Prospect Capital Announces 55% Increase in Net Investment Income per Share and $0.12 Increase in Net Asset Value per Share for Second Fiscal Quarter Over Prior Year Second Fiscal Q...

The Associated Press

Prospect Capital Corporation (NASDAQ: PSEC) ("Company" or "Prospect") today announced financial results for our second fiscal quarter ended December 31, 2012.

For the December 2012 quarter, our net investment income ("NII") was $99.2 million or $0.51 per weighted average number of shares for the quarter. For the December 2011 quarter, our NII was $36.5 million or $0.33 per weighted average number of shares for the quarter. NII increased year-over-year by 172% and 55% on a dollars and per share basis, respectively.

For the six months ended December 2012, our NII was $173.2 million or $0.97 per weighted average number of shares for the period. For the six months ended December 31, 2011, our NII was $64.4 million or $0.59 per weighted average number of shares for the period.

Our net asset value per share on December 31, 2012 stood at $10.81 per share, an increase of $0.12 per share from December 31, 2011. Our debt to equity ratio stood at 47.8% (29.2% after subtraction of cash and cash equivalents) as of December 31, 2012. We estimate that our net investment income for the current March 2013 quarter will be $0.27 to $0.31 per share.

We have previously announced our upcoming cash distributions, our 55th, 56th, and 57th consecutive cash distributions to shareholders, as follows: $0.110050 per share for February 2013 (record date of February 28, 2013 and payment date of March 21, 2013); $0.110075 per share for March 2013 (record date of March 29, 2013 and payment date of April 18, 2013); and $0.110100 per share for April 2013 (record date of April 30, 2013 and payment date of May 23, 2013). We have generated cumulative NII in excess of cumulative distributions to shareholders in the current fiscal year to date, in the prior fiscal year, and since Prospect's initial public offering nine years ago.

Our NII per weighted average share exceeded our cash distributions per share in each of the last five quarters. Depending on future distributions to shareholders, spillback dividend classifications, differences between NII and investment company taxable income, and other factors, we may retain significantly all or a portion of realizations and reinvest them in additional income-producing investments.

Since our IPO nine years ago through our April 2013 distribution, assuming our current share count for upcoming distributions, we will have distributed more than $11.05 per share to original shareholders and $675 million in cumulative distributions to all shareholders.

HIGHLIGHTS

Equity Values: Net assets as of December 31, 2012: $2.327 billion Net asset value per share as of December 31, 2012: $10.81

Second Fiscal Quarter Operating Results: Net investment income: $99.22 million Net investment income per share: $0.51 Dividends to shareholders per share: $0.313325

Fiscal Year to Date Operating Results: Net investment income: $173.24 million Net investment income per share: $0.97 Net increase in net assets resulting from operations: $93.74 million Net increase in net assets per share resulting from operations: $0.52 Dividends to shareholders per share: $0.618125

Second Quarter and Fiscal Year to Date Portfolio and Investment Activity: Portfolio investments in quarter: $772.13 million Portfolio investments during the six months ended December 31, 2012: $1.520 billion Total Portfolio investments at cost at December 31, 2012: $3.117 billion Total portfolio investments at fair value at December 31, 2012: $3.039 billion Number of portfolio companies at December 31, 2012: 106

PORTFOLIO AND INVESTMENT ACTIVITY

Our origination efforts during the December 2012 quarter prioritized secured lending, with an emphasis on first-lien loans, although we also seek to close selected subordinated debt and equity investments. In addition to targeting investments senior in corporate capital structures with our new originations, we have also increased our new investments in third-party private equity sponsor-owned companies, which tend to have more third-party equity capital supporting our debt investments than in non-sponsor transactions, while still maintaining our flexibility to pursue attractive non-sponsor investments. With our scale team of more than 60 professionals, one of the largest dedicated middle-market credit groups in the industry, we believe we are well positioned to select in a disciplined manner a small number of investments out of thousands of investment opportunities sourced annually.

As a result of our continuing credit risk, yield, and other portfolio management initiatives, our portfolio's annualized current yield stood at 14.7% across all performing interest bearing investments as of December 31, 2012. Distributions from equity positions that we hold 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.

