

PROSPECT CAPITAL CORP
 Form 497
 April 02, 2012

Prospect Capital Corporation
Prospect Capital InterNotes®
6.850% Senior Notes due 2022 (the "Notes")

Filed under Rule 497, Registration Statement No. 333-176637

Pricing Supplement No. 3 Dated Monday, April 2, 2012 (To: Prospectus Dated October 21, 2011, and Prospectus Supplement Dated February 16, 2012)

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Coupon Rate	Coupon Frequency	Maturity Date	1 st Coupon Date	1 st Coupon Amount	Survivor's Option	Product Ranking
74348YAA9	US74348YAA91	\$4,000,000.00	100.000%	2.200%	\$3,912,000.00	Fixed	6.850%	Semi-Annual	04/15/2022	10/15/2012	\$36.15	Yes	Senior Unsecured Notes

Redemption Information: Callable at 100.000% on 04/15/2013 and every coupon date thereafter.

Trade Date: Monday, April 2, 2012 @ 12:00 PM ET
 Settle Date: Thursday, April 5, 2012
 Minimum Denomination/Increments: \$1,000.00/\$1,000.00
 Initial trades settle flat and clear SDFS: DTC Book Entry only

The Notes will be issued pursuant to the Indenture, dated as of February 16, 2012, as supplemented by that certain Third Supplemental Indenture, dated as of April 5, 2012.

The date from which interest shall accrue on the Notes is Thursday, April 5, 2012. The "Interest Payment Dates" for the Notes shall be April 15 and October 15 of each year, commencing October 15, 2012; the interest payable on any Interest Payment Date, will be paid to the Person in whose name the Note (or one or more predecessor Notes) is registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest, which shall be April 1 or October 1, as the case may be, next preceding such Interest Payment Date.

The Notes will be redeemable in whole or in part at any time or from time to time, at the option of Prospect Capital Corporation, on or after April 15, 2013 (the "Optional Redemption Date"), at a redemption price of \$1,000 per Note plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to, but excluding, the date fixed for redemption and upon not less than 30 days nor more than 60 days prior notice to the noteholder and the trustee, as described in the prospectus.

Prospect Capital Corporation is a financial services company that lends to and invests in middle market, privately-held companies. We are organized as an externally-managed, non-diversified closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. Prospect Capital Management LLC manages our investments and Prospect Administration LLC provides the administrative services necessary for us to operate.

This pricing supplement relates only to the securities described in the accompanying prospectus supplement and prospectus, is only a summary of changes and should be read together with the accompanying prospectus supplement and prospectus, including among other things the section entitled "Risk Factors" beginning on page S-7 of such prospectus supplement and page 10 of such prospectus. This pricing supplement and the accompanying prospectus supplement and prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the "SEC." This information is available free of charge by

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contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this pricing supplement. Any representation to the contrary is a criminal offense. Obligations of Prospect Capital Corporation and any subsidiary of Prospect Capital Corporation are not guaranteed by the full faith and credit of the United States of America. Neither Prospect Capital Corporation nor any subsidiary of Prospect Capital Corporation is a government-sponsored enterprise or an instrumentality of the United States of America.

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Recent Developments: On February 28, 2012, we issued 12,000,000 shares of our common stock at \$10.95 per share (or \$10.82 per share net proceeds excluding expenses), raising \$129.84 million of gross proceeds.

On March 9, 2012, we entered into an Agreement of Resignation, Appointment and Acceptance (the "Agreement") with American Stock Transfer & Trust Company, LLC (the "Retiring Trustee") and U.S. Bank National Association (the "Successor Trustee"). Under the Agreement, we formally accepted the resignation of the Retiring Trustee and appointed the Successor Trustee under the Indenture, dated as of February 16, 2012 (the "Indenture"), by and between us and the Retiring Trustee, as supplemented by the First Supplemental Indenture, dated as of March 1, 2012, by and between us and the Retiring Trustee, as further supplemented by the Second Supplemental Indenture, dated as of March 8, 2012, by and between us and the Retiring Trustee, as further supplemented by the Joinder Supplemental Indenture, dated as of March 8, 2012, by and among us, the Retiring Trustee and the Successor Trustee. The Successor Trustee will be trustee for these Notes. We accepted the resignation of the Retiring Trustee and appointed the Successor Trustee in order to take advantage of a more efficient money market based system of settling issuances of notes issued pursuant to the Indenture not available through the Retiring Trustee.

On March 19, 2012, we entered into a definitive agreement to provide debt and equity for the acquisition of the businesses of First Tower Corp. ("First Tower"), a private multiline specialty finance company based in Flowood, Mississippi with over 150 branch offices. We are acquiring 80.1% of First Tower for \$110.2 million of cash and 14.5 million of our shares of common stock. We have the option, at our sole discretion, to substitute up to 100% cash in lieu of such 14.5 million shares of our common stock at a price per share based on average trading prices prior to the closing date. Completion of the acquisition is subject to regulatory approvals and is expected to close in approximately 60 to 120 days.

On March 27, 2012, we completed a first closing on an expanded five-year \$650 million revolving credit facility (the "Facility") for Prospect Capital Funding LLC. The new Facility, for which ten lenders have closed on \$410 million to date, includes an accordion feature that allows the Facility, at our discretion, to accept up to a total of \$650 million of commitments, an objective we target reaching with additional lenders. The revolving period of the Facility extends through March 2015, followed by an additional two year amortization period, with distributions allowed to us after the completion of the revolving period. Pricing for the Facility is one-month Libor plus 2.75%, with no minimum Libor floor achieving an approximately 125 basis point reduction in pricing (based on current Libor) from the previous three-year facility pricing of Libor (with a minimum Libor floor of 1%) plus 3.25%. The new Facility has an investment grade Moody's rating of Aa3. Improvements in the Facility include increases in advance rates under certain conditions, decreases in unused line fees, increases in maximum eligible loan sizes, and increases in baskets for longer-dated and quarterly pay loans.

