

HARLEY DAVIDSON INC
Form S-8
May 05, 2010

As filed with the Securities and Exchange Commission on May 5, 2010

File No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-8

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HARLEY-DAVIDSON, INC.

(Exact name of Registrant as specified in its charter)

Wisconsin
(State or other jurisdiction of incorporation or organization)

39-1382325
(I.R.S. Employer Identification Number)

3700 West Juneau Avenue

Milwaukee, Wisconsin
(Address of principal executive offices)

53208
(Zip Code)

HARLEY-DAVIDSON, INC. 2009 INCENTIVE STOCK PLAN

(Full title of the plan)

Mr. John A. Olin
Senior Vice President and
Chief Financial Officer
3700 West Juneau Avenue
Milwaukee, Wisconsin 53208
(414) 342-4680
 (Name, address and telephone number of agent for service)

Copy to:
Patrick G. Quick, Esq.
Foley & Lardner LLP
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
(414) 271-2400

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Share	Maximum Aggregate Offering Price	
Common Stock, \$.01 par value per share	20,111,060 shares(1)			
Preferred Stock Purchase Rights	20,111,060 rights(1)	\$ 33.59(2)(3)	\$ 675,530,505.40(2)(3)	\$ 48,165.33(3)

(1)

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Amount to be registered consists of an aggregate of 12,000,000 shares of Harley-Davidson, Inc. Common Stock (and related Preferred Stock Purchase Rights) to be issued pursuant to the grant or exercise of awards to participants under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (the 2009 Plan). Amount also includes 8,111,060 shares of Harley-Davidson, Inc. Common Stock (and related Preferred Stock Purchase Rights) in the aggregate representing shares carried forward from the Harley-Davidson, Inc. 2004 Incentive Stock Plan (the 2004 Plan) in accordance with the provisions of the 2009 Plan or shares of Harley-Davidson, Inc. Common Stock (and related Preferred Stock Purchase Rights) in respect of awards granted under the 2004 Plan or the Harley-Davidson, Inc. 1995 Stock Option Plan that, in accordance with the provisions of the 2009 Plan, are available or may become available for new grants of equity awards under the 2009 Plan. Pursuant to Rule 416 under the Securities Act of 1933, this registration statement also covers an indeterminate number of additional shares of Harley-Davidson, Inc. Common Stock (and related Preferred Stock Purchase Rights) that may become issuable in accordance with the adjustment and anti-dilution provisions of the 2009 Plan.

- (2) Determined in accordance with Rules 457(c) and 457(h), the registration fee calculation is based on the average of the high and low prices of Harley-Davidson, Inc. Common Stock as reported on the New York Stock Exchange on May 4, 2010.
- (3) The value attributable to the Preferred Stock Purchase Rights is reflected in the market price of the Common Stock to which the Rights are attached.

PART I INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The documents constituting Part I of this Registration Statement will be sent or given to participants in the Harley-Davidson, Inc. 2009 Incentive Stock Plan (the 2009 Plan) as specified by Rule 428(b)(1) under the Securities Act of 1933, as amended (the Securities Act).

PART II INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents, filed by Harley-Davidson, Inc. (hereinafter referred to as the Company or the Registrant) with the Securities and Exchange Commission (the Commission) pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), are incorporated herein by reference and deemed to be a part hereof:

- (a) The Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as amended by Amendment No. 1 to Annual Report on Form 10-K/A filed May 5, 2010;
- (b) The Company s Current Reports on Form 8-K dated February 8, 2010, February 10, 2010, April 24, 2010 and April 29, 2010;
- (c) The description of the Company s common stock contained in Item 4 of the Company s Registration Statement of Certain Successor Issuers on Form 8-B, dated June 21, 1991, including any amendment or report filed for the purpose of updating such description; and
- (d) The description of the Company s preferred stock purchase rights contained in Item 1 of the Company s Registration Statement on Form 8-A, dated as of February 18, 2000, including any amendment or report filed for the purpose of updating such description.

All other documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 and 15(d) of the Exchange Act prior to the filing of a post-effective amendment to this Registration Statement that indicates that all securities offered have been sold or that deregisters all securities that remain unsold shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed incorporated herein by reference shall be deemed to be modified or superseded for the purpose of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is, or is deemed to be, incorporated herein by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

None.

Item 6. Indemnification of Directors and Officers.