At December 31, 2012, our portfolio consisted of 106 long-term investments with a fair value of $3.039 billion, a record total, compared to 85 long-term investments with a fair value of $2.094 billion at June 30, 2012, and compared to 72 long-term investments with a fair value of $1.463 billion at June 30, 2011.

During the December 2012 quarter, we completed 33 new and follow-on investments aggregating a record $772.1 million (approximately five times our origination dollar volume in the prior year December 2011 quarter), sold two investments, and received repayment on eleven other investments. Our repayments in the December 2012 quarter were $349.3 million, resulting in investments net of repayments of $422.9 million.
On October 3, 2012, we made a senior secured investment of $21.5 million to support the acquisition of CP Well Testing, LLC, a leading provider of flowback services to oil and gas companies operating in Western Oklahoma and the Texas Panhandle. On October 5, 2012, Northwestern Management Services, LLC ("Northwestern") repaid our $15.1 million loan, and we sold our shares of Northwestern common stock for total proceeds of $2.2 million, realizing a gain of $1.9 million. On October 11, 2012, we made a secured second lien investment of $12.0 million in Deltek, Inc., an enterprise software and information solutions provider for professional services firms, government contractors, and government agencies. On October 12, 2012, we made a senior secured investment of $42.0 million to support the acquisition of Gulf Coast Machine and Supply Company, a preferred provider of value-added forging solutions to energy and industrial end markets. On October 16, 2012, Blue Coat Systems, Inc. repaid our $25.0 million loan. On October 18, 2012, we made a follow-on senior secured debt investment of $20.0 million in First Tower Holdings of Delaware LLC, to support seasonal growth in finance receivables due to increased holiday borrowing activity from its customer base. On October 18, 2012, Hi-Tech Testing Service, Inc. and Wilson Inspection X-Ray Services, Inc. repaid our $7.2 million loan. On October 19, 2012, Mood Media Corporation repaid our $15.0 million loan. On October 24, 2012, we made an investment of $7.8 million in APH Property Holdings, LLC ("APH"), to acquire an industrial real estate property occupied by Filet-of-Chicken, a chicken processor in Georgia. We invested $1.8 million of equity and $6.0 million of debt in APH. On October 31, 2012, Shearer's Foods, Inc. repaid our $38.0 million loan. On November 5, 2012, we made an investment of $39.5 million to purchase subordinated notes in ING IM CLO 2012-IV, Ltd. On November 7, 2012, we redeemed our membership interests in connection with the sale of Shearer's, receiving $6.0 million of net proceeds and realizing a gain of approximately $2.0 million on the redemption. On November 8, 2012, Potters Holdings II, L.P. repaid our $15.0 million loan. On November 9, 2012, we made a secured second lien investment of $22.0 million to support the recapitalization of EIG Investors Corp. Concurrent with the financing, we received a repayment of our previous $12.0 million loan. On November 15, 2012, Renaissance Learning, Inc. repaid our $6.0 million loan. On November 26, 2012, we made a secured second lien investment of $22.0 million in The Petroleum Place, Inc., a provider of enterprise resource planning software focused on the oil & gas industry. On November 30, 2012, we made a secured second lien investment of $9.5 million to support the recapitalization of R-V Industries, Inc ("R-V"). As part of the recapitalization, we received a dividend of $11.1 million for our investment in R-V's common stock. On December 3, 2012, VanDeMark Chemicals, Inc. repaid our