Legal Matters: In the opinion of Joseph Ferraro, General Counsel of Prospect Administration, administrator for Prospect Capital Corporation, a Maryland corporation (the "Company"), the certificate evidencing the Notes (the "Note Certificate") constitutes the valid and binding obligation of the Company, entitled to the benefits of the Indenture and enforceable against the Company in accordance with its terms under the laws of the State of New York subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date hereof and is limited to the law of the State of New York as in effect on the date hereof. In addition, this opinion is subject to the same assumptions and qualifications stated in the letter of Skadden, Arps, Slate, Meagher & Flom, LLP dated March 8, 2012, filed as Exhibit (I)(5) to the Company's Registration Statement on Form N-2 (File No. 333-176637) and to the further assumptions that (i) the Note Certificate has been duly authorized by all requisite corporate action on the part of the Company and duly executed by the Company under Maryland law, and (ii) it was duly authenticated by the Trustee and issued and delivered by the Company against payment therefor in accordance with the terms of the Selling Agent Agreement and the Indenture. Capitalized terms used in this paragraph without definition have the meanings ascribed to them in the accompanying prospectus supplement.

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Prospect Capital Corporation
10 East 40th Street, 44th Floor
New York, New York 10016

In the opinion of Venable LLP, as Maryland counsel to the Company, (i) the execution and delivery by the Company of the Indenture, dated as of February 16, 2012, as supplemented by the Third Supplemental Indenture, between the Company and American Stock Transfer & Trust Company, and the global note representing the Notes, and the performance by the Company of its obligations thereunder, have been duly authorized by the Company and (ii) the issuance of the Notes has been duly authorized by the Company. This opinion is given to the Company as of April 2, 2012 and is limited to the laws of the State of Maryland as in effect on April 2, 2012. In addition, this opinion is subject to the same assumptions, qualifications and limitations stated in the opinion letter to the Company of Venable LLP, dated March 8, 2012, filed as Exhibit (l)(4) to the Company's Registration Statement on Form N-2 (File No. 333-176637). Capitalized terms used in this paragraph without definition have the meanings ascribed to them in the accompanying prospectus supplement.

Very truly yours,
/s/ Venable LLP

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 21, 2011)

Prospect Capital Corporation

Prospect Capital InterNotes®

We may offer to sell our Prospect Capital InterNotes® from time to time. The specific terms of the notes will be set prior to the time of sale and described in a pricing supplement. You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement carefully before you invest. We may offer other debt securities from time to time other than the notes under our Registration Statement or in private placements.

We may offer the notes to or through agents for resale. The applicable pricing supplement will specify the purchase price, agent discounts and net proceeds of any particular offering of notes. The agents are not required to sell any specific amount of notes but will use their reasonable best efforts to sell the notes. We also may offer the notes directly. We have not set a date for termination of our offering.

The agents have advised us that from time to time they may purchase and sell notes in the secondary market, but they are not obligated to make a market in the notes and may suspend or completely stop that activity at any time. Unless otherwise specified in the applicable pricing supplement, we do not intend to list the notes on any stock exchange.

Investing in the notes involves certain risks, including those described in the "Risk Factors" section beginning on page S-7 of this prospectus supplement and page 10 of the accompanying prospectus.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the "SEC." This information is available free of charge by contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Obligations of Prospect Capital Corporation and any subsidiary of Prospect Capital Corporation are not guaranteed by the full faith and credit of the United States of America. Neither Prospect Capital Corporation nor any subsidiary of Prospect Capital Corporation is a government-sponsored enterprise or an instrumentality of the United States of America.

We may sell the notes to or through one or more agents or dealers, including the agent listed below.

Incapital LLC

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Prospectus Supplement dated February 16, 2012.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," which involve substantial risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs, and our assumptions. Words such as "intends," "intend," "intended," "goal," "estimate," "estimates," "expects," "expect," "expected," "project," "projected," "projections," "plans," "seeks," "anticipates," "anticipated," "should," "could," "may," "will," "designed to," "foreseeable future," "believe," "believes" and "scheduled" and variations of these words and similar expressions are intended to identify forward-looking statements. Our actual results or outcomes may differ materially from those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was 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. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

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 ability of our portfolio companies to achieve their objectives,

difficulty in obtaining financing or raising capital, especially in the current credit and equity environment,

the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets,

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,

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the timing of cash flows, if any, from the operations of our portfolio companies,

the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments,

authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the SEC, Internal Revenue Service,

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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, and

the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, ability to obtain certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement and the accompanying prospectus, respectively, should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus, respectively. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement or the accompanying prospectus, as applicable. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933, as amended, or the "Securities Act."

You should rely only on the information contained in this prospectus supplement, including any pricing supplement included hereto, and the accompanying prospectus. We have not, and the agent(s) or dealer(s) has not, authorized any other person to provide you with information that is different from that contained in this prospectus supplement, including any pricing supplement included hereto, or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the agents are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information appearing in this prospectus supplement, including any pricing supplement included hereto, and the accompanying prospectus is accurate only as of their respective dates and we assume no obligation to update any such information. Our business, financial condition and results of operations may have changed since those dates. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we any make directly to you or through reports that we have filed with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

This prospectus supplement, including any pricing supplement included hereto, supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in that prospectus.

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PROSPECTUS

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PROSPECTUS SUMMARY

This section summarizes the legal and financial terms of the notes that are described in more detail in "Description of Notes" beginning on page S-40. Final terms of any particular notes will be determined at the time of sale and will be contained in the pricing supplement, which will be included with this prospectus supplement, relating to those notes. The terms in that pricing supplement may vary from and supersede the terms contained in this summary and in "Description of Notes." In addition, you should read the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and in that pricing supplement.