Article V of the Company's By-laws, as amended, requires that the Company must, to the fullest extent permitted or required by Sections 180.0850 to 180.0859 of the Wisconsin Business Corporation Law (the "WBCL"), including any amendments to the WBCL (but only to the extent an amendment permits or requires the Company to provide broader indemnification rights than prior to the amendment), indemnify the Company's directors and officers against any and all liabilities, and pay or reimburse any and all properly documented reasonable expenses, incurred in any proceedings to which any director or officer is a party because he or she is or was a director or officer. The Company must also indemnify an employee who is not a director or officer, to the extent that the employee has been successful on the merits or otherwise in defense of a proceeding, for all expenses incurred in the proceeding if the employee was a party because he or she is or was an employee. The Company may, but is not required to, supplement the rights to indemnification against liabilities and allowance of expenses under this paragraph by the purchase of insurance on behalf of any one or more of the directors, officers or employees, whether or not the Company would be required or permitted to indemnify or allow expenses to a director, officer or employee.

The indemnification provided by the WBCL and the Company's by-laws, as amended, is not exclusive of any other rights to which a director or officer may be entitled. The general effect of the indemnification provisions may be to reduce the circumstances in which an officer or director may be required to bear the economic burden of the liabilities and expense.

The Company maintains a liability insurance policy for its directors and officers as permitted by Wisconsin law which may extend to, among other things, liability arising under the Securities Act of 1933, as amended.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

See the Exhibit Index, which is incorporated herein by reference.

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the registration statement is on Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this registration statement; and

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of the securities, in a primary offering of securities of the Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the Registrant relating to the offering required to be filed pursuant to Rule 424 under the Securities Act;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the Registrant or used or referred to by the Registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the Registrant or its securities provided by or on behalf of the Registrant; and

(iv) Any other communication that is an offer in the offering made by the Registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Milwaukee, State of Wisconsin, on May 5, 2010.

HARLEY-DAVIDSON, INC.

By: */s/ KEITH E. WANDELL*
Keith E. Wandell

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints John A. Olin, Mark Kornetzke and Gail A. Lione, and each of them individually, his or her attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURE	TITLE	DATE
<i>/s/ KEITH E. WANDELL</i> Keith E. Wandell	President, Chief Executive Officer and Director (principal executive officer)	May 5, 2010
<i>/s/ JOHN A. OLIN</i> John A. Olin	Senior Vice President and Chief Financial Officer (principal financial officer)	May 5, 2010
<i>/s/ MARK R. KORNETZKE</i> Mark R. Kornetzke	Chief Accounting Officer (principal accounting officer)	May 5, 2010
<i>/s/ BARRY K. ALLEN</i> Barry K. Allen	Chairman and Director	May 5, 2010
<i>/s/ RICHARD I. BEATTIE</i> Richard I. Beattie	Director	May 5, 2010
<i>/s/ MARTHA F. BROOKS</i> Martha F. Brooks	Director	May 5, 2010

<i>/s/ GEORGE H. CONRADES</i> George H. Conrades	Director	May 5, 2010
<i>/s/ JUDSON C. GREEN</i> Judson C. Green	Director	May 5, 2010
<i>/s/ DONALD A. JAMES</i> Donald A. James	Director	May 5, 2010
<i>/s/ SARA L. LEVINSON</i> Sara L. Levinson	Director	May 5, 2010
<i>/s/ N. THOMAS LINEBARGER</i> N. Thomas Linebarger	Director	May 5, 2010
<i>/s/ GEORGE L. MILES, JR.</i> George L. Miles, Jr.	Director	May 5, 2010
<i>/s/ JAMES A. NORLING</i> James A. Norling	Director	May 5, 2010
<i>/s/ JOCHEN ZEITZ</i> Jochen Zeitz	Director	May 5, 2010

EXHIBIT INDEX

TO

REGISTRATION STATEMENT ON FORM S-8

Exhibit Number	Description
4.1	Restated Articles of Incorporation as amended through August 21, 2000 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-9183))
4.2	Harley-Davidson, Inc. By-Laws, as amended through February 11, 2010 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated February 10, 2010 (File No. 1-9183)).
4.3	Form of Rights Agreement between the Registrant and Firststar Bank, N.A. dated February 17, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-A dated February 18, 2000 (File No. 1-9183)).
4.4	Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC (incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183)).
4.5	Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement filed with the Securities and Exchange Commission on Schedule 14A on April 3, 2009 (File No. 1-9183)).
4.6	3-Year Credit Agreement dated as of April 29, 2010 among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as global administrative agent and global swing line lender (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated April 29, 2010 (File No. 1-9183))
4.7	364-Day Credit Agreement dated as of April 29, 2010 among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as global administrative agent (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated April 29, 2010 (File No. 1-9183))
4.8	Loan and Servicing Agreement, dated as of April 30, 2009, by and among certain subsidiaries of the Company, the financial institutions from time to time party thereto as lenders and administrative agents, JPMorgan Chase Bank, N.A. as Syndication Agent and Program Agent and Citicorp North America, Inc. as Syndication Agent (incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated April 30, 2009, as amended on August 17, 2009 (File No. 1-9183))