$29.7 million loan. On December 6, 2012, we made an investment of $38.3 million to purchase subordinated notes in Apidos CLO XI, LLC. On December 7, 2012, Hudson Products Holdings, Inc. repaid our $6.3 million loan. On December 13, 2012, we completed a $33.9 million debt and equity recapitalization of CCPI, Inc. ("CCPI"), an international manufacturer of refractory materials and other consumable products for industrial applications. Through the recapitalization, Prospect acquired a controlling interest in CCPI for $28.3 million in cash and 467,928 unregistered shares of our common stock. On December 14, 2012, we provided $10.0 million of first-lien financing to support the recapitalization of Prince Mineral Holding Corp., a leading global specialty mineral processor and consolidator. On December 14, 2012, we made a $3.0 million follow-on secured debt investment in Focus Brands, Inc. On December 17, 2012, we made a $39.8 million first-lien investment in Coverall Health-Based Cleaning Systems, a leading franchiser of commercial cleaning businesses. On December 17, 2012, we made a $38.2 million first-lien follow-on investment in Material Handling Services, LLC, d/b/a Total Fleet Solutions, to support the acquisition of Miner Holding Company, Inc. On December 17, 2012, we made a secured debt investment of $30.0 million to support the recapitalization of BNN Holdings Corp. After the financing, we received repayment of our previous $26.2 million loan. On December 19, 2012, we provided $17.5 million of senior secured second-lien financing to Grocery Outlet, Inc., to support the recapitalization of this retailer of food, beverages, and general merchandise. On December 19, 2012, we provided $23.2 million of senior secured second-lien financing to support the recapitalization of TB Corp., a Mexican restaurant chain. On December 20, 2012, we made an additional follow-on senior secured debt investment of $19.5 million to support the recapitalization of Progrexion Holdings, Inc. ("Progrexion"). After the financing, we now hold $154.5 million of senior secured debt of Progrexion. On December 21, 2012, ST Products, LLC repaid our $23.2 million loan. On December 21, 2012, SG Acquisition, Inc. repaid our $83.2 million loan. On December 21, 2012, we made a $10.0 million senior secured second-lien follow-on investment in Seaton Corp. On December 21, 2012, we made a $37.5 million senior secured first-lien investment in Lasership, Inc., a leading provider of regional same day and next day distribution services for premier e-commerce and product supply businesses. On December 21, 2012, we made a $12.0 million senior secured first-lien follow-on investment in FPG, LLC, a supplier of branded consumer and commercial products sold to the retail, foodservice, and hospitality sectors. On December 24, 2012, we made a follow-on secured debt investment of $5.0 million in New Star Metals, Inc. On December 24, 2012, we made a $7.0 million second-lien secured investment in Aderant North America, Inc., a leading provider of enterprise software solutions to professional services organizations. On December 28, 2012, we made a $9.6 million second-lien secured investment in APH, to acquire Abbington Pointe, Inc., a multi-family property in Marietta, Georgia. We invested $3.2 million of equity and $6.4 million of debt in APH. On December 28, 2012, we made a $5.0 million second-lien secured investment in TransFirst Holdings, Inc., a payments processing firm that provides electronic credit card authorization to merchants located throughout the United States. On December 28, 2012, we completed a $47.9 million debt and equity recapitalization of Credit Central Holdings, LLC ("Credit Central") a branch-based provider of installment loans. Through the recapitalization, we acquired a controlling interest in Credit Central for $38.1 million in cash and 897,906 unregistered shares of our common stock. On December 28, 2012, we made a $3.6