The terms "we," "us," "our" and "Company" refer to Prospect Capital Corporation; "Prospect Capital Management," "Investment Advisor" and "PCM" refer to Prospect Capital Management LLC; and "Prospect Administration" and the "Administrator" refer to Prospect Administration LLC.

The Company

Prospect Capital Corporation is a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the "1940 Act." We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

Typically, we concentrate on making investments in companies with annual revenues of less than \$500 million and enterprise values of less than \$250 million. Our typical investment involves a secured loan of less than \$50 million with some form of equity participation. From time to time, we acquire controlling interests in companies in conjunction with making secured debt investments in such companies. In most cases, companies in which we invest are privately held at the time we invest in them. We refer to these companies as "target" or "middle market" companies and these investments as "middle market investments."

We seek to maximize total returns to our investors, including both current yield and equity upside, by applying rigorous credit analysis and asset-based and cash-flow based lending techniques to make and monitor our investments. Many of our investments to date have been in energy-related industries. We have made no investments to date in the real estate or mortgage industries, and we do not intend currently to focus on such investments.

We are currently pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. We also regularly evaluate control investment opportunities in a range of industries, some of these investments could be material to us. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. If any of these opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

As of December 31, 2011, we held investments in 75 portfolio companies. The aggregate fair value as of December 31, 2011 of investments in these portfolio companies held on that date is approximately \$1.717 billion. Our portfolio across all our long-term debt had an annualized current yield of 12.2% as of December 31, 2011. The yield includes interest as well as dividends.

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Recent Developments

Dividends

On February 6, 2012, we announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.101450 per share for February 2012 to holders of record on February 29, 2012 with a payment date of March 23, 2012;

\$0.101475 per share for March 2012 to holders of record on March 30, 2012 with a payment date of April 20, 2012; and

\$0.101500 per share for April 2012 to holders of record on April 30, 2012 with a payment date of May 24, 2012.

Recent Investment Activity

On January 4, 2012, Energy Solutions Holdings, Inc. (f/k/a Gas Solutions Holdings, Inc.) ("Energy Solutions") sold its gas gathering and processing assets ("Gas Solutions") for a sale price of \$200.5 million, including a potential earnout of \$28.0 million that will be paid based on the future performance of Gas Solutions. After expenses, including structuring fees of \$9.97 million paid to us, Energy Solutions received approximately \$148.69 million in cash and an additional \$10.0 million is being held in escrow. Currently, our loans to Energy Solutions remain outstanding and are collateralized by the cash held by Energy Solutions as a result of the sale transaction. The accounting for the sale of Gas Solutions has yet to be finalized, but will not result in any dividend income or realized gain recognition by us until cash payments are received from Energy Solutions.

On January 9, 2012, Arrowhead General Insurance Agency, Inc. repaid the \$27.0 million loan receivable to us.

On January 12, 2012, we made a follow-on investment of \$16.5 million to purchase 86.8% of the Class D Notes in CIFC Funding 2011-I, Ltd.

On January 17, 2012, we provided \$18.33 million of secured second-lien financing to a financial services processing company purchased by a leading private equity sponsor.

On January 31, 2012, Aircraft Fasteners International, LLC repaid the \$7.44 million loan receivable to us.

On February 2, 2012, NRG Manufacturing Inc. ("NRG") was sold to an outside buyer for \$123.26 million. In conjunction with the sale, the \$37.22 million loan that was outstanding was repaid. We also received a \$26.94 million make-whole fee for early repayment of the outstanding loan, which will be recorded as interest income in the quarter ending March 31, 2012. Further, we received a \$3.8 million advisory fee for the transaction, which will be recorded as other income in the quarter ending March 31, 2012. After expenses, including the make whole and advisory fees discussed above, \$40.89 million was available to be distributed to stockholders. While our 408 shares of NRG common stock represented 67.1% of the ownership, we only received net proceeds of \$25.99 million as our contribution to the escrow amount was proportionately higher than the other shareholders. In connection with the sales, we will recognize a realized gain of \$24.81 million in the results for the quarter ended March 31, 2012. In total, we received proceeds of \$93.98 million at closing. In addition, there is \$11.13 million being held in escrow of which 80% is due to us upon release of the escrowed amounts. This will be recognized as additional gain when and if received.

On February 15, 2012, we provided \$25 million of secured second-lien financing to a leading provider of Web security and wide area network (WAN) optimization solutions.

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Convertible Bonds Buyback

Between January 30, 2012 and February 2, 2012, we repurchased \$4.96 million of our August 2016 convertible bonds at a price of 97.5% of par, including commissions. The transactions will result in our recognizing \$10,000 of loss in the quarter ended March 31, 2012.

Stock Issuance in Connection with Dividend Reinvestment Plan

On January 25, 2012, we issued 85,252 shares of our common stock in connection with the dividend reinvestment plan.

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The Offering

Issuer	Prospect Capital Corporation
Purchasing Agent	Incapital LLC
Agents	From time to time, we may sell the notes to or through additional agents.
Title of Notes	Prospect Capital InterNotes®
Amount	We may issue notes from time to time in various offerings up to \$500,000,000, the aggregate principal amount authorized by our board of directors. There are no limitations on our ability to issue additional indebtedness in the form of InterNotes or otherwise other than under the 1940 Act.
Denominations	The notes will be issued and sold in denominations of \$1,000 and multiples of \$1,000 (unless otherwise stated in the pricing supplement).
Status	The notes will be our direct unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.
Maturities	Each note will mature 12 months or more from its date of original issuance.
Interest	<p>Each note will bear interest from its date of original issuance at a fixed rate per year.</p> <p>Interest on each note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and on the stated maturity date. Interest also will be paid on the date of redemption or repayment if a note is redeemed or repurchased prior to its stated maturity in accordance with its terms.</p> <p>Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.</p>
Principal	The principal amount of each note will be payable on its stated maturity date at the corporate trust office of the paying agent or at any other place we may designate.
Redemption and Repayment	Unless otherwise stated in the applicable pricing supplement, a note will not be redeemable at our option or be repayable at the option of the holder prior to its stated maturity date. The notes will not be subject to any sinking fund.
Survivor's Option	Specific notes may contain a provision permitting the optional repayment of those notes prior to stated maturity, if requested by the authorized representative of the beneficial owner of those notes, following the death of the beneficial owner of the notes, so long as the notes were owned by the beneficial owner or his or her estate at least six months prior to the request. This feature is referred to as a "Survivor's Option." Your notes will not be repaid in this manner unless the pricing supplement for your notes

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provides for the Survivor's Option. The right to exercise the Survivor's Option is subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of a note in any calendar year. Additional details on the Survivor's Option are described in the section entitled "Description of Notes Survivor's Option" on page S-43.