Exhibit Number	Description
4.9	Amended and Restated Receivables Sale Agreement, dated as of April 30, 2009, by and between certain subsidiaries of the Company (incorporated herein by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K dated April 30, 2009, as amended on August 17, 2009 (File No. 1-9183))
4.10	Amendment No. 1 to Loan and Servicing Agreement dated as of April 29, 2010 by and among certain subsidiaries of the Company, various institutions party thereto as lenders and agents and JPMorgan Chase Bank, N.A. as, among other things, Program Agent (incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated April 29, 2010 (File No. 1-9183))
4.11	Letter Agreement dated as of April 29, 2010 by and among certain subsidiaries of the Company, various institutions party thereto as lenders and agents and JPMorgan Chase Bank, N.A. as, among other things, an Administrative Agent, relating to Amendment No. 1 to Loan and Servicing Agreement (incorporated herein by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K dated April 29, 2010 (File No. 1-9183))
4.12	Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee (incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
4.13	Trust Agreement dated as of April 15, 2009 between Harley-Davidson Customer Funding Corp. (HDCFC) and Wilmington Trust Company (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated May 12, 2009 (File No. 1-9183))
4.14	Indenture dated as of May 1, 2009 between the Harley-Davidson Motorcycle Trust 2009-1 (the Trust) and The Bank of New York Mellon Trust Company, N.A. (the Indenture Trustee) (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated May 12, 2009 (File No. 1-9183))

Exhibit Number	Description
5	Opinion of Foley & Lardner LLP.
23.1	Consent of Foley & Lardner LLP (included in Exhibit 5).
23.2	Consent of Ernst & Young, LLP.
24	Power of Attorney (contained on the signature page hereto).

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Tax Year Ended August 31,

2014

2013

2012

Net increase in net assets resulting from operations

\$
317,671

\$
238,721

\$
208,331

Net realized loss (gain) on investments

28,244

24,632

(38,363
)

Net unrealized depreciation on investments

24,638

77,835

32,367

Other temporary book-to-tax differences

(9,122

)

(6,994

)

(1,132

)

Permanent differences

(4,317

)

5,939

(6,103

)

Taxable income before deductions for distributions

\$

357,114

\$

340,133

\$

195,100

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. The Regulated Investment Company Modernization Act (the "RIC Modernization Act") was enacted on December 22, 2010. Under the RIC Modernization Act, capital losses incurred by taxpayers in taxable years beginning after the date of enactment will be allowed to be carried forward indefinitely and are allowed to retain their character as either short-term or long-term losses. As such, the capital loss carryforwards generated by us after the August 31, 2011 tax year will not be subject to expiration. Any losses incurred in post-enactment tax years will be required to be utilized prior to the losses incurred in pre-enactment tax years. As of August 31, 2014, we had capital loss carryforwards of approximately \$117,393 available for use in later tax years. Of the amount available as of August 31, 2014, \$623, \$33,096 and \$46,910 will expire on August 31, 2016, 2017 and 2018, respectively, and \$36,764 is not subject to expiration. The unused balance each year will be carried forward and utilized as gains are realized, subject to limitations. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, substantially all of our capital loss carryforwards may become

permanently unavailable due to limitations by the Code.

Under current tax law, capital losses and specific ordinary losses realized after October 31st and December 31st, respectively, may be deferred and treated as occurring on the first business day of the following tax year. As of August 31, 2014, we had deferred \$22,601 of long-term capital losses which will be treated as arising on the first day of the tax year ending August 31, 2015.

For the tax year ended August 31, 2014, we had distributions in excess of taxable income. After the excess distributions, we still had cumulative taxable income in excess of cumulative distributions, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ending August 31, 2015. The amount carried forward to 2015 was approximately \$49,471. For the tax year ended August 31, 2013, we had taxable income in excess of the distributions made from such taxable income during the year, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ended August 31, 2014. The amount carried forward to 2014 was approximately \$105,408. For the tax year ended August 31, 2012, we had taxable income in excess of the distributions made from such taxable income during the year, and therefore, we elected to carry forward the excess for distribution to shareholders in the tax year ended August 31, 2013. The amount carried forward to 2013 was approximately \$47,896.

