit Central to Prospect for reimbursement of expenses paid by Prospect on behalf of Credit Central.

Freedom Marine Solutions, LLC

As discussed above, Prospect owns 100% of the equity of Energy Solutions, a Consolidated Holding Company. Energy Solutions owns 100% of Freedom Marine. Freedom Marine owns 100% of each of Vessel, Vessel II, and Vessel III.

During the year ended June 30, 2018, Prospect purchased an additional \$982 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

During the year ended June 30, 2019, Prospect purchased an additional \$300 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

	As of	
	March 31, 2020	June 30, 2019
Other Receivables (1)	\$ —	\$ 1,125

(1) Represents amounts due from Freedom Marine to Prospect for reimbursement of expenses paid by Prospect on behalf of Freedom Marine.

InterDent, Inc.

Following our assumption of assuming control, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent, Inc. ("InterDent") and to appoint a new Board of Directors of InterDent, all the members of which are our Investment Adviser's professionals. As a result, as of June 30, 2018, Prospect's investment in InterDent is classified as a control investment.

During the six months ended December 31, 2018, Prospect purchased \$14,000 of first lien Senior Secured Term Loan A/B from a third-party. In addition, Prospect purchased \$5,000 of first lien Senior Secured Term Loan D and transferred \$31,558 from Senior Secured Term Loan B to Senior Secured Term Loan C.

On May 3, 2019 Prospect executed warrants to purchase 99.9% of the 100,000 shares of common stock outstanding of InterDent Inc. at a purchase price of \$0.01 per share.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 4,743	\$ 5,960	\$ 14,159	\$ 18,590

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions ⁽¹⁾	\$ 3,750	\$ —	\$ 3,750	\$ 19,000
Interest Income Capitalized as PIK	3,089	4,201	9,166	12,658

(1) During the six months ended December 31, 2018, Prospect purchased \$14,000 of first lien Senior Secured Term Loan A/B from a third-party. In addition, Prospect purchased \$5,000 of first lien Senior Secured Term Loan D and transferred \$31,558 from Senior Secured Term Loan B to Senior Secured Term Loan C.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable ⁽²⁾	\$ 52	\$ 209
Other Receivables ⁽³⁾	572	6

(2) Interest income recognized but not yet paid.

(3) Represents amounts due from InterDent to Prospect for reimbursement of expenses paid by Prospect on behalf of InterDent.

Kickapoo Ranch Pet Resort

Prospect owns 100% of the Membership Interest of Kickapoo Ranch Pet Resort (“Kickapoo”). Kickapoo is a luxury pet boarding facility.

During the nine months ended March 31, 2020, we provided \$2,378 of equity financing to Kickapoo.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Other Income				
Royalty/Net Interest	\$ 36	\$ —	\$ 36	\$ —
Total Other Income	\$ 36	\$ —	\$ 36	\$ —

MITY, Inc.

Prospect owns 100% of the equity of MITY Holdings of Delaware Inc. (“MITY Delaware”), a Consolidated Holding Company.

As of June 30, 2018, MITY Delaware owns 95.58% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) (“MITY”). Effective March 13, 2019, MITY Delaware’s equity ownership of MITY increased to 100%. MITY owns 100% of each of MITY-Lite, Inc. (“MITY-Lite”); Broda USA, Inc. (f/k/a Broda Enterprises USA, Inc.) (“Broda USA”); and Broda Enterprises ULC (“Broda Canada”). MITY is a designer, manufacturer and seller of multipurpose room furniture and specialty healthcare seating products.

During the three months ended December 31, 2016, Prospect formed a separate legal entity, MITY FSC, Inc., (“MITY FSC”) in which Prospect owns 100% of the equity. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distributes it to Prospect as its shareholder. We recognize such commission, if any, as other income.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income				
Interest Income from MITY-Lite	\$ 2,264	\$ 1,942	\$ 6,722	\$ 5,818
Interest Income from Broda Canada	—	—	—	287
Total Interest Income	\$ 2,264	\$ 1,942	\$ 6,722	\$ 6,105
Other Income				
Advisory Fee	\$ —	\$ —	\$ 293	\$ 201
Total Other Income	—	—	293	—
Managerial Assistance ⁽¹⁾	75	75	75	225

(1) No income recognized by Prospect. MA payments were paid from MITY to Prospect and subsequently remitted to PA.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income Capitalized as PIK	\$ 800	\$ 420	\$ 2,601	\$ 1,476
Repayment of loan receivable	139	—	428	—

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable ⁽³⁾	\$ 25	\$ 252
Other Receivables - Due to PA ⁽⁴⁾	—	75
Other Receivables ⁽⁵⁾	4	1

(3) Interest income recognized but not yet paid.

(4) Managerial assistance recognized but not yet paid by MITY and is included by Prospect within Other Receivable and Due to PA.

(5) Represents amounts due from MITY to Prospect for reimbursement of expenses paid by Prospect on behalf of MITY.

National Property REIT Corp.

Prospect owns 100% of the equity of NPH, a Consolidated Holding Company. NPH owns 100% of the common equity of NPRC. Effective May 23, 2016, in connection with the merger of APRC and UPRC with and into NPRC, APH and UPH merged with and into NPH, and were dissolved.

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 hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity (the "JV"). Additionally, through its wholly owned subsidiaries, NPRC invests in online consumer loans.

On July 19, 2018, Prospect purchased additional common equity of NPRC through NPH for \$6,921. NPRC utilized \$138 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). NPRC utilized \$6,697 of proceeds provided by Prospect to purchase a 90% interest in Falling Creek Holdings LLC. The remaining \$86 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for \$744. The JV utilized the total proceeds, which included debt financing of \$19,335, to acquire a \$25,000 multi-family real estate asset. The remaining proceeds were used by the JV to pay \$134 of structuring fees to NPRC, \$709 of third-party expenses, \$430 of pre-funded capital expenditures, \$312 of prepaid assets, and \$191 was retained by the JV as working capital.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
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On September 20, 2018, Prospect purchased additional common equity of NPRC through NPH for \$3,285. NPRC utilized \$66 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). NPRC applied the remaining proceeds provided by Prospect to purchase \$3,284 of additional ownership interest in a JV entity. The JV utilized the total proceeds, which included debt financing of \$7,300, to acquire a \$9,600 multi-family real estate asset. The remaining proceeds were used by the JV to pay \$79 of structuring fees to NPRC, \$277 of third-party expenses, \$20 of pre-funded capital expenditures, \$482 of prepaid assets, and \$126 was retained by the JV as working capital.

On October 19, 2018, Prospect purchased additional common equity of NPRC through NPH for \$1,376. NPRC applied the proceeds to purchase \$1,376 of additional ownership interest in multiple JV entities that own 9 multi-family properties and retained \$1 as working capital. The minority interest holder also contributed \$35 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund \$1,411 of capital expenditures.

Effective December 31, 2018, we amended and restated the terms of our credit agreement with NPRC. As part of the amendment, we increased our investment through a New Term Loan A Secured Note ("New TLA") in the aggregate principal amount of \$433,553 and a New Term Loan B Secured Note ("New TLB") in the aggregate principal amount of \$205,000. NPRC utilized a portion of the proceeds from the New TLA and New TLB to repay the previously outstanding Senior Secured Term Loan A and Senior Secured Term Loan E. The remaining proceeds of \$140,351 were returned to us as a return of capital, reducing our equity investment in NPRC.

During the year ended June 30, 2019, we provided \$10,206 of equity financing to NPRC for the acquisition of real estate properties and \$1,377 of equity financing to NPRC to fund capital expenditures for existing real estate properties.

During the year ended June 30, 2019, we received partial repayments of \$54,181 of our loans previously outstanding with NPRC and its wholly owned subsidiary and \$15,000 as a return of capital on our equity investment in NPRC.

During the nine months ended March 31, 2020, we received partial repayments of \$235,019 of our loans previously outstanding with NPRC, and provided \$19,590 of equity financing and \$78,359 of debt financing to NPRC to fund purchases of rated secured structured notes, expenses and structuring fees.

Effective October 31, 2019, we amended the terms of our credit agreement to increase our investment in NPRC and its wholly-owned subsidiaries through a new Senior Secured Term Loan C ("TLC"). During the three months ended December 31, 2019, we provided \$51,428 and \$12,857 in TLC and equity financing, respectively. NPRC used the proceeds to fund purchases of rated secured structured notes.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 19,432	\$ 17,732	\$ 52,901	\$ 58,084
Dividend Income ⁽¹⁾	—	1,000	—	21,000
Other Income				
Structuring Fee	\$ —	\$ 412	\$ 3,190	\$ 14,177
Advisory Fee	—	—	7,595	496
Royalty/Net Interest	9,231	656	21,727	4,254
Residual Profit Interest		8,266		8,266
Total Other Income	\$ 9,231	\$ 9,334	\$ 32,512	\$ 27,193
Managerial Assistance ⁽²⁾	\$ 525	\$ 525	\$ 525	\$ 1,575
Reimbursement of Legal, Tax, etc. ⁽³⁾	124	176	571	401

(1) All dividends were paid from earnings and profits.

(2) No income recognized by Prospect. MA payments were paid from NPRC to Prospect and subsequently remitted to PA.

(3) Paid from NPRC to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to NPRC (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

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(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions (4)	\$ 33,664	\$ —	\$ 97,949	\$ 11,583
Repayment of loan receivable	142,019	33,000	235,019	54,181

(4) During the nine months ended March 31, 2019, we provided \$10,206 of equity financing to NPRC for the acquisition of real estate properties and \$1,377 of equity financing to NPRC to fund capital expenditures for existing real estate properties. During the nine months ended March 31, 2020, we provided \$6,733 of equity financing to NPRC and its wholly-owned subsidiaries to support investments in collateralized loan obligations.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (5)	\$ 51	\$ 4,565
Other Receivables - Due to PA (6)	—	2,100
Other Receivables (7)	15	32

(5) Interest income recognized but not yet paid.

(6) Managerial assistance recognized but not yet paid by NPRC and is included by Prospect within Other Receivable and Due to PA.

(7) Represents amounts due from NPRC to Prospect for reimbursement of expenses paid by Prospect on behalf of NPRC.

Nationwide Loan Company LLC

Prospect owns 100% of the membership interests of Nationwide Acceptance Holdings LLC (“Nationwide Holdings”), a Consolidated Holding Company. Nationwide Holdings owns 94.48% of the equity of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC) (“Nationwide”), with members of Nationwide management owning the remaining equity.

On October 31, 2017, Prospect made an additional equity investment totaling \$3,779, and Prospect’s ownership in Nationwide did not change.

On March 24, 2020, Prospect received distributions of \$1,500 that were paid from Nationwide Holdings to Prospect and were recognized as a return of capital by Prospect.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 988	\$ 901	\$ 2,918	\$ 2,688
Dividend Income (1)	—	—	—	165
Managerial Assistance (2)	100	100	200	300

(1) All dividends were paid from earnings and profits of Nationwide.

(2) No income recognized by Prospect. MA payments were paid from Nationwide to Prospect and subsequently remitted to PA.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income Capitalized as PIK	\$ 167	\$ 294	\$ 971	\$ 738

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (3)	\$ 11	\$ —
Other Receivables - Due to PA (4)	—	100
Other Receivables (5)	5	4

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

(3) Interest income recognized but not yet paid.

(4) Managerial assistance recognized but not yet paid by Nationwide and is included by Prospect within Other Receivable and Due to PA.

(5) Represents amounts due from Nationwide to Prospect for reimbursement of expenses paid by Prospect on behalf of Nationwide.

NMMB, Inc.

Prospect owns 100% of the equity of NMMB Holdings, Inc. (“NMMB Holdings”), a Consolidated Holding Company. NMMB Holdings owns 92.50% and 94.10% of the fully-diluted equity of NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) (“NMMB”) as of March 31, 2020 and June 30, 2019, with NMMB management owning the remaining 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 December 30, 2019, NMMB executed a dividend recapitalization whereby Prospect invested \$15,100 of a first lien term loan to repay NMMB’s existing term loan, provide a shareholder distribution, and pay fees and expenses. As part of the recapitalization, Prospect converted its Series A and Series B preferred securities into 92.42% common equity and received a dividend distribution of \$2,797.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income				
Interest Income from Armed Forces	\$ —	\$ 99	\$ —	\$ 415
Interest Income from NMMB	380	130	518	397
Total Interest Income	\$ 380	\$ 229	\$ 518	\$ 812
Dividend Income (1)	\$ —	\$ —	\$ 2,797	\$ —
Other Income				
Structuring Fee	\$ —	\$ —	\$ 453	\$ —
Total Other Income	\$ —	\$ —	\$ 453	\$ —
Managerial Assistance (1)	\$ 100	\$ 100	\$ 100	\$ 300

(1) No income recognized by Prospect. MA payments were paid from NMMB to Prospect and subsequently remitted to PA.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions	—	—	15,100	—
Repayment of loan receivable				
Repayment from Armed Forces	\$ —	\$ 3,000	\$ 3,114	\$ 4,000
Repayment from NMMB	10,038	—	10,038	—
Total Repayment of loan receivable (2)	\$ 10,038	\$ 3,000	\$ 13,152	\$ 4,000

(2) During the nine months ended March 31, 2020, Prospect received partial repayments totaling \$10,038 for our Senior Secured Notes outstanding with NMMB, Inc.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (3)	\$ 1	\$ 4
Other Receivables - Due to PA (4)	—	100
Other Receivables (5)	2	—

(3) Interest income recognized but not yet paid.

(4) Managerial assistance recognized but not yet paid by NMMB and is included by Prospect within Other Receivable and Due to PA.

(5) Represents amounts due from Nationwide to Prospect for reimbursement of expenses paid by Prospect on behalf of Nationwide.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Pacific World Corporation

On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of Pacific World Corporation (“Pacific World”) and to appoint a new Board of Directors of Pacific World. As a result, as of June 30, 2018, Prospect’s investment in Pacific World is classified as a control investment.

On June 15, 2018, we made a \$15,000 convertible preferred equity investment in Pacific World.

During the year ended June 30, 2019, we funded \$9,000 in revolver draws and received \$9,250 in repayments from Pacific World.

During the year ended June 30, 2019, we made an additional \$10,000 convertible preferred equity investment in Pacific World.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ —	\$ 498	\$ 527	\$ 3,751

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions (1)	\$ 3,000	\$ 4,000	\$ 12,456	\$ 9,000
Repayment of loan receivable (2)	4,923	—	4,923	5,250

(1) During the nine months ended March 31, 2020, Prospect provided \$12,100 of equity financing to Pacific World to fund working capital needs.

(2) During the nine months ended March 31, 2020, Prospect received partial repayment totaling \$1,200 for the Revolving Line of Credit. During the three months ended March 31, 2020, a portion of litigation proceeds received were used to partially repay \$3,723 of the Senior Secured term Loan A outstanding with Pacific World.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (3)	\$ —	\$ —
Other Receivables (4)	—	46

(3) Interest income recognized but not yet paid.

(4) Represents amounts due from Pacific World to Prospect for reimbursement of expenses paid by Prospect on behalf of Pacific World.

R-V Industries, Inc.

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.

During the year ended June 30, 2017, cash distributions of \$76 that were declared and paid from R-V to Prospect were recognized as a return of capital by Prospect.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 770	\$ 839	\$ 2,360	\$ 2,467
Managerial Assistance (1)	45	45	45	135
Reimbursement of Legal, Tax, etc.(2)	—	1	12	1

(1) No income recognized by Prospect. MA payments were paid from R-V to Prospect and subsequently remitted to PA.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

(2) Paid from R-V to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to R-V (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (3)	\$ 8	\$ 9
Other Receivables - Due to PA (4)	—	46

(3) Interest income recognized but not yet paid.

(4) Managerial assistance recognized but not yet paid by R-V and is included by Prospect within Other Receivable and Due to PA.

SB Forging Company, Inc.

As of June 30, 2014, Prospect owned 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100% of the Series B Preferred equity of ARRM Services, Inc. (f/k/a ARRM Holdings, Inc.) (“ARRM”). ARRM owned 100% of the equity of Ajax Rolled Ring & Machine, LLC (f/k/a Ajax Rolled Ring & Machine, Inc.) (“Ajax”). 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.

SB Forging Company II, Inc. (f/k/a 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 June 28, 2017, Gulf Coast was renamed to SB Forging Company II, Inc.

On November 14, 2017, we received proceeds of \$1,363 from our insurance carrier related to our investment in Gulfco. The \$1,363 reimbursed us for covered third-party legal expenses incurred and expensed in prior periods, for which we recorded the amount received as a reduction to our legal fees for the current period. Prospect Administration also received \$1,430 from the insurance carrier related to covered legal services provided by Prospect Administration which was recorded as a reduction of allocation of overhead from Prospect Administration.

In June 2018, SB Forging Company II, Inc. received escrow proceeds of \$2,050 related to the sale. The escrow proceeds and \$154 of excess cash held at SB Forging Company II, Inc. were subsequently distributed and in connection with the liquidation of our investment, we recorded a realized gain of \$2,204 in our *Consolidated Statement of Operations* during the year ended June 30, 2019.

Universal Turbine Parts, LLC

On December 10, 2018, UTP Holdings Group, Inc. (“UTP Holdings”) purchased all of the voting stock of Universal Turbine Parts, LLC (“UTP”) and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly-owned holding company controlled by Prospect and therefore Prospect’s investment in UTP is classified as a control investment.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income	\$ 637	\$ 671	\$ 1,903	\$ 1,325
Other Income				
Structuring Fee	\$ —	N/A	\$ 100	N/A
Total Other Income	\$ —	N/A	\$ —	N/A
Managerial Assistance (2)	3	1	6	1

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions ⁽¹⁾	\$ 1,900	\$ —	\$ 2,900	\$ —
Repayment of loan receivable	167	163	494	325

(1) During the nine months ended March 31, 2020, Prospect provided \$2,900 of Delayed Draw Term Loan financing to UTP.

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable ⁽⁴⁾	\$ 7	\$ —
Other Receivables - Due to PA ⁽²⁾	—	3
Other Receivables ⁽³⁾	1	1

(2) Managerial assistance recognized but not yet paid by UTP and is included by Prospect within Other Receivable and Due to PA.

(3) Represents amounts due from UTP to Prospect for reimbursement of expenses paid by Prospect on behalf of UTP.

USES Corp.

On June 15, 2016, we provided additional \$1,300 debt financing to USES Corp. (“USES”) and its subsidiaries in the form of additional Term Loan A debt and, in connection with such Term Loan A debt financing, USES issued to us 99,900 shares of its common stock. On June 29, 2016, we provided additional \$2,200 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt and, in connection with such Term Loan A debt financing, USES issued to us 169,062 shares of its common stock. As a result of such debt financing and recapitalization, as of June 29, 2016, we held 268,962 shares of USES common stock representing a 99.96% common equity ownership interest in USES. As such, USES became a controlled company on June 30, 2016.

During the year ended June 30, 2018, Prospect provided additional \$3,000 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

During the year ended June 30, 2018, we entered into a participation agreement with USES management, and sold \$3 of Prospect’s investment in the Term Loan A debt.

During the six months ended December 31, 2018, Prospect provided additional \$3,500 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

During the year ended June 30, 2019, Prospect provided additional \$3,500 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions ⁽¹⁾	\$ —	\$ —	\$ 1,500	\$ 3,500
Repayment of loan receivable	—	—	5,950	—

(1) During the nine months ended March 31, 2020, Prospect provided \$1,500 of equity financing to USES to fund capital expenditures and repayment of accounts payable.

	As of	
	March 31, 2020	June 30, 2019
Other Receivables - Due to PA ⁽²⁾	\$ —	\$ 925

(2) Represents amounts due from USES to Prospect for reimbursement of expenses paid by Prospect on behalf of USES.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Valley Electric Company, Inc.

Prospect owns 100% of the common stock of Valley Electric Holdings I, Inc. ("Valley Holdings I"), a Consolidated Holding Company. Valley Holdings I owns 100% of Valley Electric Holdings II, Inc. ("Valley Holdings II"), a Consolidated Holding Company. 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 United States.

During the six months ended December 31, 2018, Prospect provided \$5,100 of additional debt financing to Valley Electric.

During the nine months ended March 31, 2020, distributions of \$3,329 that were declared and paid from Valley to Prospect were recognized as a return of capital by Prospect. During the three months ended March 31, 2020, a portion of the distributions in the amount of \$2,267 was reclassified as dividend income.

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest Income				
Interest Income from Valley	\$ 278	\$ 274	\$ 838	\$ 834
Interest Income from Valley Electric	1,498	1,480	4,494	4,286
Total Interest Income	\$ 1,776	\$ 1,754	\$ 5,332	\$ 5,120
Dividend Income (1)	\$ 2,267	\$ 2,612	\$ 6,538	\$ 10,112
Other Income				
Structuring Fee	\$ —	\$ —	\$ —	\$ 153
Royalty/Net Interest	167	164	500	483
Total Other Income	\$ 167	\$ 164	\$ 500	\$ 636
Managerial Assistance (2)	\$ 150	\$ 150	\$ 150	\$ 375
Reimbursement of Legal, Tax, etc. (3)	—	—	29	—

(1) All dividends were paid from earnings and profits.

(2) No income recognized by Prospect. MA payments were paid from Valley Electric to Prospect and subsequently remitted to PA.

(3) Paid from Valley to PA as reimbursement for legal, tax, and portfolio level accounting services provided directly to Valley (No direct income recognized by Prospect, but we were given a credit for these payments as a reduction to the administrative services payable by Prospect to PA).

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Additions	\$ —	\$ —	\$ —	\$ 5,100
Repayment of loan receivable	(2,267)	—	1,062	—

	As of	
	March 31, 2020	June 30, 2019
Interest Receivable (4)	\$ 20	\$ 17
Other Receivables (5)	12	9

(4) Interest income recognized but not yet paid.