million follow-on subordinated unsecured debt investment in Ajax Rolled Ring & Machine, Inc. On December 28, 2012, we made a $30.0 million first-lien senior secured investment to support the recapitalization of Spartan Energy Services, LLC, a leading provider of thru tubing and flow control services to oil and gas companies. On December 31, 2012, we provided a $32.0 million senior secured loan to support the acquisition of System One Holdings, LLC, a leading provider of professional staffing services, by investment funds managed by MidOcean Partners. On December 31, 2012, we funded a recapitalization of Valley Electric Co. of Mt. Vernon, Inc. ("Valley") with $52.1 million of combined debt and equity financing. Through the recapitalization, we acquired a controlling interest in Valley for $7.4 million in cash and 4,141,547 unregistered shares of our common stock. On December 31, 2012, we provided $70.0 million of secured second-lien debt financing for the acquisition of Thomson Reuters Property Tax Services by Ryan, LLC.
Since December 31, 2012 in the current March 2013 quarter, we have completed six new investments aggregating $142.5 million.
On January 11, 2013, we provided $27.1 million of debt financing to CHC Companies, Inc., a national provider of correctional medical and behavioral healthcare solutions. On January 17, 2013, we made a $30.3 million follow-on investment in APH, to acquire 5100 Live Oaks Blvd, LLC, a multi-family residential property located in Tampa, Florida. We invested $2.7 million of equity and $27.6 million of debt in APH. On January 24, 2013, we made an investment of $24.3 million to purchase subordinated notes in Cent 17 CLO Limited. On January 24, 2013, we made an investment of $25.7 million to purchase subordinated notes in Octagon Investment Partners XV, Ltd. On January 29, 2013, we provided $8.0 million of secured second lien financing to TGG Medical Transitory, Inc., a developer of technologies for extracorporeal photopheresis treatments. On January 31, 2013, we funded the acquisition of the subsidiaries of Nationwide Acceptance Corporation, an auto finance business, with $25.2 million of combined debt and equity financing. On February 5, 2013, we made a secured debt investment of $2.0 million in Healogics, Inc., a provider of outpatient wound care management services located in Jacksonville, Florida. On the same day we fully exited the deal and realized a gain of approximately $0.1 million on this investment.
We are pleased with the overall credit quality of our portfolio, with many of our companies generating year-over-year and sequential growth in top-line revenues and bottom-line profits. None of our loans originated in over five years has gone on non-accrual status. The fair market value of our loan assets on non-accrual as a percentage of total assets stood at approximately 1.1% on December 31, 2012, down from 1.9% on June 30, 2012 and 3.5% on June 30, 2011.

During calendar year 2012, we received significant dividend and interest income from our ESHI investment. We expect our income from ESHI in calendar year 2013 to be significantly less than such income in calendar year 2012. We are looking to offset this decrease by utilizing existing liquidity and prudent leverage to finance our growth through new originations, including attractive yielding investments in the financial services and other sectors.

Because of the performance of several controlled positions in our portfolio, we have selectively monetized certain such companies and may monetize other positions if

we identify attractive opportunities for exit. As such exits materialize, we expect to reinvest such proceeds into new income-producing opportunities. We are pleased with the performance of our controlled portfolio companies, and are actively exploring other new investment opportunities at attractive multiples of cash flow.

Our advanced investment pipeline aggregates more than $400 million of potential opportunities. These investments are primarily secured investments with double-digit coupons, sometimes coupled with equity upside through additional investments, diversified across multiple sectors.

Our diversified approach covers multiple business segments, including agented sponsor finance, club and syndicated finance, agented direct lending, structured credit, real estate yield, and controlled debt and equity investments. This diversity allows us to source a broad range and high volume of opportunities, then select in a disciplined bottoms-up manner the opportunities we deem to be the most attractive on a risk-adjusted basis.

LIQUIDITY AND FINANCIAL RESULTS

Our modestly leveraged balance sheet is a source of significant strength. Our debt to equity ratio stood at 47.8% (29.2% after subtraction of cash and cash equivalents) at December 31, 2012. Our equitized balance sheet also gives us the potential for future earnings upside as we prudently look to utilize and grow our existing revolving credit facility as well as potentially add additional secured or unsecured term facilities, made more attractive by our investment-grade ratings at corporate, revolving facility, and term debt levels.

On March 27, 2012, we renegotiated our credit facility and closed on an expanded five-year revolving credit facility (the "Facility") for Prospect Capital Funding LLC. As of December 31, 2012, our Facility size stood at $552.5 million with commitments from 17 total lenders. The Facility includes an accordion feature that allows aggregate commitments to be increased to $650 million without the need for re-approval from existing lenders or the rating agency.

As we make additional investments, we generate additional availability to the extent such investments are eligible to be placed into the borrowing base. The revolving period of the Facility extends through March 2015, with an additional two-year amortization period, with distributions allowed after the completion of the revolving period. Interest on borrowings under the Facility is one-month Libor plus 275 basis points, with no minimum Libor floor. The Facility continues to carry a high-investment-grade Moody's rating of Aa3.

We also have significantly diversified our counterparty risk. The current count of 17 institutional lenders in our Facility compares to five lenders at June 30, 2010, two lenders at June 30, 2009, and one lender at June 30, 2008.