As of June 30, 2015, the cost basis of investments for tax purposes was \$6,599,876 resulting in estimated gross unrealized appreciation and depreciation of \$263,892 and \$254,210, respectively. As of June 30, 2014, the cost basis of investments for tax purposes was \$6,424,182 resulting in estimated gross unrealized appreciation and depreciation of \$139,620 and \$310,063, respectively. Due to the difference between our fiscal and tax year ends, the cost basis of our investments for tax purposes as of June 30, 2015 and June 30, 2014 was calculated based on the book cost of investments as of June 30, 2015 and June 30, 2014, respectively, with cumulative book-to-tax adjustments for investments through each investment's most current tax year end.

In general, we may make certain adjustments to the classification of net assets as a result of permanent book-to-tax differences, which may include merger-related items, differences in the book and tax basis of certain assets and liabilities, and nondeductible federal taxes, among other items. During the tax year ended August 31, 2014, we increased accumulated overdistributed net investment income by \$4,316, decreased accumulated net realized loss on investments by \$3,384 and increased capital in excess of par value by \$932. During the tax year ended August 31, 2013, we increased accumulated undistributed net investment income by \$5,939, increased accumulated net realized loss on investments by \$2,621 and decreased capital in excess of par value by \$3,318. Due to the difference between our fiscal and tax year ends, the reclassifications for the taxable year ended August 31, 2014 are recorded in the fiscal year ending June 30, 2015 and the reclassifications for the taxable year ended August 31, 2013 were recorded in the fiscal year ended June 30, 2014.

Note 13. Related Party Agreements and Transactions

Investment Advisory Agreement

On December 23, 2014, the Investment Adviser, Prospect Capital Management LLC, converted into a Delaware limited partnership and is now known as Prospect Capital Management L.P. (continues as the "Investment Adviser"). We have entered into an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, the Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and (iii) closes and monitors investments we make.

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

The total base management fee incurred to the favor of the Investment Adviser was \$134,590, \$108,990 and \$69,800 during the years ended June 30, 2015, 2014 and 2013, respectively.

The Investment Adviser has entered into a servicing agreement with certain institutions, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. During the year ended June 30, 2015, we received payments of \$170 from these institutions, on behalf of the Investment Adviser, for providing such services under the servicing agreement. We were given a credit for these payments as a reduction of base management fee payable by us to Prospect Capital Management.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

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

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

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

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

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

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

The total income incentive fee incurred was \$90,687, \$89,306 and \$81,231 during the years ended June 30, 2015, 2014 and 2013, respectively. No capital gains incentive fee was incurred during the years ended June 30, 2015, 2014 and 2013.

Administration Agreement

We have also entered into an administration agreement (the “Administration Agreement”) with Prospect Administration under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and his staff. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see “Managerial Assistance” below). The Administration Agreement may be terminated by either party without penalty upon 60 days’ written notice to the other party. Prospect Administration is a subsidiary of the Investment Adviser.

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

The allocation of overhead expense from Prospect Administration was \$21,906, \$14,373 and \$8,737 for the years ended June 30, 2015, 2014 and 2013, respectively. During the year ended June 30, 2015, Prospect Administration received payments of \$6,929 directly from our portfolio companies for legal, tax and portfolio level accounting

services. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration, resulting in net overhead expense of \$14,977 during the year ended June 30, 2015. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by these amounts.

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Managerial Assistance

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. “Making available significant managerial assistance” refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us to controlled and non-controlled portfolio companies will vary according to the particular needs of each portfolio company. Examples of such activities include (i) advice on recruiting, hiring, management and termination of employees, officers and directors, succession planning and other human resource matters; (ii) advice on capital raising, capital budgeting, and capital expenditures; (iii) advice on advertising, marketing, and sales; (iv) advice on fulfillment, operations, and execution; (v) advice on managing relationships with unions and other personnel organizations, financing sources, vendors, customers, lessors, lessees, lawyers, accountants, regulators and other important counterparties; (vi) evaluating acquisition and divestiture opportunities, plant expansions and closings, and market expansions; (vii) participating in audit committee, nominating committee, board and management meetings; (viii) consulting with and advising board members and officers of portfolio companies (on overall strategy and other matters); and (ix) providing other organizational, operational, managerial and financial guidance.