(5) Represents amounts due from Valley Electric to Prospect for reimbursement of expenses paid by Prospect on behalf of Valley Electric.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Wolf Energy, LLC

Prospect owns 100% of the equity of Wolf Energy Holdings Inc. (“Wolf Energy Holdings”), a Consolidated Holding Company. Wolf Energy Holdings owns 100% of each of Appalachian Energy LLC (f/k/a Appalachian Energy Holdings, LLC) (“AEH”); Coalbed, LLC (“Coalbed”); and Wolf Energy, LLC (“Wolf Energy”). AEH owns 100% of C&S Operating, 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 those operations. On June 30, 2012, AEH and Coalbed loans, with a cost basis of \$7,991, were assigned by Prospect to Wolf Energy Holdings from Manx.

During the six months ended December 31, 2018, Wolf Energy Services received \$58 from the sale of assets.

In December 2019, Wolf Energy Holdings, Inc. (“Wolf Energy Holdings”), our Consolidated Holding Company that previously owned 100% of Appalachian Energy LLC (“AEH”); Wolf Energy Services Company, LLC (Wolf Energy Services”); and Wolf Energy, LLC (collectively our previously controlled membership interest and net profit interest investments in “Wolf Energy”), merged with and into CP Energy, with CP Energy continuing as the surviving entity. CP Energy acquired 100% of our equity in Wolf Energy, which is reflected in our valuation of CP Energy common stock as of December 31, 2019. During the six months ended December 31, 2019, the cost basis in Wolf Energy Holdings of \$3,914 was transferred to CP Energy.

During the nine months ended March 31, 2020, cash distributions of \$18 that were declared and paid from Wolf to Prospect were recognized as a return of capital by Prospect.

	As of	
	March 31, 2020	June 30, 2019
Other Receivables - Due to PA ⁽¹⁾	\$ —	\$ 41
Other Receivables ⁽²⁾	—	15

(1) Managerial assistance recognized but not yet paid by Wolf and is included by Prospect within Other Receivable and Due to PA.

(2) Represents amounts due from Wolf to Prospect for reimbursement of expenses paid by Prospect on behalf of Wolf.

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 such matters as may 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.

In 2018, Prospect and Pacific World filed lawsuits against certain third parties in connection with a loan Prospect made to Pacific World in 2014. During the quarter ended March 31, 2020, these and certain related matters were settled, and Prospect received \$11,000 in settlement proceeds. The settlement was a voluntary compromise of the lawsuits, and none of the defendants admitted or acknowledged any wrongdoing.

We are not aware of any material legal proceedings as of March 31, 2020.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Note 16. Financial Highlights

The following is a schedule of financial highlights for the three and nine months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Per Share Data				
Net asset value at beginning of period	\$ 8.66	\$ 9.02	\$ 9.01	\$ 9.35
Net investment income ⁽¹⁾	0.19	0.21	0.56	0.67
Net realized and change in unrealized (losses) gains ⁽¹⁾	(0.70)	0.03	(1.05)	(0.38)
Net (decrease) increase from operations	(0.51)	0.24	(0.49)	0.29
Distributions of net investment income	(0.18)	(0.18)	(0.54)	(0.54)
Common stock transactions ⁽²⁾	— ⁽⁴⁾	— ⁽⁴⁾	(0.01)	(0.02)
Net asset value at end of period	\$ 7.98 ⁽⁵⁾	\$ 9.08	\$ 7.98 ⁽⁵⁾	\$ 9.08
Per share market value at end of period	\$ 4.25	\$ 6.52	\$ 4.25	\$ 6.52
Total return based on market value ⁽³⁾	(31.99%)	6.16%	(29.18%)	5.21%
Total return based on net asset value ⁽³⁾	(5.04%)	3.42%	(3.63%)	5.15%
Shares of common stock outstanding at end of period	367,817,926	366,884,974	367,817,926	366,884,974
Weighted average shares of common stock outstanding	367,685,511	366,590,492	367,460,412	365,648,290
Ratios/Supplemental Data				
Net assets at end of period	\$ 2,933,375	\$ 3,331,815	\$ 2,933,375	\$ 3,331,815
Portfolio turnover rate	5.12%	0.62%	15.31%	7.16%
Annualized ratio of operating expenses to average net assets	11.25%	11.32%	11.39%	11.72%
Annualized ratio of net investment income to average net assets	8.96%	9.32%	8.72%	9.63%

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

The following is a schedule of financial highlights for each of the five years ended in the period ended June 30, 2019:

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Per Share Data					
Net asset value at beginning of year	\$ 9.35	\$ 9.32	\$ 9.62	\$ 10.31	\$ 10.56
Net investment income ⁽¹⁾	0.85	0.79	0.85	1.04	1.03
Net realized and change in unrealized (losses) gains ⁽¹⁾	(0.46)	0.04	(0.15)	(0.75)	(0.05)
Net increase from operations	0.39	0.83	0.70	0.29	0.98
Distributions of net investment income	(0.72)	(0.77)	(1.00)	(1.00)	(1.19)
Common stock transactions ⁽²⁾	(0.01)	(0.03)	— ⁽⁴⁾	0.02	(0.04)
Net asset value at end of year	\$ 9.01	\$ 9.35	\$ 9.32	\$ 9.62	\$ 10.31
Per share market value at end of year	\$ 6.53	\$ 6.71	\$ 8.12	\$ 7.82	\$ 7.37
Total return based on market value ⁽³⁾	8.23%	(7.42%)	16.80%	21.84%	(20.84%)
Total return based on net asset value ⁽³⁾	7.17%	12.39%	8.98%	7.15%	11.47%
Shares of common stock outstanding at end of year	367,131,025	364,409,938	360,076,933	357,107,231	359,090,759
Weighted average shares of common stock outstanding	365,984,541	361,456,075	358,841,714	356,134,297	353,648,522
Ratios/Supplemental Data					
Net assets at end of year	\$ 3,306,275	\$ 3,407,047	\$ 3,354,952	\$ 3,435,917	\$ 3,703,049
Portfolio turnover rate	10.86%	30.70%	23.65%	15.98%	21.89%
Ratio of operating expenses to average net assets	11.65%	11.08%	11.57%	11.95%	11.66%
Ratio of net investment income to average net assets	9.32%	8.57%	8.96%	10.54%	9.87%

- (1) Per share data amount is based on the weighted average number of common shares outstanding for the year/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, shares issued to acquire investments and shares repurchased below net asset value pursuant to our Repurchase Program.
- (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. For periods less than a year, total return is not annualized.
- (4) Amount is less than \$0.01.
- (5) Does not foot due to rounding.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

Note 17. Selected Quarterly Financial Data (Unaudited)

The following table sets forth selected financial data for each quarter within the three years ending June 30, 2020:

Quarter Ended	Investment Income		Net Investment Income		Net Realized and Unrealized (Losses) Gains		Net Increase (Decrease) in Net Assets from Operations	
	Total	Per Share (1)	Total	Per Share (1)	Total	Per Share (1)	Total	Per Share (1)
September 30, 2017	\$ 158,579	\$ 0.44	\$ 63,732	\$ 0.18	\$ (51,759)	\$ (0.15)	\$ 11,973	\$ 0.03
December 31, 2017	162,400	0.45	73,192	0.20	48,535	0.14	121,727	0.34
March 31, 2018	162,835	0.45	70,446	0.19	(18,587)	(0.04)	51,859	0.14
June 30, 2018	174,031	0.48	79,480	0.22	34,823	0.09	114,304	0.31
September 30, 2018	\$ 180,422	\$ 0.49	\$ 85,159	\$ 0.23	\$ (1,364)	\$ — (2)	\$ 83,795	\$ 0.23
December 31, 2018	187,883	0.51	80,811	0.22	(148,200)	(0.40)	(67,389)	(0.18)
March 31, 2019	171,109	0.47	77,262	0.21	11,933	0.03	89,195	0.24
June 30, 2019	164,353	0.45	69,627	0.19	(30,741)	(0.08)	38,886	0.11
September 30, 2019	\$ 161,883	\$ 0.44	\$ 71,060	\$ 0.19	\$ (52,995)	\$ (0.14)	\$ 18,065	\$ 0.05
December 31, 2019	161,917	0.44	67,885	0.18	(79,088)	(0.21)	(11,203)	(0.03)
March 31, 2020	154,501	0.42	68,476	0.19	(254,175)	(0.70)	(185,699)	(0.51)

(1) Per share amounts are calculated using the weighted average number of common shares outstanding for the period presented. As such, the sum of the quarterly per share amounts above will not necessarily equal the per share amounts for the fiscal year.

(2) Amount is less than \$0.01.

Note 18. Subsequent Events

During the period from April 1, 2020 through May 7, 2020 we issued \$2,767 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$2,730.

On April 2, 2020, we made a new Second Lien Term Loan investment of \$10,000 in AmeriLife Holdings, LLC, an independent marketing organization specializing in the marketing and distribution of senior life insurance, health insurance, and fixed annuity policies, in support of an acquisition of the business.

On April 13, 2020, the Company elected to rely upon, and be subject to (the “Election”), section II of the Order Under Sections 6(c), 17(d), 38(a) and 57(i) of the Investment Company Act of 1940 and Rule 17d-1 Thereunder Granting Exemptions from Specified Provisions of the Investment Company Act and Certain Rules Thereunder, 1940 Act Release No. 33837 (Apr. 8, 2020) (the “April 2020 Order”). The Election affords the Company greater flexibility in calculating its asset coverage ratios for purposes of sections 18(a)(1)(A) and 18(a)(2)(A) of the 1940 Act (as modified by sections 61(a)(1) and 61(a)(2) of the 1940 Act) (the “Asset Coverage Requirements”). The Election does not change the Asset Coverage Requirements; however, it does change the manner in which the Company is permitted to calculate these ratios under section 18(b) of the 1940 Act. Under the April 2020 Order, the Company can use a modified formula to calculate its asset coverage ratios for purposes of the Asset Coverage Requirements and, in doing so, can rely in part on the fair value of its assets as of December 31, 2019. The overall effect of the Election is to make it easier for the Company to meet its applicable asset coverage ratios for purposes of the Asset Coverage Requirements, as well as for purposes of covenants referencing the Asset Coverage Requirements. The Election is effective through December 31, 2020 unless the Company withdraws it earlier.

On April 15, 2020, we repaid the outstanding principal amount of \$127,711 of the 2020 Senior Convertible Notes, plus interest.

On April 17, 2020, the Board of Directors approved amendments to our dividend reinvestment plan, effective May 21, 2020, that principally provide for the number of newly-issued shares of our common stock used to implement reinvestment of dividends and distributions to be determined by dividing the total dollar amount of the distribution payable to such stockholder by 95% of the market price per share of our common stock at the close of regular trading on the NASDAQ Global Select Market on the valuation date fixed by the Board of Directors for such distribution.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(Continued)
(in thousands, except share and per share data)

On March 30, 2020, the Company's Board of Directors approved, and on May 5, 2020, at a special meeting of the Company's stockholders, the Company's stockholders approved, the application to the Company of the reduced Asset Coverage Requirements in Section 61(a) of the 1940 Act. The application of the reduced Asset Coverage Requirement, which became effective on May 6, 2020, permits the Company, provided certain requirements are satisfied, to double the maximum amount of leverage that it is permitted to incur by reducing the Asset Coverage Requirement applicable to the Company from 200% to 150% (a 2:1 debt to equity ratio, as opposed to a 1:1 debt to equity ratio), as provided for in Section 61(a)(2) of the 1940 Act, a successor provision to Section 61(a)(1) of the 1940 Act.

On April 20, 2020, the Company filed its notice of meeting and definitive proxy statement in connection with a special meeting of the Company's stockholders that is scheduled to be held on June 12, 2020 for the purpose of asking the Company's stockholders to vote on a proposal to authorize the Company, with approval of its Board of Directors, to sell shares of its common stock (during the next 12 months) at a price or prices below the Company's then current net asset value per share in one or more offerings subject to certain conditions.

The Company has been closely monitoring the Wuhan Virus pandemic, its broader impact on the global economy and the more recent impacts on the U.S. economy. As of May 11, 2020, there is no indication of a reportable subsequent event impacting the Company's consolidated financial statements for the three months ended March 31, 2020. The Company continues to observe and respond to the evolving Wuhan Virus environment and its potential impact on areas across its business.

On May 11, 2020, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- \$0.06 per share for May 2020 to holders of record on May 29, 2020 with a payment date of June 18, 2020.
- \$0.06 per share for June 2020 to holders of record on June 30, 2020 with a payment date of July 23, 2020.
- \$0.06 per share for July 2020 to holders of record on July 31, 2020 with a payment date of August 20, 2020.
- \$0.06 per share for August 2020 to holders of record on August 31, 2020 with a payment day of September 17, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(All figures in this item are in thousands except share, per share and other data.)

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Quarterly Report. In addition to historical information, the following discussion and other parts of this Quarterly Report contain forward-looking information that involves risks and uncertainties. Our actual results may differ significantly from any results expressed or implied by these forward-looking statements due to the factors discussed in Part II, "Item 1A. Risk Factors" and "Forward-Looking Statements" appearing elsewhere herein.

Overview

The terms "Prospect," "the Company," "we," "us" and "our" mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise.

Prospect is a financial services company that primarily lends to and invests in middle market privately-held companies. 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 "Code"). We were organized on April 13, 2004, and were funded in an initial public offering completed on July 27, 2004.

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 small business whole loans on a recurring basis from online small business loan originators, including On Deck Capital, Inc. ("OnDeck"). On September 30, 2014, we formed a wholly owned subsidiary Prospect Yield Corporation, LLC ("PYC") and effective October 23, 2014, PYC holds a portion of our investments in Rated Secured Structured Notes ("RSSN") and Subordinated Structured Notes ("SSN") (collectively referred to as "collateralized loan obligations" or "CLOs"). Each of these subsidiaries have been consolidated since operations commenced.

We consolidate certain of our wholly owned and substantially wholly owned holding companies formed by us in order to facilitate our investment strategy. The following companies are included in our consolidated financial statements and are collectively referred to as the "Consolidated Holding Companies": CP Holdings of Delaware LLC ("CP Holdings"); Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"); Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC ("First Tower Delaware"); MITY Holdings of Delaware Inc. ("MITY Delaware"); Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc. ("NMMB Holdings"); NPH Property Holdings, LLC ("NPH"); STI Holding, Inc.; UTP Holdings Group Inc. ("UTP Holdings"); Valley Electric Holdings I, Inc. ("Valley Holdings I"); and Valley Electric Holdings II, Inc. ("Valley Holdings II").

We are externally managed by our investment adviser, Prospect Capital Management L.P. ("Prospect Capital Management" or the "Investment Adviser"). Prospect Administration LLC ("Prospect Administration"), a wholly owned subsidiary of the Investment Adviser, provides administrative services and facilities necessary for us to operate.

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We invest primarily in senior and subordinated debt and equity of private companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro forma cash flows.

We currently have nine strategies that guide our origination of investment opportunities: (1) lending to companies controlled by private equity sponsors, (2) lending to companies not controlled by private equity sponsors, (3) purchasing controlling equity positions and lending to operating companies, (4) purchasing controlling equity positions and lending to financial services companies, (5) purchasing controlling equity positions and lending to real estate companies, (6) purchasing controlling equity positions and lending to aircraft leasing companies, (7) investing in structured credit, (8) investing in syndicated debt, and (9) investing in consumer and small business loans and asset-backed securitizations. We may also invest in other strategies and opportunities from time to time that we view as attractive. We continue to evaluate other origination strategies in the ordinary course of business with no specific top-down allocation to any single origination strategy.

Lending to Companies Controlled by Private Equity Sponsors - We make agented loans to companies which are controlled by private equity sponsors. This debt can take the form of first lien, second lien, unitranche or unsecured loans. These loans typically have equity subordinate to our loan position. Historically, this strategy has comprised approximately 25%-50% of our portfolio.

Lending to Companies not Controlled by Private Equity Sponsors - We make loans to companies which are not controlled by private equity sponsors, such as companies that are controlled by the management team, the founder, a family or public shareholders. This origination strategy may have less competition to provide debt financing than the private-equity-sponsor origination strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. This origination strategy can result in investments with higher returns or lower leverage than the private-equity-sponsor origination strategy. Historically, this strategy has comprised less than 5% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Operating Companies - This strategy involves purchasing yield-producing debt and controlling equity positions in non-financial-services operating companies. We believe that we can provide enhanced certainty of closure and liquidity to sellers and we look for management to continue on in their current roles. This strategy has comprised approximately 5%-10% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Financial Services Companies - This strategy involves purchasing yield-producing debt and control equity investments in financial services companies, including consumer direct lending, sub-prime auto lending and other strategies. These investments are often structured in tax-efficient partnerships, enhancing returns. This strategy has comprised approximately 5%-15% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Real Estate Companies - We purchase debt and controlling equity positions in tax-efficient real estate investment trusts ("REIT" or "REITs"). The real estate investments of National Property REIT Corp. ("NPRC") are in various classes of developed and occupied real estate properties that generate current yields, including multi-family properties, student housing, and self-storage. NPRC seeks to identify properties that have historically significant occupancy rates and recurring cash flow generation. NPRC generally co-invests with established and experienced property management teams that manage such properties after acquisition. Additionally, NPRC purchases loans originated by certain consumer loan facilitators. It purchases each loan in its entirety (i.e., a "whole loan"). The borrowers are consumers, and the loans are typically serviced by the facilitators of the loans. This investment strategy has comprised approximately 10%-20% of our business.

Purchasing Controlling Equity Positions and Lending to Aircraft Leasing Companies - We invest in debt as well as equity in companies with aircraft assets subject to commercial leases to airlines across the globe. We believe that these investments can present attractive return opportunities due to cash flow consistency from long-term leases coupled with hard asset residual value. We believe that these investment companies seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across a variety of aircraft types and vintages. This strategy historically has comprised less than 5% of our portfolio.

Investing in Structured Credit - We make investments in CLOs, often taking a significant position in the subordinated interests (equity) and debt of the CLOs. The underlying portfolio of each CLO investment is diversified across approximately 100 to 200 broadly syndicated loans and does not have direct exposure to real estate, mortgages, or consumer-based credit assets. The CLOs in which we invest are managed by established collateral management teams with many years of experience in the industry. This strategy has comprised approximately 10%-20% of our portfolio.

Investing in Syndicated Debt - On a primary or secondary basis, we purchase primarily senior and secured loans and high yield bonds that have been sold to a club or syndicate of buyers. These investments are often purchased with a long term, buy-and-hold outlook, and we often look to provide significant input to the transaction by providing anchoring orders. This strategy has comprised approximately 10%-25% of our portfolio.

Investing in Consumer and Small Business Loans and Asset-Backed Securitizations - We purchase loans originated by certain consumer and small-and-medium-sized business ("SME") loan platforms. We generally purchase each loan in its entirety (i.e., a "whole loan") and we invest in asset-backed securitizations collateralized by consumer or small business loans. The borrowers are consumers and SMEs and the loans are typically serviced by the platforms of the loans. This investment strategy has comprised up to approximately 0% of our portfolio.

We invest primarily in first and second lien secured loans and unsecured debt, which in some cases includes an equity component. First and second lien secured loans generally are senior debt instruments that rank ahead of unsecured debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Our investments in CLOs are subordinated to senior loans and are generally unsecured. We invest in debt and equity positions of CLOs which are a form of securitization in which the cash flows of a portfolio of loans are pooled and passed on to different classes of owners in various tranches. Our CLO investments are derived from portfolios of corporate debt securities which are generally risk rated from BB to B.

We hold many of our control investments in a two-tier structure consisting of a holding company and one or more related operating companies for tax purposes. These holding companies serve various business purposes including concentration of management teams, optimization of third-party borrowing costs, improvement of supplier, customer, and insurance terms, and enhancement of co-investments by the management teams. In these cases, our investment, which is generally equity in the holding company, the holding company's equity investment in the operating company and any debt from us directly to the operating company structure represents our total exposure for the investment. As of March 31, 2020, as shown in our *Consolidated Schedule of Investments*, the cost basis and fair value of our investments in controlled companies was \$2,290,680 and \$2,208,472, respectively. This structure gives rise to several of the risks described in our public documents and highlighted elsewhere in this Quarterly Report. We consolidate all wholly owned and substantially wholly owned holding companies formed by us for the purpose of holding our controlled investments in operating companies. There is no significant effect of consolidating these holding companies as they hold minimal assets other than their investments in the controlled operating companies. Investment company accounting prohibits the consolidation of any operating companies.

Third Quarter Highlights

Investment Transactions

We seek to be a long-term investor with our portfolio companies. During the three months ended March 31, 2020, we acquired \$339,790 of new investments, completed follow-on investments in existing portfolio companies totaling approximately \$42,325, funded \$6,296 of revolver advances, and recorded paid in kind ("PIK") interest of \$13,959, resulting in gross investment originations of \$402,370. During the three months ended March 31, 2020, we received full repayments totaling \$66,435, received \$1,500 of revolver paydowns, and received several partial prepayments, scheduled principal amortization payments, and return of capital distributions, resulting in net repayments of \$266,510.

Debt Issuances and Redemptions

During the three months ended March 31, 2020, we repaid \$1,072 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. In order to replace short maturity debt with longer-term debt, we redeemed prior to maturity \$15,634 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.85%. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the three months ended March 31, 2020 was \$156.

During the three months ended March 31, 2020, we issued \$66,856 aggregate principal amount of Prospect Capital InterNotes® with a stated and weighted average interest rate of 4.17%, to extend our borrowing base. The newly issued notes mature between January 15, 2025 and March 15, 2030 and generated net proceeds of \$65,786.