In addition, our repeat issuance in the 5-year to 30-year unsecured term debt market has extended our liability duration, thereby better matching our assets and liabilities for balance sheet risk management.

On December 21, 2010, we issued $150.0 million in principal amount of 6.25% senior unsecured convertible notes, convertible at $11.35 per common share and due December 2015 ("2015 Notes").

On February 18, 2011, we issued $172.5 million in principal amount of 5.50% senior unsecured convertible notes, convertible at $12.76 per common share and due August 2016 ("2016 Notes"). In the March 2012 quarter, we repurchased $5.0 million of our 2016 Notes.

On April 16, 2012, we issued $130.0 million in principal amount of 5.375% senior unsecured convertible notes, convertible at $11.65 per common share and due October 2017 ("2017 Notes").

On August 14, 2012, we issued $200.0 million in principal amount of 5.75% senior unsecured convertible notes, convertible at $12.14 per common share and due March 2018 ("2018 Notes").

On December 21, 2012, we issued $200.0 million in principal amount of 5.875% senior unsecured convertible notes, convertible at $12.54 per common share and due January 2019 ("2019 Notes", and together with the 2015 Notes, 2016 Notes, 2017 Notes, and 2018 Notes, the "Convertible Notes"). In the past we have repurchased Convertible Notes when we deemed such purchases to be attractive for us.

On February 16, 2012, we entered into a Selling Agent Agreement for our issuance and sale from time to time of senior unsecured Prospect Capital InterNotes® (the "InterNotes"). Since initiating the program, we have issued $183.0 million of InterNotes. These notes were issued with interest rates ranging from 4.00% to 7.00% with a weighted average rate of 5.94%. These notes mature between June 15, 2019 and February 15, 2043.

On May 1, 2012, we issued $100.0 million in principal amount of 6.95% senior unsecured notes due November 2022 (the "2022 Baby Bond Notes", and together with our Convertible Notes and our InterNotes, the "Unsecured Notes"). The 2022 Baby Bond Notes trade on the New York Stock Exchange with ticker PRY and further demonstrate our diversified access to longer-dated funding.

The Unsecured Notes are general unsecured obligations of Prospect, with no financial covenants, no technical cross default provisions, and no payment cross default provisions with respect to our revolving credit facility. The Unsecured Notes have no restrictions related to the type and security of assets in which Prospect might invest. The issuance of these notes has allowed us to grow our investment program in calendar year 2012 and prudently commit to loans with maturities longer than our existing revolving credit facility maturity. These Unsecured Notes have an investment-grade S&P rating of BBB. As of December 31, 2012, Prospect held more than $2.89 billion of unencumbered assets on its balance sheet, benefiting holders of Unsecured Notes and Prospect shareholders.

Since June 30, 2012, we have completed five equity issuances at prices above net asset value per share.

On June 1, 2012, we entered into an equity distribution agreement, relating to at-the-market offerings from time to time, of up to 9.5 million shares of our common stock (the "ATM Program"). During the period from July 2, 2012 to July 12, 2012, we sold approximately 2.25 million shares of our common stock at an average price of $11.59 per share, and raised $26.0 million of gross proceeds.

On July 16, 2012, and subsequently through exercise of the underwriter option, we issued 24,150,000 shares of our common stock at $11.15 per share, raising $269.3 million of gross proceeds.

On September 10, 2012, we entered into an equity distribution agreement, relating to at-the-market offerings from time to time, of up to 9.75 million shares of our common stock. During the period from September 13, 2012 to September 28, 2012, we sold approximately 6.8 million shares of our common stock at an average price of $11.86 per share, and raised $80.2 million of gross proceeds, under the program. During the period from October 1, 2012 to October 9, 2012, we sold approximately 1.25 million shares of our common stock at an average price of $11.53 per share, and raised $14.4 million of gross proceeds.

On November 7, 2012, we issued 35,000,000 shares of our common stock to the public at an initial price of $11.10 per share to the public (or $10.96 per share net proceeds after commissions and expenses), raising $383.6 million of net proceeds.