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

During the years ended June 30, 2015, 2014 and 2013, we received payments of \$5,126, \$6,612 and \$4,776, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration. During the year ended June 30, 2015, we incurred \$2,400 of managerial assistance expense related to our consolidated entity First Tower Delaware which was included within allocation from Prospect Administration on our Consolidated Statement of Operations for the year ended June 30, 2015. Of this amount, \$600 had not yet been paid by First Tower Delaware to Prospect Administration and was included within due to Prospect Administration on our Consolidated Statement of Assets and Liabilities as of June 30, 2015. See Note 14 for further discussion.

Co-Investments

On February 10, 2014, we received an exemptive order from the SEC (the “Order”) that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Income Fund, Inc. and Pathway Energy Infrastructure Fund, Inc., subject to the conditions included therein. Under the terms of the relief permitting us to co-invest with other funds managed by our Investment Adviser or its affiliates, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. In certain situations where co-investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested.

As of June 30, 2015, we had co-investments with Priority Income Fund, Inc. in the following CLO funds: Babson CLO Ltd. 2014-III; Cent CLO 21 Limited; CIFC Funding 2014-IV Investor, Ltd.; Galaxy XVII CLO, Ltd.; Halcyon

Loan Advisors Funding 2014-2 Ltd.; HarbourView CLO VII, Ltd.; Jefferson Mill CLO Ltd.; Mountain View CLO IX Ltd.; Symphony CLO XIV Ltd.; Voya CLO 2014-1, Ltd.; and Washington Mill CLO Ltd.

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Note 14. Transactions with Controlled Companies

The descriptions below detail the transactions which Prospect Capital Corporation (“Prospect”) has entered into with each of our controlled companies. Certain of the controlled entities discussed below were consolidated effective July 1, 2014 (see Note 1). As such, transactions with these Consolidated Holding Companies for the year ended June 30, 2015 are presented on a consolidated basis.

Airmall Inc.

As of June 30, 2014, Prospect owned 100% of the equity of AMU Holdings Inc. (“AMU”), a Consolidated Holding Company. AMU owned 98% of Airmall Inc. (f/k/a Airmall USA Holdings, Inc.) (“Airmall”). Airmall is a developer and manager of airport retail operations.

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

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

On June 13, 2014, Prospect made a new \$19,993 investment as a senior secured loan to Airmall. Airmall then distributed this amount to AMU as a return of capital, which AMU used to pay down the senior subordinated loan in the same amount. The minority interest held by a third party in AMU was exchanged for common stock of Airmall. On July 1, 2014, Prospect began consolidating AMU. As a result, any transactions between AMU and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On August 1, 2014, Prospect sold its investments in Airmall for net proceeds of \$51,379 and realized a loss of \$3,473 on the sale. In addition, there is \$6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized as an additional realized loss if it is not received. Included in the net proceeds were \$3,000 of structuring fees from Airmall related to the sale of the operating company which was recognized as other income during the year ended June 30, 2015. On October 22, 2014, Prospect received a tax refund of \$665 related to its investment in Airmall and realized a gain of the same amount.

In addition to the repayments noted above, the following amounts were paid from Airmall to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$600

Year Ended June 30, 2014 593

Year Ended June 30, 2015 49

The following dividends were declared and paid from Airmall to AMU and recognized as dividend income by AMU:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 7,000

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 12,000

Year Ended June 30, 2015 N/A

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

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

Year Ended June 30, 2013 \$2,286

Year Ended June 30, 2014 3,159

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from AMU was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 295

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$3,536

Year Ended June 30, 2014 3,420

Year Ended June 30, 2015 576

The following interest income recognized had not yet been paid by Airmall to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$920

June 30, 2015 —

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

Year Ended June 30, 2013 \$225

Year Ended June 30, 2014 300

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 75

The following managerial assistance recognized had not yet been paid by Airmall to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2014 \$75

June 30, 2015 —

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

Year Ended June 30, 2013 \$ 8

Year Ended June 30, 2014 —

Year Ended June 30, 2015 730

The following amounts were due from Airmall to Prospect for reimbursement of expenses paid by Prospect on behalf of Airmall and were included by Prospect within other receivables:

June 30, 2014 \$11

June 30, 2015 —

American Property REIT Corp.

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

APRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. APRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. APRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity (the “JV”).