On December 23, 2019, we commenced two separate tender offers to purchase for cash (i) up to \$10,000 aggregate principal amount of the convertible notes that mature on April 15, 2020 ("2020 Notes December Tender Offer"), of which \$175,037 aggregate principal amount of the 2020 Notes were then outstanding, and (ii) up to \$25,000 aggregate principal amount of the convertible notes that mature on July 15, 2022 ("2022 Notes December Tender Offer", and together with the 2020 Notes December Tender Offer, the "December Tender Offers"), of which \$292,127 aggregate principal amount of the 2022 Notes were then outstanding. On January 22, 2020, we announced the expiration and results of the December Tender Offers. On January 27, 2020, \$2,215 aggregate principal amount of the 2020 Notes, representing 1.3% of the previously outstanding 2020 Notes, and \$1,302 aggregate principal amount of the 2022 Notes, representing 0.5% of the previously outstanding 2022 Notes, were validly tendered and accepted. The December Tender Offers resulted in our recognizing a loss of \$14 and \$51 for the 2020 Notes and 2022 Notes, respectively. The December Tender Offers each expired at 12:00 midnight, New York City time, on January 22, 2020 (one minute after 11:59 p.m. New York City time, on January 21, 2020).

During the three months ended March 31, 2020, we repurchased an additional \$45,111 aggregate principal amount of the 2020 Notes at a weighted average price of 100.5 including commissions. As a result of this transaction, we recorded a loss of \$220, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

During the three months ended March 31, 2020, we repurchased an additional \$32,585 aggregate principal amount of the 2022 Notes at a weighted average price of 89.1 including commissions. As a result of this transaction, we recorded a gain of \$3,045, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs.

On March 20, 2020, we commenced a tender offer to purchase for cash any and all of the \$234,443 aggregate principal amount of the unsecured notes that mature on June 15, 2024 (“2024 Notes March Tender Offer”). On March 31, 2020, \$655 aggregate principal amount of the 2024 Notes, representing 0.3% of the previously outstanding 2024 Notes, were validly tendered and accepted. The 2024 Notes March Tender Offer, resulted in our recognizing a gain of \$203 during the three months ended March 31, 2020.

Equity Issuances

On January 23, 2020, February 20, 2020, and March 19, 2020 we issued 74,108, 72,405, and 87,169 shares of our common stock in connection with the dividend reinvestment plan, respectively.

Leverage

The amount of leverage we intend to use in any period depends on a number of factors, including cash on-hand available for investing, the cost of financing and general economic and market conditions. Prior to the Small Business Credit Availability Act being signed into law, a BDC generally was not permitted to incur indebtedness unless immediately after such borrowing it has an asset coverage for total borrowings of at least 200%. The Small Business Credit Availability Act, signed into law on March 23, 2018, contains a provision that grants a BDC the option, subject to certain conditions and disclosure obligations, to reduce the asset coverage requirement to 150% (a 2:1 debt to equity ratio, as opposed to a 1:1 debt to equity ratio). Our Board of Directors and stockholders have approved the decreased asset coverage ratio, which became effective on May 6, 2020.

On April 8, 2020, in connection with the outbreak of the Wuhan Virus pandemic, the SEC issued an Order Under Sections 6(c), 17(d), 38(a) and 57(i) of the Investment Company Act of 1940 and Rule 17d-1 Thereunder Granting Exemptions from Specified Provisions of the Investment Company Act and Certain Rules Thereunder, the 1940 Act Release No. 33837 (Apr. 8, 2020) (the “April 2020 Order”), which provides exemptions from certain requirements of the 1940 Act. Section II of the April 2020 Order (i) affords BDCs greater flexibility in calculating asset coverage ratios for purposes of the 1940 Act asset coverage requirements, (ii) requires a BDC’s board of directors, including a required majority of such board, as defined in Section 57(o) of the 1940 Act, to determine that the issuance or sale of covered senior securities is permitted by this April 2020 Order and is in the best interests of the BDC and its stockholders, (iii) requires prior disclosure on Form 8-K of an election to rely on Section II of the April 2020 Order (an “Election”), and (iv) includes certain limitations on new investments, among other requirements detailed in the April 2020 Order.

The Company’s Board of Directors, including a required majority of the Board (as defined in section 57(o) of the 1940 Act), approved the Election on April 13, 2020. In approving the Election the Board of Directors considered, among other things, the conditions to rely on and be subject to the April 2020 Order and determined that the issuance and sale of the Company’s senior securities is permitted by the April 2020 Order and is in the best interests of the Company and its stockholders. The Election permits us to use a modified formula to calculate our asset coverage ratios for purposes of the 1940 Act asset coverage requirements and, in doing so, permits us to rely in part on the fair value of our assets as of December 31, 2019. The overall effect of the Election is to make it easier for us to meet our applicable asset coverage ratios for purposes of the 1940 Act asset coverage requirements, as well as for purposes of covenants referencing the 1940 Act asset coverage requirements. The Election is effective through December 31, 2020 unless the Company withdraws it earlier.

Investment Holdings

At March 31, 2020, we have \$5,144,542, or 175.4%, of our net assets invested in 121 long-term portfolio investments and CLOs.

Our annualized current yield was 12.4% and 13.1% as of March 31, 2020 and June 30, 2019, respectively, across all performing interest bearing investments, excluding equity investments and non-accrual loans. Our annualized current yield was 10.1% and 10.6% as of March 31, 2020 and June 30, 2019, respectively, across all investments. Monetization of equity positions that we hold and loans on non-accrual status are not included in this yield calculation. In many of our portfolio companies we hold equity positions, ranging from minority interests to majority stakes, which we expect over time to contribute to our investment returns. Some of these equity positions include features such as contractual minimum internal rates of returns, preferred distributions, flip structures and other features expected to generate additional investment returns, as well as contractual protections and preferences over junior equity, in addition to the yield and security offered by our cash flow and collateral debt protections.

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. As of March 31, 2020, we own controlling interests in the following portfolio companies: CP Energy Services Inc. (“CP Energy”); Credit Central Loan Company, LLC (“Credit Central”); Echelon Transportation, LLC (“Echelon”); First Tower Finance Company LLC (“First Tower Finance”); Freedom Marine Solutions, LLC (“Freedom Marine”); InterDent, Inc. (“InterDent”); Kickapoo Ranch Pet Resort (“Kickapoo”); MITY, Inc. (“MITY”); NPRC; Nationwide Loan Company LLC (“Nationwide”); NMMB, Inc. (“NMMB”); Pacific World Corporation (“Pacific World”); R-V Industries, Inc. (“R-V”); Universal Turbine Parts, LLC (“UTP”); USES Corp. (“USES”); and Valley Electric Company, Inc. (“Valley Electric”). In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Energy Holdings, Inc. (“Spartan Holdings”), which owns 100% of Spartan Energy Services, LLC (“Spartan”), a portfolio company of Prospect with \$34,399 in senior secured term loans (the “Spartan Term Loans”) due to us as of June 30, 2019. As a result of CP Energy’s purchase, and given Prospect’s controlling interest in CP Energy, we report our investments in Spartan as control investments beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans.

As of March 31, 2020, we also own affiliated interests in Edmentum Ultimate Holdings, LLC (“Edmentum”), Nixon, Inc. (“Nixon”), Targus Cayman HoldCo Limited (“Targus”), and United Sporting Companies, Inc. (“USC”).

The following shows the composition of our investment portfolio by level of control as of March 31, 2020 and June 30, 2019:

Level of Control	March 31, 2020				June 30, 2019			
	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Control Investments	\$ 2,290,680	39.5%	\$ 2,208,472	43.0%	\$ 2,385,806	40.2%	\$ 2,475,924	43.8%
Affiliate Investments	159,642	2.7%	79,455	1.5%	177,616	3.0%	76,682	1.4%
Non-Control/Non-Affiliate Investments	3,356,316	57.8%	2,856,615	55.5%	3,368,880	56.8%	3,100,947	54.8%
Total Investments	\$ 5,806,638	100.0%	\$ 5,144,542	100.0%	\$ 5,932,302	100.0%	\$ 5,653,553	100.0%

The following shows the composition of our investment portfolio by type of investment as of March 31, 2020 and June 30, 2019:

Type of Investment	March 31, 2020				June 30, 2019			
	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Revolving Line of Credit	\$ 38,337	0.7%	\$ 38,298	0.7%	\$ 33,928	0.6%	\$ 34,239	0.6%
Senior Secured Debt	2,617,325	45.1%	2,262,534	44.1%	2,687,709	45.3%	2,449,357	43.3%
Subordinated Secured Debt	1,397,007	24.1%	1,213,860	23.6%	1,439,440	24.3%	1,329,799	23.5%
Subordinated Unsecured Debt	42,836	0.6%	48,263	0.9%	38,933	0.7%	33,058	0.6%
Rated Secured Structured Notes	—	—%	—	—%	44,774	0.8%	46,851	0.8%
Subordinated Structured Notes	1,090,083	18.8%	704,403	13.7%	1,103,751	18.4%	850,694	15.1%
Preferred Stock	100,325	1.7%	17,591	0.3%	101,094	1.7%	84,294	1.5%
Common Stock	324,201	5.6%	550,266	10.7%	288,731	4.9%	427,085	7.6%
Membership Interest	196,524	3.4%	267,440	5.2%	193,942	3.3%	296,282	5.2%
Participating Interest(1)	—	—%	39,550	0.8%	—	—%	99,655	1.8%
Escrow Receivable	—	—%	2,337	—%	—	—%	2,239	—%
Total Investments	\$ 5,806,638	100.0%	\$ 5,144,542	100.0%	\$ 5,932,302	100.0%	\$ 5,653,553	100.0%

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

The following shows our investments in interest bearing securities by type of investment as of March 31, 2020 and June 30, 2019:

Type of Investment	March 31, 2020				June 30, 2019			
	Cost	%	Fair Value	%	Cost	%	Fair Value	%
First Lien	\$ 2,647,228	51.0%	\$ 2,292,398	53.8%	\$ 2,713,478	50.7%	\$ 2,475,437	52.2%
Second Lien	1,405,441	27.1%	1,222,294	28.6%	1,447,599	27.1%	1,337,958	28.2%
Unsecured	42,836	0.9%	48,263	1.1%	38,933	0.7%	33,058	0.7%
Rated Secured Structured Notes	—	—%	—	—%	44,774	0.9%	46,851	1.0%
Subordinated Structured Notes	1,090,083	21.0%	704,403	16.5%	1,103,751	20.6%	850,694	17.9%
Total Interest Bearing Investments	\$ 5,185,588	100.0%	\$ 4,267,358	100.0%	\$ 5,348,535	100.0%	\$ 4,743,998	100.0%

The following shows the composition of our investment portfolio by industry as of March 31, 2020 and June 30, 2019:

Industry	March 31, 2020				June 30, 2019			
	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Aerospace & Defense	\$ 85,709	1.5%	\$ 84,840	1.6%	\$ 77,579	1.3%	\$ 89,701	1.6%
Air Freight & Logistics	12,500	0.2%	12,409	0.2%	12,500	0.2%	12,233	0.2%
Auto Components	26,745	0.5%	26,850	0.5%	25,450	0.4%	25,450	0.5%
Building Products	—	—%	—	—%	19,842	0.3%	19,842	0.4%
Capital Markets	—	—%	—	—%	25,084	0.4%	25,222	0.4%
Chemicals	31,907	0.5%	31,805	0.6%	—	—%	—	—%
Commercial Services & Supplies	368,337	6.3%	293,528	5.8%	376,456	6.3%	296,672	5.2%
Communications Equipment	59,620	1.0%	47,968	0.9%	50,503	0.9%	48,760	0.9%
Construction & Engineering	68,874	1.2%	121,990	2.4%	69,935	1.2%	143,685	2.5%
Consumer Finance	500,267	8.6%	604,689	11.8%	487,778	8.2%	618,983	10.9%
Distributors	278,808	4.8%	173,901	3.4%	299,906	5.1%	190,137	3.4%
Diversified Consumer Services	153,828	2.7%	117,773	2.3%	146,845	2.5%	141,308	2.5%
Diversified Financial Services	30,216	0.5%	30,216	0.6%	—	—%	—	—%
Diversified Telecommunication Services	57,887	1.0%	55,353	1.1%	36,234	0.6%	36,234	0.6%
Electronic Equipment, Instruments & Components	—	—%	2,337	—%	—	—%	2,239	—%
Energy Equipment & Services	265,497	4.6%	88,187	1.7%	261,663	4.4%	153,865	2.7%
Entertainment	51,019	0.9%	50,320	1.0%	36,221	0.6%	36,327	0.6%
Equity Real Estate Investment Trusts (REITs)	374,105	6.4%	754,420	14.7%	496,440	8.4%	827,687	14.6%
Food Products	24,847	0.4%	25,000	0.5%	34,729	0.6%	34,729	0.6%
Health Care Equipment & Supplies	7,472	0.1%	5,527	0.1%	41,142	0.7%	41,154	0.7%
Health Care Providers & Services	531,049	9.1%	469,158	9.1%	470,422	7.9%	445,235	7.9%
Hotels, Restaurants & Leisure	23,377	0.4%	21,836	0.4%	34,737	0.6%	34,737	0.7%
Household Durables	25,637	0.4%	12,888	0.3%	29,291	0.5%	22,460	0.4%
Household Products	24,500	0.4%	23,848	0.5%	24,688	0.4%	24,688	0.4%
Insurance	2,989	0.1%	2,852	0.1%	12,988	0.2%	12,988	0.2%
Interactive Media & Services	207,121	3.6%	207,121	4.0%	37,861	0.6%	37,861	0.7%
Internet & Direct Marketing Retail	15,638	0.3%	16,214	0.3%	—	—%	—	—%
IT Services	203,513	3.5%	203,215	4.0%	306,096	5.2%	305,360	5.4%
Leisure Products	28,620	0.5%	28,307	0.6%	32,869	0.6%	32,868	0.6%
Machinery	84,470	1.5%	86,327	1.7%	35,488	0.6%	33,624	0.6%
Media	118,495	2.0%	119,903	2.3%	138,362	2.3%	141,467	2.5%
Online Lending	160,265	2.8%	57,639	1.1%	272,949	4.6%	176,778	3.1%
Paper & Forest Products	15,769	0.3%	15,485	0.3%	11,361	0.2%	11,500	0.2%
Personal Products	245,502	4.2%	53,224	1.0%	237,969	4.0%	112,427	2.0%
Professional Services	103,487	1.8%	106,117	2.1%	188,098	3.2%	190,178	3.4%
Real Estate Management & Development	38,222	0.7%	38,222	0.7%	38,852	0.7%	38,852	0.7%

Industry	March 31, 2020				June 30, 2019			
	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Software	75,175	1.3%	71,962	1.4%	64,723	1.1%	64,729	1.1%
Technology Hardware, Storage & Peripherals	12,411	0.2%	11,851	0.2%	12,400	0.2%	12,400	0.2%
Textiles, Apparel & Luxury Goods	211,468	3.6%	223,032	4.3%	231,106	3.9%	242,981	4.3%
Tobacco	—	—%	—	—%	14,419	0.2%	14,500	0.4%
Trading Companies & Distributors	65,619	1.1%	28,233	0.5%	63,213	1.1%	28,043	0.5%
Transportation Infrastructure	27,641	0.5%	27,638	0.5%	27,578	0.5%	28,104	0.5%
Subtotal	\$ 4,618,606	79.5%	\$ 4,352,185	84.6%	\$ 4,783,777	80.7%	\$ 4,756,008	84.1%
Structured Finance(1)	\$ 1,188,032	20.5%	\$ 792,357	15.4%	\$ 1,148,525	19.3%	\$ 897,545	15.9%
Total Investments	\$ 5,806,638	100.0%	\$ 5,144,542	100.0%	\$ 5,932,302	100.0%	\$ 5,653,553	100.0%

(1) Our RSSN and SSN investments do not have industry concentrations and as such have been separated in the tables above. As of March 31, 2020, Structured Finance includes \$87,954 of senior secured debt and equity investments held through our investment in NPRC and its wholly-owned subsidiary.

Portfolio Investment Activity

Our origination efforts are focused primarily on secured lending to non-control investments to reduce the risk in the portfolio by investing primarily in first lien loans, though we also continue to close select junior debt and equity investments. Our gross investment activity for the nine months ended March 31, 2020 and March 31, 2019 are presented below:

	Nine months ended March 31,	
	2020	2019
Investments made in new portfolio companies	\$ 565,521	\$ 209,041
Follow-on investments made in existing portfolio companies ⁽¹⁾	211,551	261,516
Revolver advances	11,340	16,385
PIK interest	35,134	29,663
Total acquisitions	\$ 823,546	\$ 516,605
Acquisitions by portfolio composition		
1st Lien Term Loan	\$ 635,787	\$ 205,797
2nd Lien Term Loan	137,597	232,605
Rated Secured Structured Notes	7,446	38,524
Subordinated Structured Notes	—	6,887
Subordinated Unsecured Debt	1,925	501
Equity	40,791	32,291
Total acquisitions by portfolio composition	\$ 823,546	\$ 516,605
Investments sold	\$ 40,994	\$ 103,122
Partial repayments ⁽²⁾	352,014	164,458
Full repayments	544,259	117,213
Revolver paydowns	6,193	16,855
Total dispositions	\$ 943,460	\$ 401,648
Dispositions by portfolio composition		
1st Lien Term Loan	\$ 702,896	\$ 234,572
2nd Lien Term Loan	183,969	120,863
Rated Secured Structured Notes	50,237	—
Small Business Whole Loan Portfolio	—	30
Subordinated Structured Notes	2,420	—
Subordinated Unsecured Debt	428	143
Equity	3,510	46,040
Total dispositions by portfolio composition	\$ 943,460	\$ 401,648
Weighted average interest rates for new investments by portfolio composition ⁽³⁾		
1st Lien Term Loan	8.92%	10.61%
2nd Lien Term Loan	9.90%	10.74%
Rated Secured Structured Notes	N/A	11.59%

(1) Includes follow-on investments in existing portfolio companies and refinancings, if any.

(2) Includes partial prepayments of principal, scheduled amortization payments, return of capital, and refinancings, if any.

(3) Weighted average interest rates for new investments by portfolio composition is calculated with the current rate at the end of the period. In addition, Revolving Line of Credit and Delayed Draw Term Loans are excluded from the calculation.

Investment Valuation

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, management and the independent valuation firm look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. In determining the range of values for debt instruments where market quotations are not available, except CLOs and debt investments in controlling portfolio companies, management and the independent valuation firm estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow technique was then applied using the appropriate yield to maturity as the discount rate, to determine a range of values. In determining the range of values for debt investments of controlled companies and equity investments, the enterprise value was determined by applying a market approach such as using earnings before income interest, tax, depreciation and amortization (“EBITDA”) multiples, net income and/or book value multiples for similar guideline public companies and/or similar recent investment transactions and/or an income approach, such as the discounted cash flow technique. The enterprise value technique may also be used to value debt investments which are credit impaired. For stressed debt and equity investments, an asset recovery analysis was used.

In determining the range of values for our investments in CLOs, the independent valuation firm uses a discounted multi-path cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view as well as to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which are simulations used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows for the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market and certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the corresponding multi-path cash flow model.

With respect to our online consumer and SME lending initiative, we invest primarily in marketplace loans through marketplace lending platforms. We do not conduct loan origination activities ourselves. Therefore, our ability to purchase consumer and SME loans, and our ability to grow our portfolio of consumer and SME loans, are directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending platforms from which we purchase consumer and SME loans. In addition, our ability to analyze the risk-return profile of consumer and SME loans is significantly dependent on the marketplace platforms’ ability to effectively evaluate a borrower’s credit profile and likelihood of default. If we are unable to effectively evaluate borrowers’ credit profiles or the credit decisioning and scoring models implemented by each platform, we may incur unanticipated losses which could adversely impact our operating results.

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties, comparable multiples for recent sales of companies within the industry and discounted cash flow models for our investments in CLOs. The composite of all these various valuation techniques, applied to each investment, was a total valuation of \$5,144,542.

Our portfolio companies are generally lower middle market companies, outside of the financial sector, with less than \$100,000 of annual EBITDA. We believe our investment portfolio has experienced less volatility than others because we believe there are more buy and hold investors who own these less liquid investments.

Impact of the novel coronavirus (the "Wuhan Virus") pandemic

During the first quarter of 2020, our operating results were negatively impacted by the uncertainty surrounding the Wuhan Virus pandemic, which has caused severe disruptions in the global economy and negatively impacted the fair value and performance of our investment portfolio. For the three months ended March 31, 2020, the resulting changes in net unrealized depreciation on investments were largely due to widening credit spreads as market participants expected a higher yield on similar investments given the significant market volatility generated by the Wuhan Virus pandemic. To a lesser extent, the changes in net unrealized depreciation on investments for the quarter for certain of our portfolio companies also reflected other factors such as specific industry concerns, uncertainty about the duration of business shutdowns and near-term liquidity needs. For additional information concerning the Wuhan Virus pandemic and its potential impact on our business and our operating results, see Part II - Other information, Item 1A. Risk Factors, “Risk Factors - The Wuhan Virus pandemic has caused severe disruptions in the global economy, which has had, and may continue to have, a negative impact on our portfolio companies and our business and operations.”

Control Company Investments

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment. Equity positions in our portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results and market multiples. Several of our controlled companies discussed below experienced such changes and we recorded corresponding fluctuations in valuations during the nine months ended March 31, 2020.

CP Energy Services Inc.

Prospect owns 100% of the equity of CP Holdings, a Consolidated Holding Company. CP Holdings owns 99.8% of the equity of CP Energy, and the remaining equity is owned by CP Energy management. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased a controlling interest in the common equity of Spartan Holdings, which owns 100% of Spartan, a portfolio company of Prospect with \$34,399 in senior secured term loans due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrower and guarantor to Prospect for the Spartan Term Loans. On December 30, 2019, Wolf Energy LLC, Wolf Energy Services LLC, and AEH LLC (collectively referred to as "Wolf Energy"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. See Note 14 in our *Consolidated Financial Statements* for further discussion.