On December 21, 2012, we entered into an equity distribution agreement, relating to at-the-market offerings from time to time, of up to 17.5 million shares of our common stock. During the period from January 7, 2013 to February 5, 2013, we sold approximately 10.2 million shares of our common stock at an average price of $11.25 per share, and raised $115.3 million of gross proceeds, under the program.

We currently have no borrowings under our Facility. Assuming sufficient assets are pledged to the Facility and that we are in compliance with all Facility terms, and taking into account our cash balances on hand, we have over $740 million of new investment capacity. Any principal repayments or other monetizations of our assets would further increase our new investment capacity. Any issuance of equity, increase in our Facility size, or issuance of other debt, including additional term debt, would also further increase our investment capacity.

CONFERENCE CALL The Company will host a conference call on Friday, February 8, 2013 at 11:00 a.m. Eastern Time. The conference call dial-in number will be 888-317-6016. A recording of the conference call will be available for approximately 30 days. To hear a replay, call 877-344-7529 and use passcode 10024741.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES December 31, 2012 and June 30, 2012 (in thousands, except share and per share data) December 31, June 30, 2012 2012 ----------

---------- Assets (Unaudited) (Audited) Investments at fair value: Control investments (amortized cost of $666,360 and $518,015, respectively) $ 649,380 $ 564,489 Affiliate investments (amortized cost of $48,659 and $44,229, respectively) 48,266 46,116 Non-control/Non-affiliate investments (amortized cost of $2,402,038 and $1,537,069, respectively) 2,341,162 1,483,616 ---------- ---------- Total investments at fair value (amortized cost of $3,117,057 and $2,099,313, respectively) 3,038,808 2,094,221 Investments in money market funds 430,945 118,369 ---------- ---------- Total investments 3,469,753 2,212,590 ---------- ---------- Cash 2,219 2,825 Receivables for: Interest, net 16,531 14,219 Dividends 11 1 Other 2,409 783 Prepaid expenses 227 421 Deferred financing costs 38,571 24,415 ---------- ---------- Total Assets 3,529,721 2,255,254 ---------- ---------- Liabilities Credit facility payable -- 96,000 Senior convertible notes 847,500 447,500 Senior unsecured notes 100,000 100,000 Prospect Capital InterNotes® 164,993 20,638 Due to broker 38,291 44,533 Dividends payable 23,669 14,180 Due to Prospect Administration 373 658 Due to Prospect Capital Management 2,019 7,913 Accrued expenses 16,544 9,648 Other liabilities 9,697 2,210 ---------- ---------- Total Liabilities 1,203,086 743,280 ---------- ---------- Net Assets $ 2,326,635 $ 1,511,974 ========== ========== Components of Net Assets Common stock, par value $0.001 per share (500,000,000 common shares authorized; 215,173,410 and 139,633,870 issued and outstanding, respectively) $ 215 $ 140 Paid-in capital in excess of par 2,379,742 1,544,801 Undistributed net investment income 82,817 23,667 Accumulated realized losses on investments (57,890) (51,542) Unrealized depreciation on investments (78,249) (5,092) ---------- ---------- Net Assets $ 2,326,635 $ 1,511,974 ========== ========== Net Asset Value Per Share $ 10.81 $ 10.83 ========== ========== PROSPECT CAPITAL CORPORATION AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS For the Three Months and Six Ended December 31, 2012 and 2011 (in thousands, except share and per share data) (Unaudited) For The Three Months For The Six Months Ended Ended December 31, December 31, ---------- ---------- 2012 2011 2012 2011 ---------- ---------- ---------- ---------- Investment Income Interest Income: Control investments $ 33,239 $ 6,415 $ 51,158 $ 12,580 Affiliate investments 1,694 2,399 3,345 4,801 Non-control/Non-affiliate investments other than CLO securities 58,513 36,714 103,540 70,034 CLO fund securities 23,420 608 37,133 1,108 ---------- ---------- ---------- ---------- Total interest income 116,866 46,136 195,176 88,523 ---------- ---------- ---------- ---------- Dividend income: Control investments 31,717 17,645 64,967 24,345 Non-control/Non-affiliate investments 230 1,384 3,185 1,733 Money market funds 8 - 11 1 ---------- ---------- ---------- ---------- Total dividend income 31,955 19,029 68,163 26,079 ---------- ---------- ---------- ---------- Other income: Control investments 5,095 612 5,097 618 Affiliate investments 605 13 613 74 Non-control/Non-affiliate investments 11,514 1,473 20,622 7,311 ---------- ---------- ---------- ---------- Total other income 17,214 2,098 26,332 8,003 ---------- ---------- ---------- ---------- Total Investment Income 166,035 67,263 289,671 122,605 ---------- ---------- ---------- ---------- Operating Expenses Investment advisory fees: Base management fee 16,306 8,825 29,534 17,036 Income incentive fee 24,804 9,127 43,311 16,096 ---------- ---------- ---------- ---------- Total investment advisory fees 41,110 17,952 72,845 33,132 Interest and credit facility expenses 16,414 9,759 29,925 18,719 Legal fees 635 510 1,257 942 Valuation services 371 306 747 608 Audit, compliance and tax related fees 378 525 810 865 Allocation of overhead