Sale and Clearance

We will sell notes in the United States only. Notes will be issued in book-entry only form and will clear through The Depository Trust Company. We do not intend to issue notes in certificated form.

Trustee

The trustee for the notes is American Stock Transfer & Trust Company, LLC, under an indenture dated as of February 16, 2012.

Selling Group

The agents and dealers comprising the selling group are broker-dealers and securities firms. The Purchasing Agent entered into a Selling Agent Agreement with us dated February 16, 2012. Additional agents appointed by us from time to time in connection with the offering of the notes contemplated by this prospectus supplement will become parties to the Selling Agent Agreement. Dealers who are members of the selling group have executed a Master Selected Dealer Agreement with the Purchasing Agent. The agents and the dealers have agreed to market and sell the notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the Purchasing Agent at info@incapital.com for a list of selling group members.

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You should read the condensed financial information below with the Financial Statements and Notes thereto included in this prospectus supplement and the accompanying prospectus. Financial information below for the years ended June 30, 2011, 2010, 2009, 2008 and 2007 has been derived from the financial statements that were audited by our independent registered public accounting firm. The selected consolidated financial data at and for the three months ended December 31, 2011 and 2010 has been derived from unaudited financial data. Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" starting on page S-11 for more information.

	For the Three Months Ended December 31,		For the Six Months Ended December 31,		For the Year/Period Ended June 30,				
	2011	2010	2011	2010	2011	2010	2009	2008	2007
(in thousands except data relating to shares, per share and number of portfolio companies)									
Performance Data:									
Interest income	\$ 45,528	\$ 27,362	\$ 87,415	\$ 56,283	\$ 134,454	\$ 86,518	\$ 62,926	\$ 59,033	\$ 30,084
Dividend income	19,637	3,371	27,187	5,565	15,092	15,366	22,793	12,033	6,153
Other income	2,098	2,567	8,003	6,664	19,930	12,675	14,762	8,336	4,444
Total investment income	67,263	33,300	122,605	68,512	169,476	114,559	100,481	79,402	40,681
Interest and credit facility expenses	(9,759)	(2,261)	(18,719)	(4,522)	(17,598)	(8,382)	(6,161)	(6,318)	(1,903)
Investment advisory expense	(17,952)	(9,672)	(33,132)	(19,197)	(46,051)	(30,727)	(26,705)	(20,199)	(11,226)
Other expenses	(3,044)	(2,287)	(6,369)	(4,718)	(11,606)	(8,260)	(8,452)	(7,772)	(4,421)
Total expenses	(30,755)	(14,220)	(58,220)	(28,437)	(75,255)	(47,369)	(41,318)	(34,289)	(17,550)
Net investment income	36,508	19,080	64,385	40,075	94,221	67,190	59,163	45,113	23,131
Realized and unrealized gains (losses)	27,984	12,860	40,007	17,445	24,017	(47,565)	(24,059)	(17,522)	(6,403)
Net increase in net assets from operations	\$ 64,492	\$ 31,940	\$ 104,392	\$ 57,520	\$ 118,238	\$ 19,625	\$ 35,104	\$ 27,591	\$ 16,728
Per Share Data:									
Net increase in net assets from operations(1)	\$ 0.59	\$ 0.38	\$ 0.96	\$ 0.73	\$ 1.38	\$ 0.33	\$ 1.11	\$ 1.17	\$ 1.06
Distributions declared per share	\$ (0.31)	\$ (0.30)	\$ (0.61)	\$ (0.60)	\$ (1.21)	\$ (1.33)	\$ (1.62)	\$ (1.59)	\$ (1.54)
Average weighted shares outstanding for the period	109,533,742	84,091,152	109,246,616	79,134,173	85,978,757	59,429,222	31,559,905	23,626,642	15,724,095
Assets and Liabilities Data:									
Investments	\$ 1,716,603	\$ 918,221	\$ 1,716,603	\$ 918,221	\$ 1,463,010	\$ 748,483	\$ 547,168	\$ 497,530	\$ 328,222
Other assets	85,619	157,874	85,619	157,874	86,307	84,212	119,857	44,248	48,280

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Total assets	1,802,222	1,076,095	1,802,222	1,076,095	1,549,317	832,695	667,025	541,778	376,502
Amount drawn on credit facility	252,000		252,000		84,200	100,300	124,800	91,167	
2010 Notes	150,000	150,000	150,000	150,000	150,000				
2011 Notes	172,500		172,500		172,500				
Amount owed to related parties	18,087	10,104	18,087	10,104	7,918	9,300	6,713	6,641	4,838
Other liabilities	37,151	12,801	37,151	12,801	20,342	11,671	2,916	14,347	71,616
Total liabilities	629,738	172,905	629,738	172,905	434,960	121,271	134,429	112,155	76,454
Net assets	\$ 1,172,484	\$ 903,190	\$ 1,172,484	\$ 903,190	\$ 1,114,357	\$ 711,424	\$ 532,596	\$ 429,623	\$ 300,048

Investment Activity Data:

No. of portfolio companies at period end	75	58	75	58	72	58	30	29(2)	24(2)
Acquisitions	\$ 154,697	\$ 140,933	\$ 377,272	\$ 281,884	\$ 953,337	\$ 364,788(3)	\$ 98,305	\$ 311,947	\$ 167,255
Sales, repayments, and other disposals	\$ 120,206	\$ 62,915	\$ 166,261	\$ 131,063	\$ 285,562	\$ 136,221	\$ 27,007	\$ 127,212	\$ 38,407
Annualized current yield at end of period for performing debt investments(4)	12.2%	15.3%	12.2%	15.3%	12.3%	16.2%	14.6%	15.5%	17.3%

- (1) Per share data is based on average weighted shares for the period.
- (2) Includes a net profits interest in Charlevoix Energy Trading LLC ("Charlevoix"), remaining after loan was paid.
- (3) Includes \$207,126 of acquired portfolio investments from Patriot Acquisition.
- (4) Excludes equity investments and non-performing loans.

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RISK FACTORS

Your investment in the notes will involve certain risks. This prospectus supplement and the accompanying prospectus do not describe all of those risks.

You should, in consultation with your own financial and legal advisors, carefully consider the following discussion of risks before deciding whether an investment in the notes is suitable for you. The notes will not be an appropriate investment for you if you are not knowledgeable about significant features of the notes or financial matters in general. You should not purchase the notes unless you understand, and know that you can bear, these investment risks.

Our amount of debt outstanding will increase as a result of this offering. Our current indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

As of February 15, 2012, we and our subsidiaries had approximately \$490 million of senior indebtedness outstanding, \$172 million of which was secured indebtedness and \$318 million of which was unsecured indebtedness.

The use of debt could have significant consequences on our future operations, including:

making it more difficult for us to meet our payment and other obligations under the notes and our other outstanding debt;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;

reducing the 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;

subjecting us to 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

limiting our 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.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

Our ability to meet our payment and other obligations under our debt instruments 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 assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or amended senior credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the 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 any notes sold, 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 notes and our other debt.

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The notes will be effectively subordinated to any existing and future secured indebtedness and structurally subordinated to existing and future liabilities and other indebtedness of our subsidiaries.

The notes will be our general, unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated, unsecured senior indebtedness, including without limitation, the \$150 million of 6.25% Convertible Senior Notes due 2015 and the \$168 million of 5.5% Convertible Senior Notes due 2016. As a result, the notes will be effectively subordinated to our existing 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 our subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. The notes do not restrict us or our subsidiaries from incurring indebtedness, including senior secured indebtedness in the future, nor do they limit the amount of indebtedness we can issue that is equal in right of payment to the notes. As of February 15, 2012, we had \$172 million outstanding under our credit facility. Our credit facility is secured by certain of our assets and the indebtedness thereunder is therefore effectively senior to the notes to the extent of the value of such assets.

The indenture and supplemental indentures under which the notes will be issued will contain limited protection for holders of the notes.

The indenture and supplemental indentures (collectively, the "indenture") under which the notes will be issued offer limited protection to holders of the notes. The terms of the indenture and the notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the notes. In particular, the terms of the indenture and the notes will not place any restrictions on our or our subsidiaries' ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions;

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the notes;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture will not require us to offer to purchase the notes in connection with a change of control or any other event.

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Furthermore, the terms of the indenture and the notes do not protect holders of the notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the notes may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes or negatively affecting the trading value of the notes.

Certain of our current debt instruments include more protections for their holders than the indenture and the notes. See in the accompanying prospectus "Risk Factors Risks Relating to Our Business The Notes present other risks to holders of our common stock, including the possibility that the Notes could discourage an acquisition of the Company by a third party and accounting uncertainty" and " 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." In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the notes.

Our credit ratings may not reflect all risks of your investment in the notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes and our access to the capital markets. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

We may choose to redeem notes when prevailing interest rates are relatively low.

If your notes will be redeemable at our option, we may choose to redeem your notes from time to time, especially when prevailing interest rates are lower than the rate borne by the notes. If prevailing rates are lower at the time of redemption, you would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes being redeemed. Our redemption right also may adversely impact your ability to sell your notes as the optional redemption date or period approaches.

Survivor's Option may be limited in amount.

We will have a discretionary right to limit the aggregate principal amount of notes subject to the Survivor's Option that may be exercised in any calendar year to an amount equal to the greater of \$2,000,000 or 2% of the outstanding principal amount of all notes outstanding as of the end of the most recent calendar year. We also have the discretionary right to limit to \$250,000 in any calendar year the aggregate principal amount of notes subject to the Survivor's Option that may be exercised in such calendar year on behalf of any individual deceased beneficial owner of notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for the desired amount will be permitted in any single calendar year.

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We cannot assure that a trading market for your notes will ever develop or be maintained.

In evaluating the notes, you should assume that you will be holding the notes until their stated maturity. The notes are a new issue of securities. We cannot assure you that a trading market for your notes will ever develop, be liquid or be maintained. Many factors independent of our creditworthiness affect the trading market for and market value of your notes. Those factors include, without limitation:

the method of calculating the principal and interest for the notes;

the time remaining to the stated maturity of the notes;

the outstanding amount of the notes;

the redemption or repayment features of the notes; and

the level, direction and volatility of interest rates generally.

There may be a limited number of buyers when you decide to sell your notes. This may affect the price you receive for your notes or your ability to sell your notes at all.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus. Historical results set forth are not necessarily indicative of our future financial position and results of operations.

Overview

We are a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. 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 seek to be a long-term investor with our portfolio companies. From our July 27, 2004 inception to the fiscal year ended June 30, 2007, we invested primarily in industries related to the industrial/energy economy. Since then, we have widened our strategy to focus in other sectors of the economy and continue to reduce our exposure to the energy industry, and our holdings in the energy and energy related industries now represent less than 13% of our investment portfolio.