The fair value of our investment in CP Energy decreased to \$72,769 as of March 31, 2020, which is a discount of \$148,836 from its amortized cost, compared to a fair value of \$138,931 as of June 30, 2019, representing a discount of \$74,944 to its amortized cost. The increase in discount to amortized cost resulted from a decline in financial performance and corresponding valuation multiples as a result of headwinds in the oil and gas industry, primarily associated with the demand imbalance stemming from the novel coronavirus.

Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Delaware, a consolidated holding company. Credit Central Delaware owns 98.63% of Credit Central, with entities owned by Credit Central management owning the remaining 1.37% of the equity. Credit Central is a branch-based provider of installment loans.

The fair value of our investment in Credit Central increased to \$71,587 as of March 31, 2020, which is a discount of \$4,449 from its amortized cost, compared to a fair value of \$71,417 as of June 30, 2019, representing a premium of \$5,107 to its amortized cost basis. The decrease to the premium was driven an increase to the cost basis from PIK income recognized.

Echelon Transportation, LLC

Prospect owns 100% of the equity of Echelon, a consolidated holding company. Echelon owns 60.7% of the equity of AerLift. Echelon is an aircraft leasing company.

The fair value of our investment in Echelon decreased to \$84,840 as of March 31, 2020, which is a discount of \$869 from its amortized cost, compared to a fair value of \$89,701 as of June 30, 2019, representing a premium of \$12,122 to its amortized cost basis. The decrease to the premium was driven by an increase in the cost of capital metrics for the comparable companies.

First Tower Finance Company LLC

Prospect owns 100% of the equity of First Tower Delaware, a consolidated holding company. First Tower Delaware owns 80.1% of First Tower Finance. First Tower Finance owns 100% of First Tower, LLC ("First Tower"), a multiline specialty finance company.

The fair value of our investment in First Tower decreased to \$473,185 as of March 31, 2020, representing a premium of \$117,689 to its amortized cost basis compared to a fair value of \$494,036 as of June 30, 2019, representing a premium of \$135,479 to its amortized cost. The decrease to the premium was driven primarily by a decline in comparable company trading multiples.

InterDent, Inc.

Following assumption of control, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent, Inc. (“InterDent”) and to appoint a new Board of Directors of InterDent, all the members of which are our Investment Adviser’s professionals. As a result, as of June 30, 2018, Prospect’s investment in InterDent is classified as a control investment.

The fair value of our investment in InterDent decreased to \$202,352 as of March 31, 2020, representing a discount of \$59,436 to its amortized cost basis, compared to a fair value of \$224,876 as of June 30, 2019, representing a discount of \$23,997 to its amortized cost basis. The increase in discount to amortized cost was driven by delayed realization of operational improvements, additional need for reinvestment into the business, and cost-inflation.

MITY, Inc.

Prospect owns 100% of the equity of MITY Delaware, a consolidated holding company. MITY Delaware previously held 95.58% of the equity of MITY. Effective March 13, 2019, MITY Delaware’s equity ownership of MITY increased to 100%. MITY owns 100% of each of MITY-Lite, Inc. (“Mity-Lite”); Broda Enterprises USA, Inc.; and Broda Enterprises ULC (“Broda Canada”).

The fair value of our investment in Mity increased to \$55,173 as of March 31, 2020, a discount of \$16,601 to its amortized cost basis compared to a fair value of \$46,902 as of June 30, 2019, a discount of \$22,698 to its amortized cost. The decrease to the discount was driven by stronger financial performance.

National Property REIT Corp.

NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. NPRC is held for purposes of investing, operating, financing, leasing, managing and selling a portfolio of real estate assets and engages in any and all other activities that may be necessary, incidental, or convenient to perform the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity. Additionally, through its wholly owned subsidiaries, NPRC invests in online consumer loans. Effective May 23, 2016, APRC and UPRC merged with and into NPRC, to consolidate all of our real estate holdings, with NPRC as the surviving entity. As of March 31, 2020, we own 100% of the fully-diluted common equity of NPRC.

During the nine months ended March 31, 2020, we received partial repayments of \$235,019 of our loans previously outstanding with NPRC, and provided \$19,590 of equity financing and \$78,359 of debt financing to NPRC to fund purchases of rated secured structured notes, expenses and structuring fees.

The online consumer loan investments held by certain of NPRC’s wholly owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from \$1 to \$50, with fixed terms ranging from 24 to 84 months. As of March 31, 2020, the outstanding investment in online consumer loans by certain of NPRC’s wholly owned subsidiaries was comprised of 11,570 individual loans and residual interest in four securitizations, and had an aggregate fair value of \$54,224. The average outstanding individual loan balance is approximately \$3 and the loans mature on dates ranging from April 1, 2020 to April 19, 2025 with a weighted-average outstanding term of 20 months as of March 31, 2020. Fixed interest rates range from 6.0% to 36.0% with a weighted-average current interest rate of 22.4%. As of March 31, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to online consumer lending had a fair value of \$57,639.

As of March 31, 2020, based on outstanding principal balance, 11.5% of the portfolio was invested in super prime loans (borrowers with a Fair Isaac Corporation (“FICO”) score, of 720 or greater), 29.4% of the portfolio in prime loans (borrowers with a FICO score of 660 to 719) and 59.1% of the portfolio in near prime loans (borrowers with a FICO score of 580 to 659, a portion of which are considered sub-prime).

Loan Type	Outstanding Principal Balance	Fair Value	Interest Rate Range	Weighted Average Interest Rate*
Super Prime	\$ 4,561	\$ 4,366	6.0% - 24.1%	12.5%
Prime	11,636	10,966	6.0% - 36.0%	17.7%
Near Prime	23,364	21,916	6.0% - 36.0%	26.6%

*Weighted by outstanding principal balance of the online consumer loans.

The rated secured structured note investments held by certain of NPRC's wholly owned subsidiaries are subordinated debt interests in broadly syndicated loans managed by established collateral management teams with many years of experience in the industry. As of March 31, 2020, the outstanding investment in rated secured structured notes by certain of NPRC's wholly owned subsidiaries was comprised of 34 investments with a fair value of \$188,969 and face value of \$208,342. The average outstanding note is approximately \$6,128 with a stated maturity date ranging from April 2026 to October 2032 and weighted-average stated maturity of 10 years as of March 31, 2020. Coupons range from three-month Libor ("3ML") plus 5.45% to 9.45% with a weighted-average coupon of 3ML + 7.16%. As of March 31, 2020, our investment in NPRC and its wholly-owned subsidiaries relating to rated secured structured notes had a fair value of \$87,954.

As of March 31, 2020, based on outstanding notional balance, 25% of the portfolio was invested in Single - B rated tranches and 75% of the portfolio in BB rated tranches.

As of March 31, 2020, our investment in NPRC and its wholly owned subsidiaries had an amortized cost of \$632,319 and a fair value of \$900,012, including our investment in online consumer lending and rated secured structured notes as discussed above. As of March 31, 2020, our investment in NPRC and its wholly owned subsidiaries relating to the real estate portfolio had a fair value of \$754,419. This portfolio was comprised of thirty-nine multi-families properties, eight student housing properties and three commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of March 31, 2020.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Filet of Chicken	Forest Park, GA	10/24/2012	\$ 7,400	\$ —
2	Arlington Park Marietta, LLC	Marietta, GA	5/8/2013	14,850	—
3	Cordova Regency, LLC	Pensacola, FL	11/15/2013	13,750	11,156
4	Crestview at Oakleigh, LLC	Pensacola, FL	11/15/2013	17,500	13,578
5	Inverness Lakes, LLC	Mobile, AL	11/15/2013	29,600	24,224
6	Kings Mill Pensacola, LLC	Pensacola, FL	11/15/2013	20,750	17,212
7	Plantations at Pine Lake, LLC	Tallahassee, FL	11/15/2013	18,000	13,820
8	Verandas at Rocky Ridge, LLC	Birmingham, AL	11/15/2013	15,600	10,008
9	Crestview at Cordova, LLC	Pensacola, FL	1/17/2014	8,500	7,461
10	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
11	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
12	Canterbury Green Apartments Holdings LLC	Fort Wayne, IN	9/29/2014	85,500	85,790
13	Abbie Lakes OH Partners, LLC	Canal Winchester, OH	9/30/2014	12,600	15,644
14	Kengary Way OH Partners, LLC	Reynoldsburg, OH	9/30/2014	11,500	15,812
15	Lakeview Trail OH Partners, LLC	Canal Winchester, OH	9/30/2014	26,500	30,169
16	Lakepoint OH Partners, LLC	Pickerington, OH	9/30/2014	11,000	17,164
17	Sunbury OH Partners, LLC	Columbus, OH	9/30/2014	13,000	17,401
18	Heatherbridge OH Partners, LLC	Blacklick, OH	9/30/2014	18,416	24,911
19	Jefferson Chase OH Partners, LLC	Blacklick, OH	9/30/2014	13,551	19,352
20	Goldenstrand OH Partners, LLC	Hilliard, OH	10/29/2014	7,810	11,808
21	SSIL I, LLC	Aurora, IL	11/5/2015	34,500	26,347
22	Vesper Tuscaloosa, LLC	Tuscaloosa, AL	9/28/2016	54,500	43,081
23	Vesper Iowa City, LLC	Iowa City, IA	9/28/2016	32,750	24,825
24	Vesper Corpus Christi, LLC	Corpus Christi, TX	9/28/2016	14,250	10,800
25	Vesper Campus Quarters, LLC	Corpus Christi, TX	9/28/2016	18,350	14,175
26	Vesper College Station, LLC	College Station, TX	9/28/2016	41,500	32,058
27	Vesper Kennesaw, LLC	Kennesaw, GA	9/28/2016	57,900	51,202
28	Vesper Statesboro, LLC	Statesboro, GA	9/28/2016	7,500	7,480
29	Vesper Manhattan KS, LLC	Manhattan, KS	9/28/2016	23,250	15,459
30	JSIP Union Place, LLC	Franklin, MA	12/7/2016	64,750	51,800
31	9220 Old Lantern Way, LLC	Laurel, MD	1/30/2017	187,250	153,580
32	7915 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	95,700	76,560
33	8025 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	15,300	12,240
34	23275 Riverside Drive Owner, LLC	Southfield, MI	11/8/2017	52,000	44,044
35	23741 Pond Road Owner, LLC	Southfield, MI	11/8/2017	16,500	14,185

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
36	150 Steeplechase Way Owner, LLC	Largo, MD	1/10/2018	44,500	36,668
37	Laurel Pointe Holdings, LLC	Forest Park, GA	5/9/2018	33,005	26,400
38	Bradford Ridge Holdings, LLC	Forest Park, GA	5/9/2018	12,500	10,000
39	Olentangy Commons Owner LLC	Columbus, OH	6/1/2018	113,000	92,876
40	Villages of Wildwood Holdings LLC	Fairfield, OH	7/20/2018	46,500	39,525
41	Falling Creek Holdings LLC	Richmond, VA	8/8/2018	25,000	19,335
42	Crown Pointe Passthrough LLC	Danbury, CT	8/30/2018	108,500	89,400
43	Ashwood Ridge Holdings LLC	Jonesboro, GA	9/21/2018	9,600	7,300
44	Lorring Owner LLC	Forestville, MD	10/30/2018	58,521	47,680
45	Hamptons Apartments Owner, LLC	Beachwood, OH	1/9/2019	96,500	79,520
46	5224 Long Road Holdings, LLC	Orlando, FL	6/28/2019	26,500	21,200
47	Druid Hills Holdings LLC	Atlanta, GA	7/30/2019	96,000	79,104
48	Bel Canto NPRC Parcstone LLC	Fayetteville, NC	10/15/2019	45,000	30,127
49	Bel Canto NPRC Stone Ridge LLC	Fayetteville, NC	10/15/2019	21,900	14,662
50	Sterling Place Holdings LLC	Columbus, OH	10/28/2019	41,500	34,196
				<u>\$ 1,843,477</u>	<u>\$ 1,541,339</u>

During the nine months ended March 31, 2020, the valuation methodology for National Property REIT Corporation (“NPRC”) and its wholly owned subsidiaries relating to the real estate portfolio changed to remove the Discounted Cash Flow Method. Management utilizes the Enterprise Value Waterfall (NAV Analysis) to value its investment in NPRC and its wholly owned subsidiaries relating to the real estate portfolio as this method is aligned with current industry practice and with Management’s experience in buying and selling income producing real estate assets.

The fair value of our investment in NPRC decreased to \$900,012 as of March 31, 2020, representing a premium of \$267,693 to its amortized cost basis, compared to a fair value of \$1,004,465 as of June 30, 2019, representing a premium of \$235,076. The increase in premium to amortized cost is primarily due to an increase in property values and change in methodology discussed above.

NMMB, Inc.

Prospect owns 100% of the equity of NMMB Holdings, a consolidated holding company. NMMB Holdings owns 92.50% and 94.10% of the fully-diluted equity of NMMB as of March 31, 2020 and June 30, 2019, respectively, with NMMB management owning the remaining equity. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”). Refuel Agency owns 100% of Armed Forces Communications, Inc. NMMB is an advertising media buying business.

The fair value of our investment in NMMB increased to \$36,560 as of March 31, 2020, representing a premium of \$18,629 to its amortized cost basis, compared to a fair value of \$24,183 as of June 30, 2019, representing a premium of \$8,200 to its amortized cost basis. The increase to the premium was driven by improved financial performance, including higher gross profit and operating margins.

Pacific World Corporation

On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of Pacific World Corporation (“Pacific World”) and to appoint a new Board of Directors of Pacific World. As a result, as of June 30, 2018, Prospect’s investment in Pacific World is classified as a control investment. Pacific World supplies nail and beauty care products to food, drug, mass, and value retail channels worldwide.

The fair value of our investment in Pacific World decreased to \$53,224 as of March 31, 2020, representing a discount of \$192,278 to its amortized cost basis, compared to a fair value of \$112,427 as of June 30, 2019, representing a discount of \$125,542 to its amortized cost basis. The increase in discount to amortized cost resulted from a deterioration in financial performance.

Valley Electric Company, Inc.

Prospect owns 100% of the common stock of Valley Holdings I, a Consolidated Holding Company. Valley Holdings I owns 100% of Valley Holdings II, a Consolidated Holding Company. Valley Holdings II owns 94.99% of 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 electrical contractors in the United States.

The fair value of our investment in Valley Electric decreased to \$121,990 as of March 31, 2020, a premium of \$53,116 from its amortized cost, compared to a fair value of \$143,685 as of June 30, 2019, representing a \$73,750 premium to its amortized cost. While Valley Electric’s financial performance remains strong, the decrease in premium to amortized cost was driven by adverse market conditions.

Our controlled investments, other than those discussed above, are valued at \$116,866 below cost and did not experience significant changes in operating performance or value during the nine months ended March 31, 2020. This discount is primarily driven by our controlled investments in Freedom Marine, Universal Turbine Parts, and USES, which are valued at a discount to amortized cost of \$28,474, \$37,386, and \$50,037, respectively. Overall, combined with those portfolio companies discussed above, our controlled investments at March 31, 2020 are valued at \$82,208 below their amortized cost.

Affiliate and Non-Control Company Investments

We hold four affiliate investments at March 31, 2020, which are valued at \$80,187 below their amortized cost. This discount is primarily driven by our affiliate investment in USC, which is valued at a discount to amortized cost of \$100,762. In June, 2019, USC filed for Chapter 11 bankruptcy and began liquidating its remaining assets. During the nine months ended March 31, 2020, USC used a portion of the proceeds from the ongoing liquidation to partially repay \$20,594 of our Second Lien Term Loan. Excluding USC, our affiliate investments are valued at \$20,575 above their amortized cost as of March 31, 2020.

With the non-control/non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is generally limited on the high side to each loan’s par value, plus any prepayment premium that could be imposed. However, as of March 31, 2020, two of our non-control/ non-affiliate investments, Engine Group, Inc. (“Engine”) and PGX Holdings, Inc. (“PGX”) are valued at discounts to amortized cost of \$17,221 and \$42,852, respectively. As of March 31, 2020, our CLO investment portfolio is valued at a \$385,680 discount to amortized cost. Excluding Engine, PGX, and the CLO investment portfolio, non-control/non-affiliate investments at March 31, 2020 are valued at \$53,948 below their amortized cost largely due to widening credit spreads as market participants expected a higher yield on similar investments given the significant market volatility generated by the Wuhan Virus pandemic. For more information on change in unrealized, see “Results of Operations - Change in Unrealized Gains/Losses.”

Capitalization

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt as of March 31, 2020 consists of: a Revolving Credit Facility availing us of the ability to borrow debt, subject to borrowing base determinations; Convertible Notes, which we issued in April 2014, April 2017 (with a follow-on issuance in May 2018), and March 2019; Public Notes which we issued in March 2013, December 2015 (and from time to time through our 2024 Notes Follow-on Program), June 2018 (and from time to time through our 2028 Notes Follow-on Program), October 2018, and December 2018 (and from time to time through our 2029 Notes Follow-on Program); and Prospect Capital InterNotes® which we issue from time to time. Our equity capital is comprised entirely of common equity.

As of March 31, 2020, our asset coverage stood at 230.6% based on outstanding senior securities of \$2,219,079.

The following table shows our outstanding debt as of March 31, 2020:

	Principal Outstanding	Unamortized Discount & Debt Issuance Costs	Net Carrying Value	Fair Value(1)	Effective Interest Rate	
Revolving Credit Facility(2)	\$ 165,600	\$ 9,688	\$ 165,600	(3) \$ 165,600	1ML+2.20%	(6)
2020 Notes	127,711	294	127,417	127,711	(4)	5.39% (7)
2022 Notes	258,240	3,999	254,241	230,378	(4)	5.65% (7)
2025 Notes	201,250	5,517	195,733	173,534	(4)	6.63% (7)
Convertible Notes	587,201		577,391	531,623		
6.375% 2024 Notes	100,000	828	99,172	102,711	(4)	6.64% (7)
2023 Notes	320,000	2,642	317,358	265,766	(4)	6.09% (7)
2024 Notes	233,788	4,153	229,635	193,763	(4)	6.76% (7)
2028 Notes	70,761	2,193	68,568	56,326	(4)	6.77% (7)
2029 Notes	69,170	2,390	66,780	55,391	(4)	7.38% (7)
Public Notes	793,719		781,513	673,957		
Prospect Capital InterNotes®	672,559	13,042	659,517	571,817	(5)	6.05% (8)
Total	\$ 2,219,079		\$ 2,184,021	\$ 1,942,997		

- (1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of March 31, 2020.
- (2) The maximum draw amount of the Revolving Credit facility as of March 31, 2020 is \$1,077,500.
- (3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See *Critical Accounting Policies and Estimates* for accounting policy details.
- (4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.
- (5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.
- (6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.
- (7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the 2028 Notes, and the 2029 Notes, the rate presented is a combined effective interest rate of their respective original Note issuances and Note Follow-on Programs.
- (8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation which approximates level yield, are weighted against the average year-to-date principal balance.

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of March 31, 2020:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	\$ 165,600	\$ —	\$ —	\$ 165,600	\$ —
Convertible Notes	587,201	127,711	258,240	201,250	—
Public Notes	793,719	—	320,000	333,788	139,931
Prospect Capital InterNotes®	672,559	—	—	234,491	438,068
Total Contractual Obligations	\$ 2,219,079	\$ 127,711	\$ 578,240	\$ 935,129	\$ 577,999

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2019:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	\$ 167,000	\$ —	\$ —	\$ 167,000	\$ —
Convertible Notes	753,864	224,114	—	328,500	201,250
Public Notes	794,374	—	—	654,443	139,931
Prospect Capital InterNotes®	707,699	4,402	188,037	189,795	325,465
Total Contractual Obligations	\$ 2,422,937	\$ 228,516	\$ 188,037	\$ 1,339,738	\$ 666,646

We may from time to time seek to cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including secured debt, unsecured debt and/or debt securities convertible into common stock. Any such purchases or exchanges of outstanding debt would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors.

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

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

Revolving Credit Facility

On August 29, 2014, we renegotiated our previous credit facility and closed an expanded five and a half year revolving credit facility (the “2014 Facility”). The lenders had extended commitments of \$885,000 under the 2014 Facility as of June 30, 2018. The 2014 Facility included an accordion feature which allowed commitments to be increased up to \$1,500,000 in the aggregate. Interest on borrowings under the 2014 Facility was one-month LIBOR plus 225 basis points. Additionally, the lenders charged a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility was drawn or 100 basis points otherwise.

On August 1, 2018, we renegotiated the 2014 Facility and closed an expanded five and a half year revolving credit (the “2018 Facility”). The lenders had extended commitments of \$1,132,500 as of June 30, 2019. The 2018 Facility included an accordion feature which allowed commitments to be increased up to \$1,500,000 in the aggregate.

On September 9, 2019, we amended the 2018 Facility and closed an expanded revolving credit facility (the “2019 Facility” and collectively with the 2014 Facility and the 2018 Facility, the “Revolving Credit Facility”). The lenders had extended commitments of \$1,077,500 as of March 31, 2020. The Revolving Credit Facility includes an accordion feature which allows commitments to be increased up to \$1,500,000 in the aggregate. The Revolving Credit Facility matures on September 9, 2024. It includes a revolving period that extends through September 9, 2023, followed by an additional one-year amortization period, with distributions allowed to Prospect after the completion of the revolving period. During such one-year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one-year amortization period, the remaining balance will become due, if required by the lenders.