from Prospect Administration 2,139 1,117 4,323 2,233 Insurance expense 78 20 171 99 Directors' fees 75 63 150 127 Excise tax 4,500 - 4,500 - Other general and administrative expenses 1,119 503 1,700 1,495 ---------- ---------- ---------- ---------- Total Operating Expenses 66,819 30,755 116,428 58,220 ---------- ---------- ---------- ---------- Net Investment Income 99,216 36,508 173,243 64,385 ---------- ---------- ---------- ---------- Net realized (loss) gain on investments (8,123) 13,498 (6,348) (1,109) Net change in unrealized (depreciation) appreciation on investments (44,604) 14,486 (73,157) 41,116 ---------- ---------- ---------- ---------- Net Increase in Net Assets Resulting from Operations $ 46,489 $ 64,492 $ 93,738 $ 104,392 ---------- ---------- ---------- ---------- Net increase in net assets resulting from operations per share: $ 0.24 $ 0.59 $ 0.52 $ 0.96 ---------- ---------- ---------- ---------- Dividends declared per share $ 0.31 $ 0.31 $ 0.61 $ 0.61 ---------- ---------- ---------- ---------- PROSPECT CAPITAL CORPORATION AND SUBSIDIARY ROLLFORWARD OF NET ASSET VALUE PER SHARE For the Three and Six Months December 31, 2012 and 2011 (in actual dollars) (Unaudited) For The Three Months For The Six Months Ended Ended ---------- ---------- December December December December 31, 2012 31, 2011 31, 2012 31, 2011 ---------- ---------- ---------- ---------- Per Share Data: Net asset value at beginning of period $ 10.88 $ 10.41 $ 10.83 $ 10.36 Net investment income 0.51 0.33 0.97 0.59 Net realized (loss) gain (0.04) 0.12 (0.04) (0.01) Net unrealized (depreciation) appreciation (0.23) 0.14 (0.41) 0.38 Net increase (decrease) in net assets as a result of public offerings 0.01 - 0.10 (0.01) Dividends declared (0.32) (0.31) (0.64) (0.62) ---------- ---------- ---------- ---------- Net asset value at end of period $ 10.81 $ 10.69 $ 10.81 $ 10.69 ========== ========== ========== ==========

ABOUT PROSPECT CAPITAL CORPORATION

Prospect Capital Corporation (www.prospectstreet.com) is a closed-end investment company that lends to and invests in private and microcap public businesses. Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments.

We have elected to be treated as a business development company under the Investment Company Act of 1940 ("1940 Act"). We are required to comply with a series of regulatory requirements under the 1940 Act as well as applicable NASDAQ, federal and state rules and regulations. We have elected to be treated as a regulated investment company under the Internal Revenue Code of 1986. Failure to comply with any of the laws and regulations that apply to us could have an adverse effect on us and our shareholders.

This article has been truncated. You can see the rest of this article by contacting http://www.marketwire.com.

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