The aggregate value of our portfolio investments was \$1,716,603 and \$1,463,010 as of December 31, 2011 and June 30, 2011, respectively. During the six months ended December 31, 2011, our net cost of investments increased by \$212,477, or 14.8%, as a result of thirteen new investments, several follow-on investments and a revolver advance of \$373,943, accrued payment-in-kind interest of \$3,329 and accretion of purchase discount of \$2,575, while we received full repayment on six investments, sold one investment, received several partial prepayments, amortization payments and a revolver repayment totaling \$166,261 and recognized a net realized loss of \$1,109. During the six months ended December 31, 2011, Deb Shops filed for bankruptcy and a plan for reorganization was proposed. The plan, which is expected to be approved by the bankruptcy court, will eliminate our debt position with no payment to us. As a result, we determined that the impairment of Deb Shops was other-than-temporary and recorded a realized loss of \$14,607 for the full amount of the amortized cost. This realized loss was primarily offset by our sale of 392 shares of NRG common stock in December 2011 for which we realized a gain of \$12,131.

Compared to the end of last fiscal year (ended June 30, 2011), net assets increased by \$58,127 or 5.2% during the six months ended December 31, 2011, from \$1,114,357 to \$1,172,484. This increase resulted from the issuance of new shares of our common stock (less offering costs) in the amount of \$14,895, dividend reinvestments of \$5,393, and another \$104,392 from operations. These increases, in turn, were offset by \$66,553 in dividend distributions to our stockholders. The \$104,392 increase in net assets resulting from operations is net of the following: net investment income of \$64,385, net realized loss on investments of \$1,109 and an increase in net assets due to changes in net unrealized appreciation of investments of \$41,116.

Second Quarter Highlights

Investment Transactions

On October 13, 2011 and October 19, 2011, we made investments of \$9,319 and \$1,358, respectively, to purchase 32.9% of the unrated subordinated notes to Apidos CLO VIII ("Apidos").

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On October 24, 2011, we made a senior secured investment of \$6,000 in Renaissance Learning, Inc. ("Renaissance"), a leading provider of technology based school improvement and student assessment programs. The second lien loan bears interest in cash at the greater of 12.0% or Libor plus 10.50% and has a final maturity on October 19, 2018.

On October 28, 2011, we made a follow-on investment of \$8,200 in Empire Today, LLC ("Empire"). The follow-on first lien note bears interest in cash at 11.375% and has a final maturity on February 1, 2017.

On October 31, 2011, IEC-Systems, LP and Advanced Rig Services, LLC ("IEC/ARS") repaid the \$20,909 loan receivable to us.

On November 4, 2011, we made a secured second lien investment of \$15,000 to support the acquisition of Injured Workers Pharmacy LLC ("IWP"), a specialty pharmacy services company, in a private equity backed transaction. The secured loan bears interest in cash at the greater of 12.0% or Libor plus 7.50% and has a final maturity on November 4, 2017.

On November 21, 2011, we received an equity distribution from the sale of our shares of Fairchild Industrial Products, Co. ("Fairchild") common and preferred stock, realizing \$1,549 of gross proceeds and a total gain of \$960 on settlement of the investment.

On December 2, 2011, we made a secured second-lien follow-on investment of \$7,500 to American Gilsonite Company ("American Gilsonite") for a dividend recapitalization. After the financing, we received a \$1,383 dividend as a result of our equity holdings in American Gilsonite. The second lien note bears interest in cash at the greater of 12.0% or Libor plus 10.0% and interest in kind of 2.5% and has a final maturity on March 10, 2016.

On December 22, 2011, we made a secured first lien investment of \$31,083 to VanDeMark Chemical, Inc. ("VanDeMark"), a specialty chemical manufacturer. The secured loan bears interest in cash at the greater of 12.2% or Libor plus 10.2% and has a final maturity on December 31, 2014.

On December 22, 2011, we made an investment of \$17,900 to purchase 13.2% of the secured Class D Notes and 86.0% of the unsecured Class E Notes in CIFIC Funding 2011-I, Ltd ("CIFIC"). The \$2,500 secured Class D Notes bear interest in cash at Libor plus 5.0% and has a final maturity date on January 19, 2023. The \$15,400 unsecured Class E Notes bear interest in cash at Libor plus 7.0% and has a final maturity on January 19, 2023.

On December 28, 2011, we made a secured first-lien follow-on investment of \$4,750 in Energy Solutions in order to facilitate the acquisition of a new vessel by Vessel Holdings LLC, a subsidiary of Freedom Marine Holdings, LLC ("Freedom Marine"). We invested \$1,250 of equity in Energy Solutions and \$3,500 of debt to Vessel Holdings LLC. The first lien note bears interest in cash at 18.0% and has a final maturity of December 12, 2016.

On December 28, 2011, we made a secured debt investment of \$10,000 to support the acquisition of Hoffmaster Group, Inc. ("Hoffmaster"). After the financing we received a repayment of the loan that was previously outstanding. The \$10,000 second lien note bears interest in cash at the greater of 11.0% or Libor plus 9.50% and has a final maturity date of January 3, 2019.

On December 28, 2011, we made a secured debt investment of \$37,218 to support the recapitalization of NRG. After the financing, we received repayment of the \$13,080 loan that was previously outstanding and a dividend of \$6,711 as a result of our equity holdings. In addition, we sold 392 shares of NRG common stock for \$13,266, realizing a gain of \$12,131. Our remaining 408 shares of NRG common stock held by us back to NRG were sold on February 2, 2012. (See *Recent Developments*.) The secured first lien note bears interest at 15.0% and has a final maturity on December 27, 2016.

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On December 29, 2011, Iron Horse Coiled Tubing, Inc. ("Iron Horse") repaid the \$11,338 loan receivable to us.