The Revolving Credit 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 Revolving 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 Revolving Credit Facility. The Revolving Credit Facility also requires the maintenance of a minimum liquidity requirement. As of March 31, 2020, we were in compliance with the applicable covenants.

Interest on borrowings under the 2019 Facility is one-month LIBOR plus 220 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, or 100 basis points if more than 35% and an amount less than or equal to 60% of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35% of the credit facility is drawn. The 2019 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

For the nine months ended March 31, 2020 and March 31, 2019, the average stated interest rate (i.e., rate in effect plus the spread) and average outstanding borrowings for the Revolving Credit Facility were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Average stated interest rate	3.54%	4.69%	3.84%	4.53%
Average outstanding balance	\$262,084	\$295,511	\$161,373	\$256,409

As of March 31, 2020 and June 30, 2019, we had \$528,039 and \$684,212, respectively, available to us for borrowing under the Revolving Credit Facility, of which \$165,600 and \$167,000 was outstanding as of March 31, 2020 and June 30, 2019, respectively. As of March 31, 2020, the investments, including cash and cash equivalents, used as collateral for the Revolving Credit Facility had an aggregate fair value of \$1,641,230, which represents 31.6% 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. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of \$1,077,500. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred \$10,904 of new fees and \$7,787 were carried over for continuing participants from the previous facilities, all of which are being amortized over the term of the facility in accordance with ASC 470-50. As of March 31, 2020, \$9,688 remains to be amortized and is reflected as deferred financing costs on the *Consolidated Statements of Assets and Liabilities*. During the nine months ended March 31, 2020, \$398 of fees were expensed relating to credit providers in the 2018 Facility who did not commit to the 2019 Facility.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$5,867 and \$6,209, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

Convertible Notes

On April 16, 2012, we issued \$130,000 aggregate principal amount of convertible notes that matured on October 15, 2017 (the “2017 Notes”). The 2017 Notes bore 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 March 28, 2016, we repurchased \$500 aggregate principal amount of the 2017 Notes at a price of 98.25, including commissions. The transaction resulted in our recognizing a \$9 gain for the period ended March 31, 2016. On April 6, 2017, we repurchased \$78,766 aggregate principal amount of the 2017 Notes at a price of 102.0, including commissions.

The transaction resulted in our recognizing a \$1,786 loss during the three months ended June 30, 2017. On October 15, 2017, we repaid the outstanding principal amount of \$50,734 of the 2017 Notes, plus interest. No gain or loss was realized on the transaction.

On August 14, 2012, we issued \$200,000 aggregate principal amount of convertible notes that matured on March 15, 2018 (the “2018 Notes”). The 2018 Notes bore 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 April 6, 2017, we repurchased \$114,581 aggregate principal amount of the 2018 Notes at a price of 103.5, including commissions. The transaction resulted in our recognizing a \$4,700 loss during the three months ended June 30, 2017. On March 15, 2018, we repaid the outstanding principal amount of \$85,419 of the 2018 Notes, plus interest. No gain or loss was realized on the transaction.

On December 21, 2012, we issued \$200,000 aggregate principal amount of convertible notes that matured on January 15, 2019 (the “2019 Notes”). The 2019 Notes bore interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were \$193,600. On May 30, 2018, we repurchased \$98,353 aggregate principal amount of the 2019 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a \$2,383 loss during the three months ended June 30, 2018. On January 15, 2019, we repaid the outstanding principal amount of \$101,647 of the 2019 Notes, plus interest. No gain or loss was realized on the transaction.

On April 11, 2014, we issued \$400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were \$387,500. On January 30, 2015, we repurchased \$8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain of \$332, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance cost. During the three months ended December 31, 2018, we repurchased an additional \$13,500 aggregate principal amount of the 2020 Notes at a price of 99.5, including commissions. As a result of this transaction, we recorded a loss of \$41, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended March 31, 2019, we repurchased an additional \$129,798 aggregate principal amount of the 2020 Notes at a weighted average price of 101.4, including commission. As a result of these transactions, we recorded a net loss of \$2,787 during the three months ended March 31, 2019, in the amount of the difference between the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended June 30, 2019, we repurchased an additional \$24,588 aggregate principal amount of the 2020 Notes at a weighted average price of \$101.10, including commissions. As a result of these transactions, we recorded a net loss of \$414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs.

On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the \$224,114 then outstanding aggregate principal amount of the 2020 Notes (“June Tender Offer”). On July 27, 2019, \$32,948 aggregate principal amount of the 2020 Notes, representing 14.7% of the previously outstanding 2020 Notes, were validly tendered and accepted. On August 12, 2019, we commenced a tender offer to purchase for cash up to \$60,000 aggregate principal amount of the 2020 Notes (“August Tender Offer”). On September 10, 2019, \$13,597 aggregate principal amount of the 2020 Notes, representing 7.1% of the previously outstanding 2020 Notes, were validly tendered and accepted. The June Tender Offer and August Tender Offer, resulted in our recognizing a loss of \$668 during the three months ended September 30, 2019.

On September 24, 2019, we commenced a tender offer to purchase for cash up to \$40,000 outstanding aggregate principal amount of the 2020 Notes (“2020 Notes September Tender Offer”). On October 23, 2019, \$2,140 aggregate principal amount of the 2020 Notes, representing 1.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. On November 7, 2019, we commenced a tender offer to purchase for cash up to \$10,000 aggregate principal amount of the 2020 Notes (“2020 Notes November Tender Offer”). On December 7, 2019, \$392 aggregate principal amount of the 2020 Notes, representing 0.2% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes September Tender Offer and 2020 Notes November Tender Offer resulted in our recognizing a loss of \$31 during the three months ended December 31, 2019.

On December 23, 2019, we commenced a tender offer to purchase for cash up to \$10,000 aggregate principal amount of the 2020 Notes (“2020 Notes December Tender Offer”). On January 22, 2020, \$2,215 aggregate principal amount of the 2020 Notes, representing 1.3% of the previously outstanding 2020 Notes, were validly tendered and accepted. The 2020 Notes December Tender Offer resulted in our recognizing a loss of \$14 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional \$45,111 aggregate principal amount of the 2020 Notes at a weighted average price of 100.5 including commissions. As a result of this transaction, we recorded a loss of \$220, in the amount of the difference

between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2020 Notes is \$127,711.

On April 11, 2017, we issued \$225,000 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Original 2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Original 2022 Notes bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2017. Total proceeds from the issuance of the Original 2022 Notes, net of underwriting discounts and offering costs, were \$218,010. On May 18, 2018, we issued an additional \$103,500 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Additional 2022 Notes,” and together with the Original 2022 Notes, the “2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Additional 2022 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2022 Notes and bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2018. Total proceeds from the issuance of the Additional 2022 Notes, net of underwriting discounts and offering costs, were \$100,749.

On October 18, 2019, we repurchased \$22,941 aggregate principal amount of the 2022 Notes at a price of 102.8 including commissions. As a result of this transaction, we recorded a loss of \$1,072 in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. On November 7, 2019, we commenced a tender offer to purchase for cash up to \$50,000 aggregate principal amount of the 2022 Notes (“2022 Notes November Tender Offer”). On December 7, 2019, \$13,432 aggregate principal amount of the 2022 Notes, representing 4.4% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes November Tender Offer resulted in our recognizing a loss of \$599, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs.

On December 23, 2019, we commenced a tender offer to purchase for cash up to \$25,000 aggregate principal amount of the 2022 Notes (“2022 Notes December Tender Offer”). On January 22, 2020, \$1,302 aggregate principal amount of the 2022 Notes, representing 0.5% of the previously outstanding 2022 Notes, were validly tendered and accepted. The 2022 Notes December Tender Offer resulted in our recognizing a loss of \$51 during the three months ended March 31, 2020. During the three months ended March 31, 2020, we repurchased an additional \$32,585 aggregate principal amount of the 2022 Notes at a weighted average price of 89.1 including commissions. As a result of this transaction, we recorded a gain of \$3,045, in the amount of the difference between the reacquisition price and the net carrying amount of the 2022 Notes, net of the proportionate amount of unamortized debt issuance costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2022 Notes is \$258,240.

On March 1, 2019, we issued \$175,000 aggregate principal amount of senior convertible notes that mature on March 1, 2025 (the “2025 Notes”), unless previously converted or repurchased in accordance with their terms. We granted the underwriters a 13-day over-allotment option to purchase up to an additional \$26,250 aggregate principal amount of the 2025 Notes. The underwriters fully exercised the over-allotment option on March 11, 2019 and we issued \$26,250 aggregate principal amount of 2025 Notes at settlement on March 13, 2019. The 2025 Notes bear interest at a rate of 6.375% per year, payable semi-annually on March 1 and September 1 each year, beginning September 1, 2019. Total proceeds from the issuance of the 2025 Notes, net of underwriting discounts and offering costs, were \$198,674. As of March 31, 2020, the outstanding aggregate principal amount of the 2025 Notes is \$201,250.

Certain key terms related to the convertible features for the 2020 Notes, the 2022 Notes, and the 2025 Notes (collectively, the “Convertible Notes”) are listed below:

	2020 Notes	2022 Notes	2025 Notes
Initial conversion rate(1)	80.6647	100.2305	110.7420
Initial conversion price	\$ 12.40	\$ 9.98	\$ 9.03
Conversion rate at March 31, 2020(1)(2)	80.6670	100.2305	110.7420
Conversion price at March 31, 2020(2)(3)	\$ 12.40	\$ 9.98	\$ 9.03
Last conversion price calculation date	4/11/2019	4/11/2019	3/1/2020
Dividend threshold amount (per share)(4)	\$ 0.110525	\$ 0.083330	\$ 0.060000

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

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

(3) The conversion price will increase only if the current monthly dividends (per share) exceed the dividend threshold amount (per share).

- (4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment. Current dividend rates are at or below the minimum dividend threshold amount for further conversion rate adjustments for all bonds.

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

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

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

In connection with the issuance of the Convertible Notes, we recorded a discount of \$4,025 and debt issuance costs of \$21,107 which are being amortized over the terms of the Convertible Notes. As of March 31, 2020, \$3,412 of the original issue discount and \$6,398 of the debt issuance costs remain to be amortized and are included as a reduction within Convertible Notes on the *Consolidated Statement of Assets and Liabilities*.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$9,728 and \$10,460, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense. During the nine months ended March 31, 2020 and March 31, 2019, we recorded \$30,089 and \$33,352, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

Public Notes

On March 15, 2013, we issued \$250,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Original 2023 Notes”). The Original 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 Original 2023 Notes, net of underwriting discounts and offering costs, were \$243,641. On June 20, 2018, we issued an additional \$70,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the “Additional 2023 Notes,” and together with the Original 2023 Notes, the “2023 Notes”). The Additional 2023 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2023 Notes and 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, 2018. Total proceeds from the issuance of the Additional 2023 Notes, net of underwriting discounts, were \$69,403. As of March 31, 2020, the outstanding aggregate principal amount of the 2023 Notes is \$320,000.

On April 7, 2014, we issued \$300,000 aggregate principal amount of unsecured notes that mature on July 15, 2019 (the “5.00% 2019 Notes”). Included in the issuance is \$45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bear interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were \$295,998. On June 7, 2018, we commenced a tender offer to purchase for cash any and all of the \$300,000 aggregate principal amount outstanding of the 5.00% 2019 Notes. On June 20, 2018, \$146,464 aggregate principal amount of the 5.00% 2019 Notes, representing 48.8% of the previously outstanding 5.00% 2019 Notes, were validly tendered and accepted. The transaction resulted in our recognizing a loss of \$3,705 during the three months ended June 30, 2018. On September 26, 2018, we repurchased the remaining \$153,536 aggregate principal amount of the 5.00% 2019 Notes at a price of 101.645, including commissions. The transaction resulted in our recognizing a loss of \$2,874 during the three months ended September 30, 2018.

On December 10, 2015, we issued \$160,000 aggregate principal amount of unsecured notes that mature on June 15, 2024 (the “2024 Notes”). The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2016. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and offering costs, were \$155,043. On June 16, 2016, we entered into an at-the-market (“ATM”) program with FBR Capital Markets & Co. through which we could sell, by means of ATM offerings, from time to time, up to \$100,000 in aggregate principal amount of our existing 2024 Notes (“Initial 2024 Notes ATM”). Following the initial 2024 Notes ATM, the aggregate principal amount of the 2024 Notes issued was \$199,281 for net proceeds of \$193,253, after commissions and offering costs. On July 2, 2018, we entered into a second ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to \$100,000 in aggregate principal amount of the 2024 Notes (“Second 2024 Notes ATM,” and together with the Initial 2024 Notes ATM, the “2024 Notes Follow-on Program”). The 2024 Notes are listed on the New York Stock Exchange (“NYSE”) and trade thereon under the ticker “PBB”. During the year ended June 30, 2019, we issued an additional \$35,162 aggregate principal amount under the Second 2024 Notes ATM, for net proceeds of \$34,855, after commissions and offering costs. On March 20, 2020, we commenced a tender offer to purchase for cash any and all of the \$234,443 aggregate principal amount of the 2024 Notes (“2024 Notes March Tender Offer”). On March 31, 2020, \$655 aggregate principal amount of the 2024 Notes, representing 0.3% of the previously outstanding 2024 Notes, were validly tendered and accepted. The 2024 Notes March Tender Offer, resulted in our recognizing a gain of \$203 during the three months ended March 31, 2020. As of March 31, 2020, the outstanding aggregate principal amount of the 2024 Notes is \$233,788.

On June 7, 2018, we issued \$55,000 aggregate principal amount of unsecured notes that mature on June 15, 2028 (the “2028 Notes”). The 2028 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the 2028 Notes, net of underwriting discounts and offering costs were \$53,119. On July 2, 2018, we entered into an ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to \$100,000 in aggregate principal amount of our existing 2028 Notes (“2028 Notes ATM” or “2028 Notes Follow-on Program”). The 2028 Notes are listed on the NYSE and trade thereon under the ticker “PBY”. During the year ended June 30, 2019, we issued an additional \$15,761 aggregate principal amount under the 2028 Notes ATM, for net proceeds of \$15,530, after commissions and offering costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2028 Notes is \$70,761.

On October 1, 2018, we issued \$100,000 aggregate principal amount of unsecured notes that mature on January 15, 2024 (the “6.375% 2024 Notes”). The 6.375% 2024 Notes bear interest at a rate of 6.375% per year, payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2019. Total proceeds from the issuance of the 6.375% 2024 Notes, net of underwriting discounts and offering costs, were \$98,985. As of March 31, 2020, the outstanding aggregate principal amount of the 6.375% 2024 Notes is \$100,000.

On December 5, 2018, we issued \$50,000 aggregate principal amount of unsecured notes that mature on June 15, 2029 (the “2029 Notes”). The 2029 Notes bear interest at a rate of 6.875% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning March 15, 2019. Total proceeds from the issuance of the 2029 Notes, net of underwriting discounts and offering costs, were \$48,057. On February 9, 2019, we entered into an ATM program with B. Riley FBR, Inc., BB&T Capital Markets, and Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to \$100,000 in aggregate principal amount of our existing 2029 Notes (“2029 Notes ATM” or “2029 Notes Follow-on Program”). The 2029 Notes are listed on the NYSE and trade thereon under the ticker “PBC”. During the year ended June 30, 2019, we issued an additional \$19,170 aggregate principal amount under the 2029 Notes ATM, for net proceeds of \$18,523, after commissions and offering costs. As of March 31, 2020, the outstanding aggregate principal amount of the 2029 Notes is \$69,170.

The 2023 Notes, the 2024 Notes, the 2028 Notes, the 6.375% 2024 Notes, and the 2029 Notes (collectively, the “Public Notes”) are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes we recorded a discount of \$4,112 and debt issuance costs of \$16,226, which are being amortized over the terms of the notes. As of March 31, 2020, \$2,172 of the original issue discount and \$10,034 of the debt issuance costs remain to be amortized and are included as a reduction within Public Notes on the *Consolidated Statement of Assets and Liabilities*.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$12,834 and \$12,272, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense. During the nine months ended March 31, 2020 and March 31, 2019, we recorded \$38,481 and \$35,102, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

On February 16, 2012, we entered into a selling agent agreement (the “Original 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®, which was increased to \$1,500,000 in May 2014. On May 10, 2019, the Original Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the “May 2019 Selling Agent Agreement”), authorizing the issuance and sale from time to time of up to \$1,000,000 of Prospect Capital InterNotes®.

On September 16, 2019, the May 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the “September 2019 Selling Agent Agreement”), authorizing the issuance and sale from time to time of up to \$500,000 of Prospect Capital InterNotes®. We sold approximately \$1,700,000 in aggregate principal amount of Prospect Capital InterNotes® under the Original Selling Agent Agreement, May 2019 Selling Agent Agreement, and September 2019 Selling Agent Agreement (collectively the “Previous Selling Agent Agreements”).

On February 13, 2020, the September 2019 Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the “Selling Agent Agreement”), authorizing the issuance and sale from time to time of up to \$1,000,000 of Prospect Capital InterNotes® (collectively with the previously authorized selling agent agreements, the “InterNotes® Offerings”). 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. We have, from time to time, repurchased certain notes issued through the InterNotes® Offerings and, therefore, as of March 31, 2020, \$672,559 aggregate principal amount of Prospect Capital InterNotes® were outstanding.

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

During the nine months ended March 31, 2020, we issued \$224,934 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$221,194. These notes were issued with stated interest rates ranging from 3.75% to 5.50% with a weighted average interest rate of 4.29%. These notes mature between July 15, 2024 and March 15, 2030.

The following table summarizes the Prospect Capital InterNotes® issued during the nine months ended March 31, 2020:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 105,379	3.75%–5.00%	4.12%	July 15, 2024 – March 15, 2025
7	44,184	4.00%–5.25%	4.26%	July 15, 2026 – March 15, 2027
10	75,371	3.75%–5.50%	4.56%	July 15, 2029 – March 15, 2030
	<u>\$ 224,934</u>			

During the nine months ended March 31, 2019, we issued \$124,643 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$122,592. These notes were issued with stated interest rates ranging from 5.00% to 6.25% with a weighted average interest rate of 5.78%. These notes mature between July 15, 2023 and March 15, 2029.

The following table summarizes the Prospect Capital InterNotes® issued during the nine months ended March 31, 2019:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 57,751	5.00%–5.75%	5.48%	July 15, 2023 – March 15, 2024
7	31,499	5.50%–6.00%	5.93%	July 15, 2025 – March 15, 2026
8	385	5.75%	5.75%	July 15, 2026
10	35,008	6.00%–6.25%	6.13%	July 15, 2028 – March 15, 2029
	<u>\$ 124,643</u>			

During the nine months ended March 31, 2020, we redeemed, prior to maturity, \$255,822 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 5.06% in order to replace shorter maturity debt with longer-term debt. During the nine months ended March 31, 2020, we repaid \$4,252 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the nine months ended March 31, 2020 was \$2,435.

The following table summarizes the Prospect Capital InterNotes® outstanding as of March 31, 2020:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 210,555	3.75% – 5.75%	4.80%	September 15, 2023 – March 15, 2025
7	103,703	4.00% – 6.00%	5.11%	July 15, 2024 – March 15, 2027
8	24,455	4.50% – 5.75%	4.67%	August 15, 2025 – July 15, 2026
10	159,424	3.75% – 6.25%	5.31%	January 15, 2024 – March 15, 2030
12	2,978	6.00%	6.00%	November 15, 2025 – December 15, 2025
15	17,063	5.25% – 6.00%	5.35%	May 15, 2028 – November 15, 2028
18	18,862	4.13% – 6.25%	5.58%	December 15, 2030 – August 15, 2031
20	3,847	5.75% – 6.00%	5.89%	November 15, 2032 – October 15, 2033
25	30,860	6.25% – 6.50%	6.39%	August 15, 2038 – May 15, 2039
30	100,812	5.50% – 6.75%	6.25%	November 15, 2042 – October 15, 2043
	<u>\$ 672,559</u>			

During the nine months ended March 31, 2019, we redeemed, prior to maturity \$123,418 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.83% in order to replace debt with shorter maturity dates. During the nine months ended March 31, 2019, we repaid \$7,428 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the nine months ended March 31, 2019 was \$905.

The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2019:

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	\$ 283,450	4.00% – 5.75%	5.10%	July 15, 2021 - June 15, 2024
5.5	1,399	4.25%	4.25%	July 15, 2020
6.5	34,745	5.10% – 5.25%	5.24%	January 15, 2022 - May 15, 2022
7	83,731	4.00% – 6.00%	5.56%	January 15, 2020 - June 15, 2026
8	1,996	5.75%	5.75%	February 15, 2021
8	24,500	4.50% – 5.75%	4.67%	August 15, 2025 - July 15, 2026
10	99,529	5.50% – 7.00%	6.09%	March 15, 2022 - June 15, 2029
12	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	17,077	5.25% – 6.00%	5.35%	May 15, 2028 - November 15, 2028
18	19,306	4.13% – 6.25%	5.58%	December 15, 2030 - August 15, 2031
20	3,887	5.75% – 6.00%	5.90%	November 15, 2032 - October 15, 2033
25	31,855	6.25% – 6.50%	6.39%	August 15, 2038 - May 15, 2039
30	103,246	5.50% – 6.75%	6.24%	November 15, 2042 - October 15, 2043
	<u>\$ 707,699</u>			

In connection with the issuance of Prospect Capital InterNotes®, we incurred \$28,694 of fees which are being amortized over the term of the notes, of which \$13,042 remains to be amortized and is included as a reduction within Prospect Capital InterNotes® on the *Consolidated Statement of Assets and Liabilities* as of March 31, 2020.