On October 24, 2012, Prospect initially made a \$7,808 investment in APH, of which \$6,000 was a Senior Term Loan and \$1,808 was used to purchase the membership interests of APH. The proceeds were utilized by APH to purchase APRC common equity for \$7,806, with \$2 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 100% ownership interest in 146 Forest Parkway, LLC for \$7,326, pay a \$250 non-refundable deposit and \$222 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$8 retained by APRC for working capital. 146 Forest Parkway, LLC was purchased for \$7,400. The remaining proceeds were used to pay \$168 of third party expenses and \$5 of legal services provided by attorneys at Prospect Administration, with \$3 retained by the JV for working capital. The investment was subsequently contributed to NPRC.

On December 28, 2012, Prospect made a \$9,594 investment in APH, of which \$6,400 was a Senior Term Loan and \$3,194 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$9,594. The proceeds were utilized by APRC to purchase a 92.7% ownership interest in 1557 Terrell Mill Road, LLC for \$9,548, with \$46 retained by APRC for other expenses. The JV was purchased for \$23,500 which included debt financing and minority interest of \$15,275 and \$757, respectively. The remaining proceeds were used to pay \$286 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income) and \$1,652 of third party expenses, with \$142 retained by the JV for working capital.

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

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

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

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

On June 24, 2013, Prospect made a \$76,533 investment in APH, of which \$63,000 was a Senior Term Loan and \$13,533 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$75,233, with \$1,300 retained by APH for working capital. The proceeds were utilized by APRC to purchase a 95.0% ownership interest in APH Carroll Resort, LLC for \$74,398 and to pay \$835 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income). The JV was purchased for \$225,000 which included debt financing and minority interest of \$157,500 and \$3,916, respectively. The remaining proceeds were used to pay \$1,436 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$7,687 of third party expenses, \$8 of legal services provided by attorneys at Prospect Administration, and \$1,683 of prepaid assets. The investment was subsequently contributed to NPRC and renamed NPRC Carroll Resort, LLC.

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

On November 1, 2013, Prospect made a \$9,869 investment in APH, of which \$8,200 was a Senior Term Loan and \$1,669 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$9,869. The proceeds were utilized by APRC to purchase a 94.0% ownership interest in APH Carroll 41, LLC for \$9,548 and to pay \$102 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$219 retained by APRC for working capital. The JV was purchased for \$30,600 which included debt financing and minority interest of \$22,497 and \$609, respectively. The remaining proceeds were used to pay \$190 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,589 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$270 of prepaid assets. The investment was subsequently contributed to NPRC.

On November 15, 2013, Prospect made a \$45,900 investment in APH, of which \$38,500 was a Senior Term Loan and \$7,400 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$45,900. The proceeds were utilized by APRC to purchase a 99.3% ownership interest in APH Gulf Coast Holdings, LLC for \$45,024 and to pay \$364 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$512 retained by APRC for working capital. The JV was purchased for \$115,200 which included debt financing and minority interest of \$75,558 and \$337, respectively. The remaining proceeds were used to pay \$1,013 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,590 of third party expenses, \$23 of legal services provided by attorneys at Prospect Administration, and \$2,023 of prepaid assets, with \$70 retained by the JV for working capital.

On November 19, 2013, Prospect made a \$66,188 investment in APH, of which \$55,000 was a Senior Term Loan and \$11,188 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to

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

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

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

On January 17, 2014, Prospect made a \$6,565 investment in APH, of which \$5,500 was a Senior Term Loan and \$1,065 was used to purchase additional membership interests of APH. The proceeds were utilized by APH to purchase additional APRC common equity for \$6,565. The proceeds were utilized by APRC to purchase a 99.3% ownership interest in APH Gulf Coast Holdings, LLC for \$6,336 and to pay \$54 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$175 retained by APRC for other expenses. The JV was purchased for \$15,430 which included debt financing and minority interest of \$10,167 and \$48, respectively. The remaining proceeds were used to pay \$143 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$627 of third party expenses, \$4 of legal services provided by attorneys at Prospect Administration, and \$312 of prepaid assets, with \$35 retained by the JV for working capital.

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

On June 4, 2014, Prospect made a \$1,719 investment in APH to purchase additional membership interests of APH, which was revised to \$1,732 on July 1, 2014. The proceeds were utilized by APH to purchase additional APRC common equity for \$1,732. The proceeds were utilized by APRC to acquire the real property located at 975 South Cornwell, Yukon, OK ("Taco Bell, OK") for \$1,719 and pay \$13 of third party expenses.