On December 30, 2011, we provided \$8,000 of senior secured debt to Hi-Tech Testing Inc. ("Hi-Tech"), a provider of non-destructive testing services to detect leaks and other defects in pipes, vessels, and related equipment for the oil and gas pipeline, chemical and paper and pulp industries. The secured note bears interest in cash at 11.0% and has a final maturity of September 26, 2016.

On December 30, 2011, we exited our investment in Mac & Massey Holdings, LLC ("Mac & Massey") and received \$10,239 for repayment of the \$9,323 loan receivable to us and monetization of our equity position, resulting in a realized gain of \$820. We recognized \$694 of accelerated purchase discount accretion in the quarter ended December 31, 2011.

Equity Issuance

On October 21, 2011, our Registration Statement on Form N-2 was declared effective by the SEC. Under this Shelf Registration Statement, we can issue up to \$750,000 of additional debt and equity securities in the public market.

On October 25, 2011, November 22, 2011 and December 22, 2011, we issued shares of our common stock in connection with the dividend reinvestment plan of 89,078, 94,213 and 90,677, respectively.

Dividend

On November 7, 2011, we announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.101375 per share for November 2011 to holders of record on November 30, 2011 with a payment date of December 22, 2011;

\$0.101400 per share for December 2011 to holders of record on December 30, 2011 with a payment date of January 25, 2012; and

\$0.101425 per share for January 2012 to holders of record on January 31, 2012 with a payment date of February 17, 2012.

Investment Holdings

As of December 31, 2011, we continue to pursue our investment strategy and continue to diversify the portfolio. In May 2007, we changed our name to "Prospect Capital Corporation" and terminated our policy to invest at least 80% of our net assets in energy companies. Since that time, we have reduced our exposure to the energy industry, and our holdings in the energy and energy related industries now represent less than 13% of our investment portfolio.

At December 31 2011, approximately \$1,716,603 or 146.4% of our net assets are invested in 75 long-term portfolio investments and 5.2% of our net assets are invested in money market funds.

During the six months ended December 31, 2011, we originated \$377,272 of new investments. Our origination efforts are focused primarily on secured lending, to reduce the risk in the portfolio, investing primarily in first lien loans, though we also continue to close selected junior debt and equity investments. In addition to targeting investments senior in corporate capital structures with our new originations, we have also increased our origination business mix of third party private equity sponsor owned companies, which tend to have more third party equity capital supporting our debt investments than non-sponsor transactions. Our performing loan portfolio's annualized current yield decreased from 12.3% as of June 30, 2011 to 12.2% as of December 31, 2011 across all long-term debt investments. We

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expect Prospect's current asset yield may continue to decline modestly as we continue to reduce credit risk. Generally, we have seen a decrease in interest rates on loans issued during our fiscal year ended June 30, 2011 and the six months ending December 31, 2011 in comparison to the rates in effect prior to June 30, 2010 as we continue to reduce the risk profile of the portfolio. Monetization of other equity positions that we hold is 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 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. Affiliated investments and affiliated companies 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.

As of December 31, 2011, we own controlling interests in AIRMALL USA, Inc. ("AIRMALL"), Ajax Rolled Ring & Machine, Inc. ("Ajax"), AWCNC, LLC, Borga, Inc., C&J Cladding LLC, Energy Solutions, Integrated Contract Services, Inc. ("ICS"), Manx Energy, Inc. ("Manx"), NMMB Holdings, Inc. ("NMMB"), NRG, Nupla Corporation and R-V Industries, Inc. ("R-V"). We also own an affiliated interest in BNN Holdings Corp. f/k/a Biotronic NeuroNetwork ("Biotronic"), Boxercraft Incorporated ("Boxercraft"), Smart, LLC, and Sport Helmets Holdings, LLC ("Sport Helmets").

The following is a summary of our investment portfolio by level of control at December 31, 2011 and June 30, 2011, respectively:

Level of Control	December 31, 2011				June 30, 2011			
	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio
Control	\$ 273,496	16.6%	\$ 386,552	22.5%	\$ 262,301	18.3%	\$ 310,072	21.2%
Affiliate	59,488	3.6%	67,872	4.0%	56,833	4.0%	72,337	4.9%
Non-control/Non-affiliate	1,315,227	79.8%	1,262,179	73.5%	1,116,600	77.7%	1,080,601	73.9%
Total Portfolio	\$ 1,648,211	100.0%	\$ 1,716,603	100.0%	\$ 1,435,734	100.0%	\$ 1,463,010	100.0%

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The following is our investment portfolio presented by type of investment at December 31, 2011 and June 30, 2011, respectively:

Type of Investment	December 31, 2011				June 30, 2011			
	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio
Revolving Line of Credit	\$ 1,991	0.1%	\$ 2,093	0.1%	\$ 7,144	0.5%	\$ 7,278	0.5%
Senior Secured Debt	929,526	56.4%	886,130	51.7%	822,582	57.3%	789,981	54.0%
Subordinated Secured Debt	529,715	32.1%	480,700	28.0%	491,188	34.2%	448,675	30.7%
Subordinated Unsecured Debt	70,165	4.3%	70,251	4.1%	54,687	3.8%	55,336	3.8%
CLO Debt	14,334	0.9%	14,334	0.8%		%		%
CLO Residual Interest	42,793	2.6%	39,362	2.3%		%		%
Preferred Stock	31,602	1.9%	22,471	1.3%	31,979	2.2%	25,454	1.7%
Common Stock	19,907	1.2%	179,993	10.5%	19,865	1.4%	116,076	7.9%
Membership Interests	6,017	0.4%	15,303	0.9%	6,128	0.4%	15,392	1.1%
Overriding Royalty Interests			% 2,210	0.1%		%	2,168	0.1%
Warrants	2,161	0.1%	3,756	0.2%	2,161	0.2%	2,650	0.2%
Total Portfolio	\$ 1,648,211	100.0%	\$ 1,716,603	100.0%	\$ 1,435,734	100.0%	\$ 1,463,010	100.0%