During the three months ended March 31, 2020 and March 31, 2019, we recorded \$9,217 and \$10,005, respectively, of interest

costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense. During the nine months ended March 31, 2020 and March 31, 2019 we recorded \$28,192 and \$31,521, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Net Asset Value

During the nine months ended March 31, 2020, our net asset value decreased by \$372,900, or \$1.03 per share. The decrease was primarily attributable to an increase in net realized and net change in unrealized losses of \$386,258, or \$1.05 per weighted average share. This decrease was partially offset by net investment income of \$207,421, or \$0.56 per weighted average share, exceeding dividends of \$198,455, or \$0.54 per weighted average share, resulting in a net increase of \$0.02 per weighted average share for the nine months ended March 31, 2020. The following table shows the calculation of net asset value per share as of March 31, 2020 and June 30, 2019.

	March 31, 2020	June 30, 2019
Net assets	\$ 2,933,375	\$ 3,306,275
Shares of common stock issued and outstanding	367,817,926	367,131,025
Net asset value per share	\$ 7.98	\$ 9.01

Results of Operations

Operating results for the three and nine months ended March 31, 2020 and March 31, 2019 were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Investment income	\$ 154,501	\$ 171,109	\$ 478,301	\$ 539,414
Operating expenses	86,025	93,847	270,880	296,182
Net investment income	68,476	77,262	207,421	243,232
Net realized gains (losses) from investments	26	9,483	(263)	13,517
Net change in unrealized (losses) gains from investments	(256,997)	5,430	(383,348)	(144,217)
Net realized gains (losses) on extinguishment of debt	2,796	(2,980)	(2,647)	(6,931)
Net (decrease) increase in net assets resulting from operations	\$ (185,699)	\$ 89,195	\$ (178,837)	\$ 105,601

While we seek to maximize gains and minimize losses, our investments in portfolio companies can expose our capital to risks greater than those we may anticipate. These companies typically do not issue securities rated investment grade, and have limited resources, limited operating history, and concentrated product lines or customers. These are generally private companies with limited operating information available and are likely to depend on a small core of management talents. Changes in any of these factors can have a significant impact on the value of the portfolio company.

Investment Income

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Interest income	\$ 138,806	\$ 155,076	\$ 425,421	\$ 472,512
Dividend income	2,577	4,524	10,340	32,717
Other income	13,118	11,509	42,540	34,185
Total investment income	\$ 154,501	\$ 171,109	\$ 478,301	\$ 539,414
Average debt principal of performing interest bearing investments ⁽¹⁾	\$ 5,256,009	\$ 5,607,632	\$ 5,270,507	\$ 5,537,934
Weighted average interest rate earned on performing interest bearing investments ⁽¹⁾	10.45%	11.07%	10.57%	11.21%
Average debt principal of all interest bearing investments ⁽²⁾	\$ 5,889,955	\$ 6,206,684	\$ 5,878,182	\$ 6,064,501
Weighted average interest rate earned on all interest bearing investments ⁽²⁾	9.32%	10.00%	9.47%	10.24%

⁽¹⁾ Excludes equity investments and non-accrual loans.

⁽²⁾ Excludes equity investments.

Average interest income producing assets decreased from \$5,607,632 for the three months ended March 31, 2019 to \$5,256,009 for the three months ended March 31, 2020. The decrease in average income producing assets was a result of repayments. The average interest earned on performing interest bearing performing assets decreased from 11.07% for the three months ended March 31, 2019 to 10.45% for the three months ended March 31, 2020. The average interest earned on all interest bearing performing assets decreased from 10.00% for the three months ended March 31, 2019 to 9.32% for the three months ended March 31, 2020. The decrease in both is primarily due to an increase in foregone interest due to non-accrual investments, decline in LIBOR and reduced returns from our structured credit investments.

Average interest income producing assets decreased from \$5,537,934 for the nine months ended March 31, 2019 to \$5,270,507 for the nine months ended March 31, 2020. The average interest earned on interest bearing performing assets decreased from 11.21% for the nine months ended March 31, 2019 to 10.57% for the nine months ended March 31, 2020. The average interest earned on all interest bearing performing assets decreased from 10.24% for the nine months ended March 31, 2019 to 9.47% for the nine months ended March 31, 2020. The decrease in both is primarily due to an increase in foregone interest due to non-accrual investments, decline in LIBOR and reduced returns from our structured credit investments.

Investment income is also generated from dividends and other income which is less predictable than interest income. The following table describes dividend income earned for the three and nine months ended March 31, 2020 and March 31, 2019, respectively:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Dividend income				
National Property REIT Corp.	\$ —	\$ 1,000	\$ —	\$ 21,000
Valley Electric Company, Inc.	2,267	2,612	6,538	10,112
NMMB, Inc.	—	—	2,797	—
Targus Cayman HoldCo Limited	—	659	—	659
Other, net	310	253	1,005	946
Total dividend income	\$ 2,577	\$ 4,524	\$ 10,340	\$ 32,717

Other income is comprised of structuring fees, advisory fees, royalty interests, settlement of net profits interests and settlement of residual profits interests. The following table describes other income earned for the three and nine months ended March 31, 2020 and March 31, 2019, respectively:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Structuring, advisory and amendment fees				
CCPI Inc.	\$ —	\$ 1,301	\$ —	\$ 1,301
National Property REIT Corp.	—	412	10,785	14,607
Town & Country Holdings, Inc.	—	—	—	2,100
PeopleConnect Intermediate, LLC	2,760	—	5,170	—
Ahead Data Blue, LLC	—	—	1,400	—
Other, net	785	543	2,549	2,691
Total structuring, advisory and amendment fees	\$ 3,545	\$ 2,256	\$ 19,904	\$ 20,699
Royalty and net revenue interests				
National Property REIT Corp.	9,231	8,922	21,727	12,659
Other, net	204	173	540	367
Total royalty and net revenue interests	9,435	9,095	22,267	13,026
Administrative agent fees				
Other, net	138	158	369	460
Total administrative agent fees	138	158	369	460
Total other income	\$ 13,118	\$ 11,509	\$ 42,540	\$ 34,185

Operating Expenses

Our primary operating expenses consist of investment advisory fees (base management and income incentive fees), borrowing costs, legal and professional fees, overhead-related expenses and other operating expenses. These expenses include our allocable portion of overhead under the Administration Agreement with Prospect Administration under which Prospect Administration provides administrative services and facilities for us. Our investment advisory fees compensate the Investment Adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions.

The following table describes the various components of our operating expenses:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Base management fee	\$ 26,625	\$ 29,540	\$ 82,631	\$ 92,684
Income incentive fee	17,119	19,315	51,855	60,808
Interest and credit facility expenses	37,646	38,946	113,603	117,510
Allocation of overhead from Prospect Administration	4,096	2,084	13,601	11,091
Audit, compliance and tax related fees	421	680	2,729	3,462
Directors' fees	113	112	339	341
Other general and administrative expenses	5	3,170	6,122	10,286
Total operating expenses	\$ 86,025	\$ 93,847	\$ 270,880	\$ 296,182

Total gross and net base management fee was \$26,625 and 29,540 for the three months ended March 31, 2020 and March 31, 2019, respectively. The decrease in total gross base management fee is directly related to a decrease in average total assets.

Total gross base management fee was \$82,631 and \$92,794 for the nine months ended March 31, 2020 and March 31, 2019, respectively. The decrease in total gross base management fee is directly related to a decrease in average total assets, offset by a \$2,757 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser, for which we incurred \$64 in accrued interest on those past due amounts. The interest on the amount owed to the Investment Adviser was calculated using the average of 1-month LIBOR rates from September 2010 through the date of payment. The Investment Adviser

has entered into a servicing agreement with certain institutions that purchased loans with us, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. We receive payments from these institutions on behalf of the Investment Adviser, for providing such services under the servicing agreement. We are given a credit for these payments as a reduction of the base management fee payable by us to the Investment Adviser. We received payments of \$110 from these institutions for the nine months ended March 31, 2019. No such payments were received for the nine months ended March 31, 2020. We were given a credit for these payments as a reduction of base management fee payable by us to the Investment Adviser resulting in net base management fee of \$82,631 and \$92,684 for the nine months ended March 31, 2020 and March 31, 2019, respectively.

For the three months ended March 31, 2020 and March 31, 2019, we incurred \$17,119 and \$19,315 of income incentive fees, respectively. This decrease was driven by a corresponding decrease in pre-incentive fee net investment income from \$96,577 for the three months ended March 31, 2019 to \$85,595 for the three months ended March 31, 2020. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement.

For the nine months ended March 31, 2020 and March 31, 2019, we incurred \$51,855 and \$60,808 of income incentive fees, respectively. This decrease was driven by a corresponding decrease in pre-incentive fee net investment income from \$304,040 for the nine months ended March 31, 2019 to \$259,276 for the nine months ended March 31, 2020. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement.

During the three months ended March 31, 2020 and March 31, 2019, we incurred \$37,646 and \$38,946 respectively, of interest and credit facility expenses related to our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our “Notes”). During the nine months ended March 31, 2020 and March 31, 2019, we incurred \$113,603 and \$117,510, respectively, of interest expenses related to our Notes. These expenses are related directly to the leveraging capacity and the levels of indebtedness actually undertaken in those periods.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Interest on borrowings	\$ 32,177	\$ 34,081	\$ 95,944	\$ 102,064
Amortization of deferred financing costs	2,231	2,356	6,341	8,699
Accretion of discount on unsecured debt	260	171	775	406
Facility commitment fees	2,978	2,338	10,543	6,341
Total interest and credit facility expenses	<u>\$ 37,646</u>	<u>\$ 38,946</u>	<u>\$ 113,603</u>	<u>\$ 117,510</u>
Average principal debt outstanding	\$ 2,371,206	\$ 2,540,038	\$ 2,306,202	\$ 2,545,688
Annualized weighted average stated interest rate on borrowings ⁽¹⁾	5.43%	5.37%	5.55%	5.35%
Annualized weighted average interest rate on borrowings ⁽²⁾	6.35%	6.13%	6.57%	6.15%

(1) Includes only the stated interest expense.

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

Interest expense is relatively stable on a dollars basis for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) increased from 5.37% for the three months ended March 31, 2019 to 5.43% for the three months ended March 31, 2020. This increase is primarily due to issuances of Public Notes and 2025 Notes at higher rates, partially offset by repurchases of our Convertible Notes and increased utilization of our Revolving Credit Facility, which bears a lower rate than our remaining debt.

Interest expense decreased from \$117,510 for the nine months ended March 31, 2019 to \$113,603 for the nine months ended March 31, 2020. The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) increased from 5.35% for the nine months ended March 31, 2019 to 5.55% for the nine months ended March 31, 2020. This increase is primarily due to issuances of Public Notes and the 2025 Notes during the second half of the prior year at higher rates, partially offset by repurchases of our Convertible Notes and increased utilization of our Revolving Credit Facility, which bears a lower rate than our remaining debt.

The allocation of net overhead expense from Prospect Administration was \$4,096 and \$2,084 for the three months ended March 31, 2020 and March 31, 2019, respectively.

The allocation of net overhead expense from Prospect Administration was \$13,601 and \$11,091 for the nine months ended March 31, 2020 and March 31, 2019, respectively. Prospect Administration received estimated payments of \$1,225 and \$607 directly from our portfolio companies, and certain funds managed by the Investment Adviser for legal services during the nine months ended March 31, 2020 and March 31, 2019, respectively. 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 this amount.

Total operating expenses, excluding investment advisory fees, interest and credit facility expenses, and allocation of overhead from Prospect Administration ("Other Operating Expenses"), net of any expense reimbursements, were \$539 and \$3,962 for the three months ended March 31, 2020 and March 31, 2019, respectively. The \$3,423 decrease was primarily attributable to a decrease in legal fees due to a \$2,325 reimbursement from litigation proceeds, of previously expensed legal fees, in addition to decreases in audit, compliance and tax related fees.

Total operating expenses, excluding investment advisory fees, interest and credit facility expenses, and allocation of overhead from Prospect Administration ("Other Operating Expenses"), net of any expense reimbursements, were \$9,190 and \$14,089 for the nine months ended March 31, 2020 and March 31, 2019, respectively. The \$4,899 decrease was primarily attributable to a decrease in legal fees due to a reimbursement from litigation proceeds of previously expensed legal fees in addition to a decrease audit, compliance and tax related fees.

Net Investment Income

Net investment income represents the difference between investment income and operating expenses. Net investment income was \$68,476 and \$77,262 for the three months ended March 31, 2020 and March 31, 2019, respectively. The decrease of \$8,786 was primarily due to a decrease in investment income of \$16,608 partially offset by a decrease in operating expenses of \$7,822. Refer to above *Investment Income and Operating Expenses* discussions for detail.

Net investment income was \$207,421 and \$243,232 for the nine months ended March 31, 2020 and March 31, 2019, respectively. The decrease of \$35,811 was primarily due to a decrease in investment income of \$61,113 partially offset by a decrease in operating expenses of \$25,302. Refer to above *Investment Income and Operating Expenses* discussions for detail.

Net Realized (Losses) Gains

The following table details net realized gains from investments for the three months ended March 31, 2020 and March 31, 2019:

Portfolio Company	Three Months Ended March 31,	
	2020	2019
CCPI, Inc.	\$ —	\$ 12,105
New Century Transportation, Inc.	449	—
PeopleConnect Holdings, LLC	(522)	—
Maverick Healthcare Equity, LLC	—	(1,252)
Other, net	99	(1,370)
Net realized gains	\$ 26	\$ 9,483

The following table details net realized (losses) gains from investments for the nine months ended March 31, 2020 and March 31, 2019:

Portfolio Company	Nine Months Ended March 31,	
	2020	2019
CCPI, Inc.	\$ —	\$ 12,105
SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)	—	2,204
Rated Secured Structured Note Portfolio	1,885	—
New Century Transportation, Inc.	449	1,000
Voya CLO 2012-2, Ltd.	(450)	—
PeopleConnect Holdings, LLC	(522)	—
Maverick Healthcare Equity, LLC	—	(1,252)
Madison Park Funding XI, Ltd.	(1,949)	—
Other, net	324	(540)
Net realized (losses) gains	\$ (263)	\$ 13,517

The following table details net realized gains (losses) on extinguishment of debt for the three months ended March 31, 2020 and March 31, 2019:

Debt Extinguished	Three Months Ended March 31,	
	2020	2019
2022 Notes	\$ 2,993	\$ —
2024 Notes	203	—
Prospect Capital InterNotes®	(156)	(193)
2020 Notes	(244)	(2,787)
Net realized gains	\$ 2,796	\$ (2,980)

The following table details net realized (losses) on extinguishment of debt for the nine months ended March 31, 2020 and March 31, 2019:

Debt Extinguished	Nine Months Ended March 31,	
	2020	2019
2022 Notes	\$ 1,322	\$ —
2020 Notes	(961)	(2,828)
Prospect Capital InterNotes®	(2,435)	(905)
5.00% 2019 Notes	—	(2,874)
Other, net	(573)	(324)
Net realized gains	\$ (2,647)	\$ (6,931)

Change in Unrealized (Losses) Gains, Net

The following table details net change in unrealized (losses) gains for our portfolio for the three months ended and nine months ended March 31, 2020 and March 31, 2019, respectively:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020 ⁽¹⁾	2019	2020 ⁽¹⁾	2019
Control investments	\$ (97,444)	\$ 11,686	\$ (172,328)	\$ (22,129)
Affiliate investments	(9,516)	(4,101)	20,746	(23,750)
Non-control/non-affiliate investments	(150,037)	(2,155)	(231,766)	(98,338)
Net change in unrealized (losses) gains	\$ (256,997)	\$ 5,430	\$ (383,348)	\$ (144,217)

(1) For the three and nine months ended March 31, 2020, the fair value of our investments was negatively impacted by the uncertainty surrounding the impact of the Wuhan Virus pandemic. For more information, see "Investment Valuation".

The following table details net change in unrealized gains (losses) on investments for the three months ended March 31, 2020:

	Net Change in Unrealized Gains (Losses)	
NMMB, Inc.	\$	8,680
Pacific World Corporation		(7,463)
Credit Central Loan Company, LLC		(8,304)
Echelon Aviation LLC		(10,081)
Edmentum Ultimate Holdings, LLC		(11,243)
Engine Group, Inc.		(13,337)
National Property REIT Corp.		(18,521)
First Tower Finance Company LLC		(25,963)
PGX Holdings, Inc.		(28,093)
CP Energy Services Inc.		(29,526)
Other, net		(29,676)
Subordinated Structured Notes		(83,470)
Net change in unrealized (losses)	\$	(256,997)

The following table details net change in unrealized gains (losses) on investments for the three months ended March 31, 2019:

	Net Change in Unrealized Gains (Losses)	
Valley Electric Company, Inc.	\$	39,763
First Tower Finance Company LLC		32,591
Other, net		7,093
R-V Industries, Inc.		6,771
Echelon Aviation LLC		(5,578)
Universal Turbine Parts, LLC		(5,892)
Pacific World Corporation		(6,079)
United Sporting Companies, Inc.		(7,273)
MITY, Inc.		(8,187)
Subordinated Structured Notes		(9,666)
CCPI Inc.		(11,968)
National Property REIT Corp.		(26,145)
Net change in unrealized gains	\$	5,430

The following table details net change in unrealized gains (losses) on investments for the nine months ended March 31, 2020:

	Net Change in Unrealized Gains (Losses)	
National Property REIT Corp.	\$	32,617
Edmentum Ultimate Holdings, LLC		10,873
NMMB, Inc.		10,429
United Sporting Companies, Inc.		7,463
MITY, Inc.		6,097
Digital Room, LLC		(5,076)
Easy Gardener Products, Inc.		(5,284)
Other, net		(9,536)
Credit Central Loan Company, LLC		(9,556)
Securus Technologies Holdings, Inc.		(9,909)
Engine Group, Inc.		(12,388)
Echelon Aviation LLC		(12,991)
First Tower Finance Company LLC		(17,791)
Valley Electric Company, Inc.		(20,633)
InterDent, Inc.		(35,440)
PGX Holdings, Inc.		(42,852)
Pacific World Corporation		(66,736)
CP Energy Services Inc.		(70,012)
Subordinated Structured Notes		(132,623)
Net change in unrealized (losses)	\$	(383,348)

The following table details net change in unrealized gains (losses) on investments for the nine months ended March 31, 2019:

	Net Change in Unrealized Gains (Losses)	
Valley Electric Company, Inc.	\$	73,624
First Tower Finance Company LLC		35,844
NMMB, Inc.		10,312
USES Corp.		(5,188)
CCPI Inc.		(6,105)
InterDent, Inc.		(6,750)
Engine Group, Inc.		(7,030)
Other, net		(10,068)
Credit Central Loan Company, LLC		(11,220)
MITY, Inc.		(15,938)
United Sporting Companies, Inc.		(23,109)
Universal Turbine Parts, LLC		(24,934)
Pacific World Corporation		(38,319)
National Property REIT Corp.		(40,064)
Subordinated Structured Notes		(75,272)
Net change in unrealized (losses)	\$	(144,217)

Financial Condition, Liquidity and Capital Resources

For the nine months ended March 31, 2020 and March 31, 2019, our operating activities provided \$343,368 and provided \$171,071 of cash, respectively. There were no investing activities for the nine months ended March 31, 2020 and March 31, 2019. Financing activities used \$403,820 and \$134,263 of cash during the nine months ended March 31, 2020 and March 31, 2019, respectively, which included dividend payments of \$194,024 and \$180,685, respectively. Our primary uses of funds have been to continue to

invest in portfolio companies, through both debt and equity investments, repay outstanding borrowings and to make cash distributions to holders of our common stock.

Our primary sources of funds have historically been issuances of debt and equity. More recently, we have and may continue to fund a portion of our cash needs through repayments and opportunistic sales of our existing investment portfolio. We may also securitize a portion of our investments in unsecured or senior secured loans or other assets. Our objective is to put in place such borrowings in order to enable us to expand our portfolio. During the nine months ended March 31, 2020, we borrowed \$990,000 and we made repayments totaling \$991,400 under the Revolving Credit Facility. As of March 31, 2020, our outstanding balance on the Revolving Credit Facility was \$165,600. As of March 31, 2020, we had, net of unamortized discount and debt issuance costs, \$577,391 outstanding on the Convertible Notes, \$781,513 outstanding on the Public Notes and \$659,517 outstanding on the Prospect Capital InterNotes® (See “Capitalization” above).

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of March 31, 2020 and June 30, 2019, we had \$38,135 and \$23,375, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. The fair value of our undrawn committed revolvers and delayed draw term loans was zero as of March 31, 2020 and June 30, 2019.

We have guaranteed \$2,487 in standby letters of credit issued through a financial intermediary and \$2,624 of equipment lease obligations on behalf of InterDent, Inc. (“InterDent”) as of March 31, 2020. Under these arrangements, we would be required to make payments to the financial intermediary or equipment lease provider, respectively, if InterDent was to default on their related payment obligations. As of March 31, 2020, we have not recorded a liability on the statement of assets and liabilities for these guarantees as the likelihood of default on the standby letters of credit or equipment lease is deemed to be remote.

On February 13, 2020, we filed a registration statement on Form N-2 (File No. 333-236415) that was effective upon filing pursuant to Rule 462(e) under the Securities Act as permitted under the Small Business Credit Availability Act. The registration statement permits us to issue, through one or more transactions, an indeterminate amount of securities, consisting of common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities.

Our shareholders’ equity accounts as of March 31, 2020 and June 30, 2019 reflect cumulative shares issued, net of shares repurchased, 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, our dividend reinvestment plan and in connection with the acquisition of certain controlled portfolio companies. 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.

As part of our Repurchase Program, we delivered a notice with our annual proxy mailing on September 19, 2019. We did not repurchase any shares of our common stock for the nine months ended March 31, 2020 or March 31, 2019.