On July 1, 2014, Prospect began consolidating APH. As a result, any transactions between APH and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On November 26, 2014, APRC transferred its investment in APH Carroll Resort, LLC to NPRC and the investment was renamed NPRC Carroll Resort, LLC. As a result, Prospect's investments in APRC related to this property also transferred to NPRC. The investments transferred consisted of \$10,237 of equity and \$65,586 of debt. There was no gain or loss realized on the transaction.

On May 1, 2015, APRC transferred its investment in 5100 Live Oaks Blvd, LLC to NPRC. As a result, Prospect's investments in APRC related to this property also transferred to NPRC. The investments transferred consisted of \$2,748 of equity and \$29,990 of debt. There was no gain or loss realized on the transaction.

On May 6, 2015, Prospect made a \$1,475 investment in APRC, of which \$1,381 was a Senior Term Loan and \$94 was used to purchase additional common equity of APRC through APH. The proceeds were utilized by APRC to purchase additional ownership interest in its twelve multi-family properties for \$1,473 and pay \$2 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional \$17 in the JVs. The proceeds were used by the JVs to fund \$1,490 of capital expenditures.

During the year ended June 30, 2015, Prospect received \$8 as a return of capital on the equity investment in APRC. The following dividends were declared and paid from APRC to APH (partially via a wholly-owned subsidiary of APH) and recognized as dividend income by APH:

Year Ended June 30, 2013 \$1,676

Year Ended June 30, 2014 8,810

Year Ended June 30, 2015 —

All dividends were paid from earnings and profits of APRC.

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

Year Ended June 30, 2013 \$2,898

Year Ended June 30, 2014 13,928

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from APH was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$892

Year Ended June 30, 2014 4,084

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 4,860

Year Ended June 30, 2015 14,747

Included above, the following payment-in-kind interest from APRC was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 581

Year Ended June 30, 2015 4,529

The following interest income recognized had not yet been paid by APRC to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$54

June 30, 2015 25

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

Year Ended June 30, 2013 \$140

Year Ended June 30, 2014 1,418

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 1,342

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

Year Ended June 30, 2013 \$148

Year Ended June 30, 2014 637

Year Ended June 30, 2015 590

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$148

June 30, 2015 148

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

Year Ended June 30, 2013 \$ 90
 Year Ended June 30, 2014 1,791
 Year Ended June 30, 2015 301

The following amounts were due from APRC to Prospect for reimbursement of expenses paid by Prospect on behalf of APRC and were included by Prospect within other receivables:

June 30, 2014 \$202
 June 30, 2015 124

Arctic Energy Services, LLC

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

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

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

On July 1, 2014, Prospect began consolidating Arctic Equipment. As a result, any transactions between Arctic Equipment and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

The following interest payments were accrued and paid from Arctic Energy to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 1,050
 Year Ended June 30, 2015 6,721

The following interest income recognized had not yet been paid by Arctic Energy to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$18
 June 30, 2015 18

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 15
 Year Ended June 30, 2015 100

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$15

June 30, 2015 25

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 445

Year Ended June 30, 2015 —

The following amounts were due from Arctic Energy to Prospect for reimbursement of expenses paid by Prospect on behalf of Arctic Energy and were included by Prospect within other receivables:

June 30, 2014 \$6

June 30, 2015 —

The following amounts were due to Arctic Energy from Prospect for reimbursement of expenses paid by Arctic Energy on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2014 \$—

June 30, 2015 1

ARRM Services, Inc.

As of June 30, 2014, Prospect owned 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100% of the Series B Preferred equity of ARRM Services, Inc. (f/k/a ARRM Holdings, Inc.) (“ARRM”). ARRM owned 100% of the equity of Ajax Rolled Ring & Machine, LLC (f/k/a Ajax Rolled Ring & Machine, Inc.) (“Ajax”). Ajax forges large seamless steel rings on two forging mills in the company’s York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

As of July 1, 2011, the cost basis of Prospect’s total debt and equity investment in Ajax was \$41,699, including capitalized payment-in-kind interest of \$3,535. Prospect’s investment in Ajax consisted of the following: \$20,607 of senior secured term debt (“Tranche A Term Loan”); \$15,035 of subordinated secured term debt (“Tranche B Term Loan”); and \$6,057 of common equity. In October 2011, ARRM assumed Ajax’s Tranche B Term Loan and the equity of Ajax was exchanged for equity in ARRM. Ajax was converted into a limited liability company shortly thereafter. On December 28, 2012, Prospect provided an additional \$3,600 of unsecured debt to ARRM (“Promissory Demand Note”). On April 1, 2013, Prospect refinanced its investment in Ajax and ARRM, increasing the total size of the debt investment to \$38,537. The \$19,837 Tranche A Term Loan was replaced with a new senior secured term loan to Ajax in the same amount. The \$15,035 Tranche B Term Loan and \$3,600 Promissory Demand Note were replaced with a new subordinated unsecured term loan to ARRM in the amount of \$18,700. Prospect received \$50 and \$46 of structuring fees from Ajax and ARRM, respectively, which were recognized as other income.