The following is our investments in debt securities presented by type of security at December 31, 2011 and June 30, 2011, respectively:

Level of Control	December 31, 2011				June 30, 2011			
	Cost	Percent of Debt Securities	Fair Value	Percent of Debt Securities	Cost	Percent of Debt Securities	Fair Value	Percent of Debt Securities
First Lien	\$ 950,276	61.5%	\$ 907,781	62.5%	\$ 902,031	65.6%	\$ 854,975	65.7%
Second Lien	510,956	33.1%	461,142	31.7%	418,883	30.5%	390,959	30.0%
Unsecured	70,165	4.5%	70,251	4.8%	54,687	4.0%	55,336	4.3%
CLO Debt	14,334	0.9%	14,334	1.0%		%		%
Total Debt Securities	\$ 1,545,731	100.0%	\$ 1,453,508	100.0%	\$ 1,375,601	100.0%	\$ 1,301,270	100.0%

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The following is our investment portfolio presented by geographic location of the investment at December 31, 2011 and June 30, 2011, respectively:

Geographic Location	December 31, 2011				June 30, 2011			
	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio
Canada	\$ 60,127	3.6%	\$ 61,915	3.6%	\$ 74,239	5.2%	\$ 75,207	5.1%
Cayman Islands	57,127	3.5%	53,696	3.1%		%		%
Ireland	14,914	0.9%	15,000	0.9%	14,908	1.0%	15,000	1.0%
Midwest US	423,169	25.7%	375,594	21.9%	358,540	25.0%	340,251	23.4%
Northeast US	274,349	16.6%	286,070	16.7%	242,039	16.9%	234,628	16.0%
Southeast US	276,311	16.8%	254,583	14.8%	234,528	16.3%	208,226	14.2%
Southwest US	200,276	12.2%	333,736	19.4%	189,436	13.2%	266,004	18.2%
Western US	341,938	20.7%	336,009	19.6%	322,044	22.4%	323,694	22.1%
Total Portfolio	\$ 1,648,211	100.0%	\$ 1,716,603	100.0%	\$ 1,435,734	100.0%	\$ 1,463,010	100.0%

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The following is our investment portfolio presented by industry sector of the investment at December 31, 2011 and June 30, 2011, respectively:

Industry	December 31, 2011				June 30, 2011			
	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio	Cost	Percent of Portfolio	Fair Value	Percent of Portfolio
Aerospace and Defense	\$ 56		% 32		% 56		% 35	
Automobile / Auto Finance	56,570	3.4%	56,491	3.3%	41,924	2.9%	42,444	2.9%
Biomass Power(1)		%		%	2,540	0.2%		%
Business Services	6,633	0.4%	6,788	0.4%	6,604	0.5%	6,787	0.5%
Chemicals	56,618	3.4%	56,618	3.3%	25,277	1.8%	25,277	1.7%
Commercial Services	80,652	4.9%	80,652	4.7%	34,625	2.4%	34,625	2.4%
Consumer Services	88,692	5.4%	88,928	5.2%	68,286	4.8%	68,286	4.7%
Contracting	18,199	1.1%	1,106	0.0%	18,220	1.3%	1,767	0.1%
Diversified Financial Services	57,127	3.5%	53,696	3.1%		%		%
Diversified / Conglomerate Service		%	37	0.0%		%		%
Durable Consumer Products	159,556	9.7%	159,197	9.3%	141,779	9.9%	144,362	9.9%
Ecological	141	%	233	%	141	%	194	%
Electronics		%		%	588	%	1,374	0.1%
Energy(1)	63,246	3.8%	153,467	8.9%		%		%
Food Products	136,759	8.3%	133,074	7.8%	144,503	10.1%	146,498	10.0%
Gas Gathering and Processing(1)		%		%	42,003	2.9%	105,406	7.2%
Healthcare	168,059	10.2%	167,448	9.8%	156,396	10.9%	163,657	11.2%
Home and Office Furnishings, Housewares and Durable	1,683	0.1%	5,046	0.3%	1,916	0.1%	6,109	0.4%
Insurance	86,550	5.3%	87,865	5.1%	86,850	6.0%	87,448	6.0%
Machinery	12,091	0.7%	12,714	0.7%	13,179	0.9%	13,171	0.9%
Manufacturing	136,599	8.3%	188,411	11.0%	114,113	7.9%	136,039	9.3%
Media	118,009	7.2%	115,409	6.7%	121,302	8.4%	121,300	8.3%
Metal Services and Minerals	580	%	5,191	0.3%	580	%	4,699	0.3%
Mining, Steel, Iron and Non-Precious Metals and Coal Production(1)		%		%	1,448	0.1%		%
Oil and Gas Equipment Services	7,760	0.5%	7,760	0.5%		%		%
Oil and Gas Production	126,749	7.7%	52,821	3.1%	124,662	8.7%	70,923	4.8%
Oilfield Fabrication		%		%	23,076	1.6%	23,076	1.6%
Personal and Nondurable Consumer Products	54,550	3.3%	62,169	3.6%	15,147	1.1%	23,403	1.6%
Production Services	268	0.0%	2,040	0.1%	14,387	1.0%	15,357	1.0%
Property Management	52,070	3.2%	53,145	3.1%	52,420	3.7%	51,726	3.5%
Retail	63	%	124	0.0%	14,669	1.0%	145	0.0%
Shipping Vessels(1)		%		%	11,303	0.8%	3,079	0.2%
Software & Computer Services	37,897	2.3%	38,000	2.3%	37,890	2.7%	38,000	2.7%
Specialty Minerals	37,732	2.3%	41,955	2.4%	30,169	2.1%	34,327	2.3%
Textiles and Leather	15,183	0.9%	18,613	1.1%	12,931	0.9%		