Off-Balance Sheet Arrangements

As of March 31, 2020, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than those which originate from 1) the investment advisory and management agreement and the administration agreement and 2) the portfolio companies.

Recent Developments

During the period from April 1, 2020 through May 7, 2020 we issued \$2,767 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$2,730.

On April 2, 2020, we made a new Second Lien Term Loan investment of \$10,000 in AmeriLife Holdings, LLC, an independent marketing organization specializing in the marketing and distribution of senior life insurance, health insurance, and fixed annuity policies, in support of an acquisition of the business.

On April 13, 2020, the Company elected to rely upon, and be subject to (the “Election”), section II of the Order Under Sections 6(c), 17(d), 38(a) and 57(i) of the Investment Company Act of 1940 and Rule 17d-1 Thereunder Granting Exemptions from Specified Provisions of the Investment Company Act and Certain Rules Thereunder, 1940 Act Release No. 33837 (Apr. 8, 2020) (the “April 2020 Order”). The Election affords the Company greater flexibility in calculating its asset coverage ratios for purposes of sections 18(a)(1)(A) and 18(a)(2)(A) of the 1940 Act (as modified by sections 61(a)(1) and 61(a)(2) of the 1940 Act) (the “Asset Coverage Requirements”). The Election does not change the Asset Coverage Requirements; however, it does change the manner in which the Company is permitted to calculate these ratios under section 18(b) of the 1940 Act. Under the April 2020 Order, the

Company can use a modified formula to calculate its asset coverage ratios for purposes of the Asset Coverage Requirements and, in doing so, can rely in part on the fair value of its assets as of December 31, 2019. The overall effect of the Election is to make it easier for the Company to meet its applicable asset coverage ratios for purposes of the Asset Coverage Requirements, as well as for purposes of covenants referencing the Asset Coverage Requirements. The Election is effective through December 31, 2020 unless the Company withdraws it earlier.

On April 15, 2020, we repaid the outstanding principal amount of \$127,711 of the 2020 Senior Convertible Notes, plus interest.

On April 17, 2020, the Board of Directors approved amendments to our dividend reinvestment plan, effective May 21, 2020, that principally provide for the number of newly-issued shares of our common stock used to implement reinvestment of dividends and distributions to be determined by dividing the total dollar amount of the distribution payable to such stockholder by 95% of the market price per share of our common stock at the close of regular trading on the NASDAQ Global Select Market on the valuation date fixed by the Board of Directors for such distribution.

On March 30, 2020, the Company's Board of Directors approved, and on May 5, 2020, at a special meeting of the Company's stockholders, the Company's stockholders approved, the application to the Company of the reduced Asset Coverage Requirements in Section 61(a) of the 1940 Act. The application of the reduced Asset Coverage Requirement, which became effective on May 6, 2020, permits the Company, provided certain requirements are satisfied, to double the maximum amount of leverage that it is permitted to incur by reducing the Asset Coverage Requirement applicable to the Company from 200% to 150% (a 2:1 debt to equity ratio, as opposed to a 1:1 debt to equity ratio), as provided for in Section 61(a)(2) of the 1940 Act, a successor provision to Section 61(a)(1) of the 1940 Act.

On April 20, 2020, the Company filed its notice of meeting and definitive proxy statement in connection with a special meeting of the Company's stockholders that is scheduled to be held on June 12, 2020 for the purpose of asking the Company's stockholders to vote on a proposal to authorize the Company, with approval of its Board of Directors, to sell shares of its common stock (during the next 12 months) at a price or prices below the Company's then current net asset value per share in one or more offerings subject to certain conditions.

The Company has been closely monitoring the Wuhan Virus pandemic, its broader impact on the global economy and the more recent impacts on the U.S. economy. As of May 11, 2020, there is no indication of a reportable subsequent event impacting the Company's consolidated financial statements for the three months ended March 31, 2020. The Company continues to observe and respond to the evolving Wuhan Virus environment and its potential impact on areas across its business.

On May 11, 2020, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- \$0.06 per share for May 2020 to holders of record on May 29, 2020 with a payment date of June 18, 2020.
- \$0.06 per share for June 2020 to holders of record on June 30, 2020 with a payment date of July 23, 2020.
- \$0.06 per share for July 2020 to holders of record on July 31, 2020 with a payment date of August 20, 2020.
- \$0.06 per share for August 2020 to holders of record on August 31, 2020 with a payment day of September 17, 2020.

Critical Accounting Policies and Estimates

Basis of Presentation and Consolidation

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

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 nine months ended March 31, 2020.

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 the issuers of our investment portfolio and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

Investment Classification

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

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). As of March 31, 2020 and June 30, 2019, our qualifying assets as a percentage of total assets, stood at 74.91% and 73.85%, respectively.

Investment Transactions

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. Specifically, we record all security transactions on a trade date basis. 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. In accordance with ASC 325-40, *Beneficial Interest in Securitized Financial Assets*, investments in CLOs are periodically assessed for other-than-temporary impairment (“OTTI”). When the Company determines that a CLO has OTTI, the amortized cost basis of the CLO is written down to its fair value as of the date of the determination based on events and information evaluated and that write-down is recognized as a realized loss. Amounts for investments traded but not yet settled are reported in Due to Broker or Due from Broker, in the *Consolidated Statements of Assets and Liabilities*.

Foreign Currency

Foreign currency amounts are translated into US Dollars (USD) on the following basis:

- i. fair value of investment securities, other assets and liabilities—at the spot exchange rate on the last business day of the period; and
- ii. purchases and sales of investment securities, income and expenses—at the rates of exchange prevailing on the respective dates of such investment transactions, income or expenses.

We do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held or disposed of during the period. Such fluctuations are included within the net realized and net change in unrealized gains or losses from investments in the *Consolidated Statements of Operations*.

Investment Risks

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

Market Risk

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

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Prepayment Risk

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making us less likely to fully earn all of the expected income of that security and reinvesting in a lower yielding instrument.

Structured Credit Related Risk

CLO investments may be riskier and less transparent to us than direct investments in underlying companies. CLOs typically will have no significant assets other than their underlying senior secured loans. Therefore, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans.

Online Small-and-Medium-Sized Business Lending Risk

With respect to our online small-and-medium-sized business (“SME”) lending initiative, we invest primarily in marketplace loans through marketplace lending platforms (e.g. OnDeck). We do not conduct loan origination activities ourselves. Therefore, our ability to purchase SME loans, and our ability to grow our portfolio of SME loans, is directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending platforms from which we purchase SME loans. In addition, our ability to analyze the risk-return profile of SME loans is significantly dependent on the marketplace platforms’ ability to effectively evaluate a borrower’s credit profile and likelihood of default. If we are unable to effectively evaluate borrowers’ credit profiles or the credit decisioning and scoring models implemented by each platform, we may incur unanticipated losses which could adversely impact our operating results.

Foreign Currency

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

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 prepare independent valuations for each investment based on their own independent assessments and issue their report.
3. The Audit Committee of our Board of Directors reviews and discusses with the independent valuation firms the valuation reports, and then makes a recommendation to the Board of Directors of the value for each investment.
4. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield technique, enterprise value (“EV”) technique, net asset value technique, asset recovery technique, discounted cash flow technique, or a combination of techniques, as appropriate. The yield technique uses loan spreads for loans and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV technique, 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) valuation approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent merger and acquisitions transactions, and/or a discounted cash flow technique. The net asset value technique, an income approach, 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 asset recovery technique 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 technique converts 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 fair value 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 valuing 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 Level 3 fair value measured securities under ASC 820 and are valued using a discounted multi-path cash flow model. The CLO structures are analyzed to identify the risk exposures and to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which is a simulation used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows from the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market as well as certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the multi-path cash flows. We are not responsible for and have no influence over the asset management of the portfolios underlying the CLO investments we hold, as those portfolios are managed by non-affiliated third-party CLO collateral managers. The main risk factors are default risk, prepayment risk, interest rate risk, downgrade risk, and credit spread risk.

Valuation of Other Financial Assets and Financial Liabilities

ASC 825, *Financial Instruments*, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the “Fair Value Option”). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 in the accompanying *Consolidated Financial Statements* for the disclosure of the fair value of our outstanding debt and the market observable inputs used in determining fair value.

Convertible Notes

We have recorded the Convertible Notes at their contractual amounts. We have determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under ASC 815, *Derivatives and Hedging*. See Note 5 in the accompanying *Consolidated Financial Statements* for further discussion.

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. Loan origination fees, original issue discount, and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable, and adjusted only for material amendments or prepayments. Upon a prepayment of a loan, prepayment premiums, original issue discount, or market discounts are recorded as interest income.

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 are either applied to the cost basis or interest income, depending upon management's judgment of the collectibility of the loan receivable. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, is likely to remain current and future principal and interest collections when due are probable. Interest received and applied against cost while a loan is on non-accrual, and PIK interest capitalized but not recognized while on non-accrual, is recognized prospectively on the effective yield basis through maturity of the loan when placed back on accrual status, to the extent deemed collectible by management. As of March 31, 2020, approximately 1.6% of our total assets at fair value are in non-accrual status.

Some of our loans and other investments may have contractual payment-in-kind ("PIK") interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, we capitalize the accrued interest (reflecting such amounts in the basis as additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point that we believe PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncanceled interest or dividends are reversed from the related receivable through interest or dividend income, respectively. We do not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if we believe that PIK is expected to be realized.

Interest income from investments in Subordinated Structured Notes (typically preferred shares, income notes or subordinated notes of CLO funds) and "equity" class of security of securitized trust 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 and securitized trust 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.

Other income generally includes amendment fees, commitment fees, administrative agent fees and structuring fees which are recorded when earned. Excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 in the accompanying *Consolidated Financial Statements* for further discussion.

Federal and State Income Taxes

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

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the

extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. As of March 31, 2020, we do not expect to have any excise tax due for the 2020 calendar year. Thus, we have not accrued any excise tax for this period.

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 income tax rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years. 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 five years.

We follow ASC 740, *Income Taxes* (“ASC 740”). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of March 31, 2020, we did not record any unrecognized tax benefits or liabilities. 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 federal tax returns for the tax years ended August 31, 2016 and thereafter 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 taxable 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 the Unsecured Notes as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation for our Revolving Credit Facility. The same methodology is used to approximate the effective yield method for our Prospect Capital InterNotes® and our 2024, 2028, and 2029 Notes Follow-on Programs. The effective interest method is used to amortize deferred financing costs for our remaining Unsecured Notes over the respective expected life or maturity. In the event that we modify or extinguish our debt before maturity, we follow the guidance in ASC 470-50, *Modification and Extinguishments* (“ASC 470-50”). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

Unamortized deferred financing costs are presented as a direct deduction to the respective Unsecured Notes (see Notes 5, 6, and 7 in the accompanying *Consolidated Financial Statements* for further discussion).

We may record registration expenses related to shelf filings as prepaid expenses. These expenses consist principally of SEC registration fees, legal fees and accounting fees incurred. These prepaid expenses are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed. As of March 31, 2020 and June 30, 2019, there are no prepaid expenses related to registration expenses and all amounts incurred have been expensed.

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 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, *Investments—Other, Beneficial Interests in Securitized Financial Assets*, related to the subsequent measurement of accretible yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact, if any, of adopting this ASU on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted upon issuance of this ASU. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

Tax Cuts and Jobs Act

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the “Tax Act”), which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies. However, our portfolio companies may or may not make certain elections under the Tax Act that could materially increase their taxable earnings and profits. Any such increase in the earnings and profits of a portfolio company may result in the characterization of certain distributions sourced from sale proceeds as dividend income, which may increase our distributable taxable income.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates and equity price risk. Uncertainty with respect to the economic effects of the Wuhan Virus outbreak has introduced significant volatility in the financial markets, and the effects of this volatility could materially impact our market risks, including those listed below. For additional information concerning the Wuhan Virus pandemic and its potential impact on our business and our operating results, see Part II - Other information, Item 1A. Risk Factors, “Risk Factors - The Wuhan Virus pandemic has caused severe disruptions in the global economy, which has had, and may continue to have, a negative impact on our portfolio companies and our business and operations.”

Interest rate sensitivity refers to the change in our earnings that may result from changes in the level of interest rates impacting some of the loans in our portfolio which have floating interest rates. Additionally, because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. See “Risk Factors - Risks Relating to Our Business - Changes in interest rates may affect our cost of capital and net investment income” in our Annual Report on Form 10-K for the year ended June 30, 2019.

Our debt investments may be based on floating rates or fixed rates. For our floating rate loans the rates are determined from the LIBOR, EURO Interbank Offer Rate, the Federal Funds Rate or the Prime Rate. The floating interest rate loans may be subject to a LIBOR floor. Our loans typically have durations of one to three months after which they reset to current market interest rates. As of March 31, 2020, 86.05% of the interest earning investments in our portfolio, at fair value, bore interest at floating rates.

We also have a revolving credit facility that is based on floating LIBOR rates. Interest on borrowings under the revolving credit facility is one-month LIBOR plus 220 basis points with no minimum LIBOR floor and an outstanding balance of \$165,600 as of March 31, 2020. The Convertible Notes, Public Notes and Prospect Capital InterNotes® bear interest at fixed rates.

The following table shows the approximate annual impact on net investment income of base rate changes in interest rates (considering interest rate flows for floating rate instruments, excluding our investments in Subordinated Structured Notes) to our loan portfolio and outstanding debt as of March 31, 2020, assuming no changes in our investment and borrowing structure:

(in thousands) Basis Point Change	Interest Income	Interest Expense	Net Investment Income	Net Investment Income (1)
Up 300 basis points	\$ 81,274	\$ 5	\$ 81,269	\$ 65,015
Up 200 basis points	\$ 51,039	\$ 3	\$ 51,036	\$ 40,829
Up 100 basis points	\$ 20,804	\$ 2	\$ 20,802	\$ 16,642
Down 100 basis points	\$ (7,341)	\$ (1)	\$ (7,340)	\$ (5,872)
Down 200 basis points	\$ (8,500)	\$ (1)	\$ (8,499)	\$ (6,799)
Down 300 basis points	\$ (8,598)	\$ (1)	\$ (8,597)	\$ (6,878)

(1) Includes the impact of income incentive fees. See Note 13 in the accompanying *Consolidated Financial Statements* for more information on income incentive fees.

As of March 31, 2020, one, two, three, and six month LIBOR were 0.99%, 1.26%, 1.45%, and 1.18% respectively. As of March 31, 2020, PRIME was 3.25%.

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the year ended March 31, 2020, we did not engage in hedging activities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2020, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures. We are continually monitoring and assessing the Wuhan Virus situation to determine any potential impact on the design and operating effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

(All figures in this item are in thousands except share, per share and other data.)

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 such matters as may 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.

In 2018, Prospect and Pacific World filed lawsuits against certain third parties in connection with a loan Prospect made to Pacific World in 2014. During the quarter ended March 31, 2020, these and certain related matters were settled, and Prospect received \$11,000 in settlement proceeds. The settlement was a voluntary compromise of the lawsuits, and none of the defendants admitted or acknowledged any wrongdoing.

We are not aware of any material legal proceedings as of March 31, 2020.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed below and the risk factors in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2019, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. *(All figures in this item are in thousands except share, per share and other data.)*

Risks Relating to Our Business

The Wuhan Virus pandemic has caused severe disruptions in the global economy, which has had, and may continue to have, a negative impact on our portfolio companies and our business and operations.

As of the filing date of this Quarterly Report, there is an outbreak of a highly contagious form of a novel coronavirus (“Wuhan Virus”), which the World Health Organization has declared a global pandemic, the United States has declared a national emergency, and for the first time in its history, every state in the United States is under a federal disaster declaration. Many states, including those in which we and our portfolio companies operate, have issued orders requiring the closure of non-essential businesses and/or requiring residents to stay at home. The Wuhan Virus pandemic and preventative measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, cancellations of events and travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability both globally and in the United States. Such effects will likely continue for the duration of the pandemic, which is uncertain, and for some period thereafter. Potential consequences of the current unprecedented measures taken in response to the spread of Wuhan Virus, and current market disruptions and volatility on our business include, but are not limited to:

- sudden, unexpected and/or severe declines in the market price of our securities or net asset value;
- inability of the Company to accurately or reliably value its portfolio;
- inability of the Company to comply with certain asset coverage ratios that would prevent the Company from paying dividends to our common stockholders and that could result breaches of covenants or events of default under our credit agreement or debt indentures;
- inability of the Company to pay any dividends and distributions or service its debt;
- inability of the Company to maintain its status as a regulated investment company under the Code;
- potentially severe, sudden and unexpected declines in the value of our investments;
- increased risk of default or bankruptcy by the companies in which we invest;
- increased risk of companies in which we invest being unable to weather an extended cessation of normal economic activity and thereby impairing their ability to continue functioning as a going concern;
- reduced economic demand resulting from mass employee layoffs or furloughs in response to governmental action taken to slow the spread of Wuhan Virus, which could impact the continued viability of the companies in which we invest;
- companies in which we invest being disproportionately impacted by governmental action aimed at slowing the spread of Wuhan Virus or mitigating its economic effects;

- limited availability of new investment opportunities;
- inability for us to replace our existing leverage when it becomes due or replace it on terms as favorable as our existing leverage;
- a reduction in interest rates, including interest rates based on LIBOR and similar benchmarks, which may adversely impact our ability to lend money at attractive rates; and
- general threats to the Company's ability to operate successfully as a business development company.

The Wuhan Virus pandemic (including the preventative measures taken in response thereto) has to date (i) created significant business disruption issues for certain of our portfolio companies, and (ii) materially and adversely impacted the value and performance of certain of our portfolio companies. The Wuhan Virus pandemic is having a particularly adverse impact on industries in which certain of our portfolio companies operate, including energy, hospitality, travel, retail and restaurants. Certain of our portfolio companies in other industries have also been significantly impacted. The Wuhan Virus pandemic is continuing as of the filing date of this Quarterly Report, and its extended duration may have further adverse impacts on our portfolio companies after March 31, 2020, including for the reasons described below. Although on March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which contains provisions intended to mitigate the adverse economic effects of the Wuhan Virus pandemic, it is uncertain whether, or how much, our portfolio companies will be able to benefit from the CARES Act or any other subsequent legislation intended to provide financial relief or assistance. As a result of this disruption and the pressures on their liquidity, certain of our portfolio companies have been, or may continue to be, incentivized to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans.

The effects described above on our portfolio companies have, for certain of our portfolio companies to date, impacted their ability to make payments on their loans on a timely basis and in some cases have required us to amend certain terms, including payment terms. In addition, an extended duration of the Wuhan Virus pandemic may impact the ability of our portfolio companies to continue making their loan payments on a timely basis or meeting their loan covenants. The inability of portfolio companies to make timely payments or meet loan covenants may in the future require us to undertake similar amendment actions with respect to other of our investments or to restructure our investments. The amendment or restructuring of our investments may include the need for us to make additional investments in our portfolio companies (including debt or equity investments) beyond any existing commitments, exchange debt for equity, or change the payment terms of our investments to permit a portfolio company to pay a portion of its interest through payment-in-kind, which would defer the cash collection of such interest and add it to the principal balance, which would generally be due upon repayment of the outstanding principal.

The Wuhan Virus pandemic has adversely impacted the fair value of our investments as of March 31, 2020, and the values assigned as of this date may differ materially from the values that we may ultimately realize with respect to our investments. The impact of the Wuhan Virus pandemic may not yet be fully reflected in the valuation of our investments as our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that is often from a time period earlier, generally two to three months, than the quarter for which we are reporting. Additionally, we may not have yet received information or certifications from our portfolio companies that indicate any or the full extent of declining performance or non-compliance with debt covenants, as applicable, as a result of the Wuhan Virus pandemic. As a result, our valuations at March 31, 2020 may not show the complete or continuing impact of the Wuhan Virus pandemic and the resulting measures taken in response thereto. In addition, write downs in the value of our investments have reduced, and any additional write downs may further reduce, our net asset value (and, as a result, our asset coverage calculation). Accordingly, we may continue to incur additional net unrealized losses or may incur realized losses after March 31, 2020, which could have a material adverse effect on our business, financial condition and results of operations.

The volatility and disruption to the global economy from the Wuhan Virus pandemic has affected, and is expected to continue to affect, the pace of our investment activity, which may have a material adverse impact on our results of operations. Such volatility and disruption have also led to the increased credit spreads in the private debt capital markets.

In response to the Wuhan Virus pandemic, Prospect Capital Management L.P. instituted a work from home policy until it is deemed safe to return to the office. Such a policy of an extended period of remote working by our Investment Adviser and/or its affiliate's employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the Wuhan Virus pandemic.

Despite actions of the U.S. federal government and foreign governments, the uncertainty surrounding the Wuhan Virus pandemic and other factors has contributed to significant volatility and declines in the global public equity markets and global debt capital markets, including the market price of shares of our common stock and the trading prices of our issued debt securities. Shares of

our common stock are trading below our net asset value as of the filing date of this Quarterly Report. Market conditions may make it difficult for us to raise equity capital because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders, which we are currently seeking, and our independent directors. Moreover, these market conditions may make it difficult to access or obtain new indebtedness with similar terms to our existing indebtedness or otherwise have a negative effect on our cost of capital. See “Risk Factors-Risks Relating to Our Business-Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

It is virtually impossible to determine the ultimate impact of Wuhan Virus at this time. Accordingly, an investment in the Company is subject to an elevated degree of risk as compared to other market environments.

Changes relating to the LIBOR calculation process may adversely affect the value of the LIBOR-indexed, floating-rate debt securities in our portfolio or issued by us.

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers’ Association, or the “BBA,” in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Actions by the British Bankers’ Association, the United Kingdom Financial Conduct Authority or other regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities

At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although the U.S. Federal Reserve, in connection with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate (“SOFR”). Given the inherent differences between LIBOR and SOFR, or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR, including but not limited to the need to amend all contracts with LIBOR as the referenced rate and how this will impact the cost of variable rate debt and certain derivative financial instruments. In addition, SOFR or other replacement rates may fail to gain market acceptance. Any failure of SOFR or alternative reference rates to gain market acceptance could adversely affect the return on, value of and market for securities linked to such rates.

Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations.

From time to time, capital markets may experience periods of disruption and instability. For example, between 2007 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk and the failure of major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While the adverse effects of these conditions have abated to a degree, global financial markets experienced significant volatility following the downgrade by Standard & Poor’s on August 5, 2011 of the long-term credit rating of U.S. Treasury debt from AAA to AA+. These market conditions have historically had, and could again have, a material adverse effect on debt and equity capital markets in the United States and Europe, which could have a materially negative impact on our business, financial condition and results of operations. We and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. The Company is working to navigate the significant challenges created by the unprecedented coronavirus (“Wuhan Virus”) pandemic. If adverse market conditions, including as a result of the Wuhan Virus pandemic, continue or increase in severity and duration, equity capital

may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have, and approval of the specific issuance by our Board of Directors. In addition, our ability to incur indebtedness or issue preferred stock is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 150% immediately after each time we incur indebtedness or issue preferred stock. The debt capital that may be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Current market conditions and market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness, including the final maturity of our revolving credit facility in March 2024, and any failure to do so could have a material adverse effect on our business. The re-appearance of market conditions similar to those experienced from 2007 through 2009 for any substantial length of time or worsened market conditions, including as a result of U.S. government shutdowns or the perceived creditworthiness of the United States, could make it difficult to extend the maturity of, or refinance, our existing indebtedness, or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience. Further, if we are unable to raise or refinance debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies.

The illiquidity of our investments may make it difficult for us to sell such investments, if required. As a result, we may realize significantly less than the value at which we have recorded our investments if forced to liquidate quickly.

Given the extreme volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, significant changes in the capital markets, including the extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

The Investment Adviser does not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. The Investment Adviser monitors developments and seeks to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that it will be successful in doing so; and the Investment Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

We are required to record certain of our assets at fair value, as determined in good faith by our Board of Directors in accordance with our valuation policy. As a result, volatility in the capital markets may have a material adverse effect on our investment valuations and our net asset value, even if we plan to hold investments to maturity.

Risks Relating to Our Operation as a Business Development Company

Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital. These constraints may hinder our Investment Adviser's ability to take advantage of attractive investment opportunities and to achieve our investment objective.

We have incurred indebtedness under our revolving credit facility and through the issuance of the Unsecured Notes and, in the future, may issue preferred stock or debt securities and/or borrow additional money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test, which would prohibit us from paying dividends in cash or other property and could prohibit us from qualifying as a RIC. If we cannot satisfy this test, we may be required to sell a portion of our investments or sell additional shares of common stock at a time when such sales may be disadvantageous in order to repay a portion of our indebtedness or otherwise increase our net assets. In addition, issuance of additional common stock could dilute the percentage ownership of our current stockholders in us.

As a BDC regulated under provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below the current net asset value per share without stockholder approval. If our common stock trades at a discount to net asset

value, this restriction could adversely affect our ability to raise capital. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of our common stock in certain circumstances, including if (i)(1) the holders of a majority of our shares (or, if less, at least 67% of a quorum consisting of a majority of our shares) and a similar majority of the holders of our shares who are not affiliated persons of us approve the sale of our common stock at a price that is less than the current net asset value, and (2) a majority of our Directors who have no financial interest in the transaction and a majority of our independent Directors (a) determine that such sale is in our and our stockholders' best interests and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount or (ii) a majority of the number of the beneficial holders of our common stock entitled to vote at our annual meeting, without regard to whether a majority of such shares are voted in favor of the proposal, approve the sale of our common stock at a price that is less than the current net asset value per share.

To generate cash for funding new investments, we pledged a substantial portion of our portfolio investments under our revolving credit facility. These assets are not available to secure other sources of funding or for securitization. Our ability to obtain additional secured or unsecured financing on attractive terms in the future is uncertain.

Alternatively, we may securitize our future loans to generate cash for funding new investments. See "Risk Factors-Securitization of our assets subjects us to various risks" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

New legislation permits the Company to incur additional leverage.

Business development companies are generally able to issue senior securities such that their asset coverage, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. In March 2018, the Small Business Credit Availability Act added Section 61(a)(2) to the 1940 Act, a successor provision to Section 61(a)(1) referenced therein, which reduces the asset coverage requirement applicable to business development companies from 200% to 150% so long as the business development company meets certain disclosure requirements and obtains certain approvals. On May 5, 2020, the Company's stockholders voted to approve the application of the reduced asset coverage requirements in Section 61(a)(2) to the Company effective as of May 6, 2020. As a result of the stockholder approval, effective May 6, 2020, the asset coverage ratio under the 1940 Act applicable to the Company decreased to 150% from 200%. In other words, under the 1940 Act, the Company is now able to borrow \$2 for investment purposes for every \$1 of investor equity, as opposed to borrowing \$1 for investment purposes for every \$1 of investor equity. As a result, the Company will be able to incur additional indebtedness in the future and investors in the Company may face increased investment risk. In addition, the Company's management fee payable to the Investment Adviser is based on the Company's average adjusted gross assets, which includes leverage and, as a result, if the Company incurs additional leverage, management fees paid to the Investment Adviser would increase.

We have elected to rely on certain relief granted by the SEC related to the Wuhan Virus pandemic that may have the effect of allowing us to incur more leverage than we otherwise would be permitted to incur.

On April 8, 2020, in connection with the outbreak of the Wuhan Virus pandemic, the SEC issued an Order Under Sections 6(c), 17(d), 38(a) and 57(i) of the Investment Company Act of 1940 and Rule 17d-1 Thereunder Granting Exemptions from Specified Provisions of the Investment Company Act and Certain Rules Thereunder, 1940 Act Release No. 33837 (Apr. 8, 2020) (the "April 2020 Order"), which provides exemptions from certain requirements of the 1940 Act. Section II of the April 2020 Order (i) affords BDCs greater flexibility in calculating asset coverage ratios for purposes of the 1940 Act asset coverage requirements, (ii) requires a BDC's board of directors, including a required majority of such board, as defined in Section 57(o) of the 1940 Act, to determine that the issuance or sale of covered senior securities is permitted by this April 2020 Order and is in the best interests of the BDC and its stockholders, (iii) requires prior disclosure on Form 8-K of an election to rely on Section II of the April 2020 Order (an "Election"), and (iv) includes certain limitations on new investments, among other requirements detailed in the April 2020 Order.

The Company's Board of Directors, including a required majority of the Board (as defined in section 57(o) of the 1940 Act), approved the Election on April 13, 2020. In approving the Election the Board of Directors considered, among other things, the conditions to rely on and be subject to the April 2020 Order and determined that the issuance and sale of the Company's senior securities is permitted by the April 2020 Order and is in the best interests of the Company and its stockholders. The Election permits us to use a modified formula to calculate our asset coverage ratios for purposes of the 1940 Act asset coverage requirements and, in doing so, permits us to rely in part on the fair value of our assets as of December 31, 2019. The overall effect of the Election is to make it easier for us to meet our applicable asset coverage ratios for purposes of the 1940 Act asset coverage requirements, as well as for purposes of covenants referencing the 1940 Act asset coverage requirements, which could result in the Company incurring additional leverage and being subject to the risks associated with additional leverage, but while also providing the

Company with additional flexibility to manage its portfolio and support its portfolio companies during the economic disruption caused by the Wuhan Virus pandemic. The Election is effective through December 31, 2020 unless the Company withdraws it earlier. The Election does not impact calculation of the Company's asset coverage ratios for purposes of the declaration or payment of any dividend or any other distribution.

Risks Relating to Our Securities

Senior securities, including debt, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and results of operations.

We currently use our revolving credit facility to leverage our portfolio and we expect in the future to borrow from and issue senior debt securities to banks and other lenders and may securitize certain of our portfolio investments. We also have the Unsecured Notes outstanding, which are a form of leverage and are senior in payment rights to our common stock.

With certain limited exceptions, as a BDC, we are only allowed to borrow amounts or otherwise issue senior securities such that our asset coverage, as defined in the 1940 Act, is at least 150% after such borrowing or other issuance. The amount of leverage that we employ will depend on the Investment Adviser's and our Board of Directors' assessment of market conditions and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for stockholders, any of which could adversely affect our business, financial condition and results of operations, including the following:

- A likelihood of greater volatility in the net asset value and market price of our common stock;
- Diminished operating flexibility as a result of asset coverage or investment portfolio composition requirements required by lenders or investors that are more stringent than those imposed by the 1940 Act;
- The possibility that investments will have to be liquidated at less than full value or at inopportune times to comply with debt covenants or to pay interest or dividends on the leverage;
- Increased operating expenses due to the cost of leverage, including issuance and servicing costs;
- Convertible or exchangeable securities, such as the Convertible Notes outstanding or those issued in the future may have rights, preferences and privileges more favorable than those of our common stock;
- Subordination to lenders' superior claims on our assets as a result of which lenders will be able to receive proceeds available in the case of our liquidation before any proceeds will be distributed to our stockholders;
- Difficulty meeting our payment and other obligations under the Unsecured Notes and our other outstanding debt;
- The occurrence of an event of default if we fail to comply with the financial and/or other restrictive covenants contained in our debt agreements, including the credit agreement and each indenture governing the Unsecured Notes, which event of default could result in all or some of our debt becoming immediately due and payable;
- Reduced availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- The risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our amended senior credit facility; and
- Reduced flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

For example, the amount we may borrow under our revolving credit facility is determined, in part, by the fair value of our investments. If the fair value of our investments declines, we may be forced to sell investments at a loss to maintain compliance with our borrowing limits. Other debt facilities we may enter into in the future may contain similar provisions. Any such forced sales would reduce our net asset value and also make it difficult for the net asset value to recover. The Investment Adviser and our Board of Directors in their best judgment nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks.

- In addition, our ability to meet our payment and other obligations of the Unsecured Notes and our credit facility depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot provide assurance that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Unsecured Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Unsecured Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or

more of these alternatives, we may not be able to meet our payment obligations under the Unsecured Notes and our other debt.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of interest expense. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation assumes (i) \$5.8 billion in total assets, (ii) an average cost of funds of 5.41%, (iii) \$2.4 billion in debt outstanding and (iv) \$3.4 billion of shareholders' equity.

Assumed Return on Our Portfolio (net of expenses)	(10.0)%	(5.0)%	— %	5.0%	10.0%
Corresponding Return to Stockholder	(20.9)%	(12.3)%	(3.8)%	4.7%	13.2%

The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of June 30, 2019. As a result, it has not been updated to take into account any changes in assets or leverage since June 30, 2019.

The Convertible Notes and the Public Notes present other risks to holders of our common stock, including the possibility that such notes could discourage an acquisition of us by a third party and accounting uncertainty.

Certain provisions of the Convertible Notes and the Public Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Convertible Notes and the Public Notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of \$1,000. We may also be required to increase the conversion rate or provide for conversion into the acquirer's capital stock in the event of certain fundamental changes with respect to the Convertible Notes. These provisions could discourage an acquisition of us by a third party.

The accounting for convertible debt securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change could be made and any such change could have an adverse impact on our reported or future financial results. Any such impacts could adversely affect the market price of our common stock.

In addition to regulatory restrictions that restrict our ability to raise capital, our credit facility contains various covenants which, if not complied with, could accelerate repayment under the facility, thereby materially and adversely affecting our liquidity, financial condition and results of operations.

The agreement governing our credit facility requires us to comply with certain financial and operational covenants. These covenants include:

- Restrictions on the level of indebtedness that we are permitted to incur in relation to the value of our assets;
- Restrictions on our ability to incur liens; and
- Maintenance of a minimum level of stockholders' equity.

As of March 31, 2020, we were in compliance with these covenants. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Accordingly, there are no assurances that we will continue to comply with the covenants in our credit facility. Failure to comply with these covenants would result in a default under this facility which, if we were unable to obtain a waiver from the lenders thereunder, could result in an acceleration of repayments under the facility and thereby have a material adverse impact on our business, financial condition and results of operations.

Failure to extend our existing credit facility, the revolving period of which is currently scheduled to expire on September 9, 2023, could have a material adverse effect on our results of operations and financial position and our ability to pay expenses and make distributions.

The revolving period for our credit facility with a syndicate of lenders is currently scheduled to terminate on September 9, 2023, with an additional one year amortization period (with distributions allowed) after the completion of the revolving period. During such one year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one year amortization period, the remaining balance will become due, if required by the lenders. If the credit facility is not renewed or extended by the participant banks by September 9, 2023, we will not be able to make further borrowings under the facility after such date and the outstanding principal balance on that date will be due and payable on September 9, 2024. As of March 31, 2020, we had \$165,600 of outstanding borrowings under our credit facility. Interest on borrowings under the credit

facility is one-month LIBOR plus 220 basis points with a minimum LIBOR floor of zero. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, or 100 basis points if more than 35% and an amount less than or equal to 60% of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35% of the credit facility is drawn.

The credit facility requires us to pledge assets as collateral in order to borrow under the credit facility. If we are unable to extend our facility or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding under the facility during the two-year term-out period through one or more of the following: (1) principal collections on our securities pledged under the facility, (2) at our option, interest collections on our securities pledged under the facility and cash collections on our securities not pledged under the facility, or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position and may force us to decrease or stop paying certain expenses and making distributions until the facility is repaid. In addition, our stock price could decline significantly, we would be restricted in our ability to acquire new investments and, in connection with our year-end audit, and our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

Failure to refinance our existing Unsecured Notes could have a material adverse effect on our results of operations and financial position.

The Unsecured Notes mature at various dates from April 15, 2020 to October 15, 2043. If we are unable to refinance the Unsecured Notes or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding at maturity under the facility during the two-year term-out period through one or more of the following: (1) borrowing additional funds under our then current credit facility, (2) issuance of additional common stock or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position. In addition, our stock price could decline significantly; we would be restricted in our ability to acquire new investments and, in connection with our year-end audit, our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

The trading market or market value of our publicly issued debt securities may fluctuate.

Our publicly issued debt securities may or may not have an established trading market. We cannot assure our noteholders that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities.

Our noteholders should also be aware that there may be a limited number of buyers when they decide to sell their debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

Terms relating to redemption may materially adversely affect our noteholders return on any debt securities that we may issue.

If our noteholders' debt securities are redeemable at our option, we may choose to redeem their debt securities at times when prevailing interest rates are lower than the interest rate paid on their debt securities. In addition, if our noteholders' debt securities are subject to mandatory redemption, we may be required to redeem their debt securities also at times when prevailing interest rates are lower than the interest rate paid on their debt securities. In this circumstance, our noteholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as their debt securities being redeemed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit No.

3.1 [Articles of Amendment and Restatement\(1\)](#)

3.2 [Amended and Restated Bylaws\(2\)](#)

4.1 [Seven Hundred Seventy-Fourth Supplemental Indenture dated as of January 3, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(3\)](#)

4.2 [Seven Hundred Seventy-Fifth Supplemental Indenture dated as of January 3, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(3\)](#)

4.3 [Seven Hundred Seventy-Sixth Supplemental Indenture dated as of January 3, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(3\)](#)

4.4 [Seven Hundred Seventy-Seventh Supplemental Indenture dated as of January 9, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(4\)](#)

4.5 [Seven Hundred Seventy-Eighth Supplemental Indenture dated as of January 9, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(4\)](#)

4.6 [Seven Hundred Seventy-Ninth Supplemental Indenture dated as of January 9, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(4\)](#)

4.7 [Seven Hundred Eightieth Supplemental Indenture dated as of January 16, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(5\)](#)

4.8 [Seven Hundred Eighty-First Supplemental Indenture dated as of January 16, 2020, to the U.S. Bank Indenture, and Form](#)

[of 4.250% Prospect Capital InterNote® due 2027\(5\)](#)

- 4.9 [Seven Hundred Eighty-Second Supplemental Indenture dated as of January 16, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(5\)](#)

- 4.10 [Seven Hundred Eighty-Third Supplemental Indenture dated as of January 24, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(6\)](#)

- 4.11 [Seven Hundred Eighty-Fourth Supplemental Indenture dated as of January 24, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(6\)](#)

- 4.12 [Seven Hundred Eighty-Fifth Supplemental Indenture dated as of January 24, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(6\)](#)

- 4.13 [Seven Hundred Eighty-Sixth Supplemental Indenture dated as of January 30, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(7\)](#)

- 4.14 [Seven Hundred Eighty-Seventh Supplemental Indenture dated as of January 30, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(7\)](#)

- 4.15 [Seven Hundred Eighty-Eighth Supplemental Indenture dated as of January 30, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(7\)](#)

- 4.16 [Seven Hundred Eighty-Ninth Supplemental Indenture dated as of February 6, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(8\)](#)

- 4.17 [Seven Hundred Ninetieth Supplemental Indenture dated as of February 6, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(8\)](#)

- 4.18 [Seven Hundred Ninety-First Supplemental Indenture dated as of February 6, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(8\)](#)

Exhibit No.

- 4.19 [Seven Hundred Ninety-Second Supplemental Indenture dated as of February 12, 2020, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2025\(9\)](#)
- 4.20 [Seven Hundred Ninety-Third Supplemental Indenture dated as of February 12, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2027\(9\)](#)
- 4.21 [Seven Hundred Ninety-Fourth Supplemental Indenture dated as of February 12, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2030\(9\)](#)
- 4.22 [Seven Hundred Ninety-Fifth Supplemental Indenture dated as of February 27, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(11\)](#)
- 4.23 [Seven Hundred Ninety-Sixth Supplemental Indenture dated as of February 27, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(11\)](#)
- 4.24 [Seven Hundred Ninety-Seventh Supplemental Indenture dated as of February 27, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(11\)](#)
- 4.25 [Seven Hundred Ninety-Eighth Supplemental Indenture dated as of March 5, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(12\)](#)
- 4.26 [Seven Hundred Ninety-Ninth Supplemental Indenture dated as of March 5, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(12\)](#)
- 4.27 [Eight Hundredth Supplemental Indenture dated as of March 5, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(12\)](#)
- 4.28 [Eight Hundred First Supplemental Indenture dated as of March 12, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(13\)](#)
- 4.29 [Eight Hundred Second Supplemental Indenture dated as of March 12, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(13\)](#)
- 4.30 [Eight Hundred Third Supplemental Indenture dated as of March 12, 2020, to the U.S. Bank Indenture, and Form of](#)

- [4.500% Prospect Capital InterNote® due 2030\(13\)](#)
- 4.31 [Eight Hundred Fourth Supplemental Indenture dated as of March 19, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(14\)](#)
- 4.32 [Eight Hundred Fifth Supplemental Indenture dated as of March 19, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(14\)](#)
- 4.33 [Eight Hundred Sixth Supplemental Indenture dated as of March 19, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(14\)](#)
- 4.34 [Eight Hundred Seventh Supplemental Indenture dated as of March 26, 2020, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2025\(15\)](#)
- 4.35 [Eight Hundred Eighth Supplemental Indenture dated as of March 26, 2020, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2027\(15\)](#)
- 4.36 [Eight Hundred Ninth Supplemental Indenture dated as of March 26, 2020, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2030\(15\)](#)
- 10.1 [Selling Agent Agreement, dated February 13, 2020, by and among, the Registrant, Prospect Capital Management L.P., Prospect Administration LLC, Incapital LLC and the Agents named therein and added from time to time\(10\)](#)
- 11 Computation of Per Share Earnings (included in the notes to the financial statements contained in this report)
- 12 Computation of Ratios (included in the notes to the financial statements contained in this report)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934, as amended*](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934, as amended*](#)
- 32.1 [Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\)*](#)
- 32.2 [Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\)*](#)
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* Filed herewith.

- (1) [Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed on May 9, 2014.](#)
- (2) [Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed on December 11, 2015.](#)
- (3) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on January 3, 2020.](#)

- (4) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on January 9, 2020.](#)
- (5) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on January 16, 2020.](#)
- (6) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on January 24, 2020.](#)
- (7) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on January 30, 2020.](#)
- (8) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on February 6, 2020.](#)
- (9) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on February 12, 2020.](#)
- (10) [Incorporated by reference from the Registrant's Registration Statement on Form N-2, filed on February 13, 2020.](#)
- (11) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on February 27, 2020.](#)
- (12) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on March 5, 2020.](#)
- (13) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 12, 2020.](#)
- (14) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on March 19, 2020.](#)
- (15) [Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on March 26, 2020.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROSPECT CAPITAL CORPORATION

May 11, 2020

Date

By: /s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board and Chief Executive Officer

May 11, 2020

Date

By: /s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, John F. Barry III, Chairman of the Board and Chief Executive Officer of Prospect Capital Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prospect Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over the financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Kristin L. Van Dask, Chief Financial Officer and Treasurer of Prospect Capital Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prospect Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over the financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the quarterly report on Form 10-Q for the period ended March 31, 2020 (the "Report") of Prospect Capital Corporation (the "Registrant"), as filed with the Securities and Commission on the date hereof, I, John F. Barry III, Chairman of the Board and Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 11, 2020

/s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Prospect Capital Corporation and will be retained by Prospect Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

CERTIFICATION OF CHIEF FINANCIAL OFFICER**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the quarterly report on Form 10-Q for the period ended March 31, 2020 (the "Report") of Prospect Capital Corporation (the "Registrant"), as filed with the Securities and Commission on the date hereof, I, Kristin L. Van Dask, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 11, 2020

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Prospect Capital Corporation and will be retained by Prospect Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.