On June 28, 2013, Prospect provided an additional \$1,000 in the ARRM subordinated unsecured term loan to fund equity into Ajax. The proceeds were used by Ajax to repay senior debt to a third party. On October 11, 2013, Prospect provided \$25,000 in preferred equity for the recapitalization of ARRM. After the financing, Prospect received repayment of the \$20,008 subordinated unsecured term loan previously outstanding from ARRM. In March 2014, Prospect received \$98 of structuring fees from Ajax related to the amendment of the loan agreement in September 2013.

On October 10, 2014, ARRM sold Ajax to a third party and repaid the \$19,337 loan receivable to Prospect and Prospect recorded a realized loss of \$23,560 related to the sale. Concurrent with the sale, Prospect's ownership increased to 100% of the outstanding equity of ARRM Services, Inc. which was renamed SB Forging Company, Inc. ("SB Forging"). As such, Prospect began consolidating SB Forging on October 11, 2014. In addition, there is \$3,000 being held in escrow of which \$802 was received on May 6, 2015 for which Prospect realized a gain of the same amount. The remainder of the escrow will be recognized as additional gain if and when received. Prospect received \$2,000 of structuring fees from Ajax related to the sale of the operating company which was recognized as other income during the year ended June 30, 2015.

In addition to the repayments noted above, the following amounts were paid from Ajax to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$430

Year Ended June 30, 2014 400

Year Ended June 30, 2015 —

The following interest payments, including prepayment penalty fees, were accrued and paid from ARRM to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$993

Year Ended June 30, 2014 1,029

Year Ended June 30, 2015 —

Included above, the following payment-in-kind interest from ARRM was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 309

Year Ended June 30, 2015 —

The following interest payments, including prepayment penalty fees, were accrued and paid from Ajax to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$4,183

Year Ended June 30, 2014 2,082

Year Ended June 30, 2015 956

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

The following interest income recognized had not yet been paid by Ajax to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$6

June 30, 2015 —

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

Year Ended June 30, 2013 \$225

Year Ended June 30, 2014 180

Year Ended June 30, 2015 45

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$45

June 30, 2015 —

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

Year Ended June 30, 2013 \$ 63

Year Ended June 30, 2014 17

Year Ended June 30, 2015 1,485

The following amounts were due from Ajax to Prospect for reimbursement of expenses paid by Prospect on behalf of Ajax and were included by Prospect within other receivables:

June 30, 2014 \$2

June 30, 2015 —

Borga, Inc.

As of June 30, 2014, Prospect owned 100% of the equity of STI Holding, Inc. (“STI”), a Consolidated Holding Company. STI owned 100% of the equity of Borga, Inc. (“Borga”). Borga manufactures pre-engineered metal buildings and components for the agricultural and light industrial markets.

On May 6, 2005, Patriot Capital Funding, Inc. (“Patriot”) (previously acquired by Prospect) provided \$14,000 in senior secured debt to Borga. The debt was comprised of \$1,000 Senior Secured Revolver, \$3,500 Senior Secured Term Loan A, \$2,500 Senior Secured Term Loan B and \$7,000 Senior Secured Term Loan C. On March 31, 2009, Borga made its final amortization payment on the Senior Secured Term Loan A. The other loans remained outstanding.

Prospect owned warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation (“Metal Buildings”), the former holding company of Borga. Metal Buildings owned 100% of Borga.

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

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

On July 1, 2014, Prospect began consolidating STI. As a result, any transactions between STI and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On August 20, 2014, Prospect sold the assets of Borga, a wholly-owned subsidiary of STI, for net proceeds of \$382 and realized a loss of \$2,589 on the sale. On December 29, 2014, Borga was dissolved.

BXC Company, Inc.

As of June 30, 2014, Prospect owned 86.7% of Series A Preferred Stock, 96.8% of Series B Preferred Stock, and 83.1% of fully diluted common stock of BXC Company, Inc. (f/k/a BXC Holding Company) (“BXC”). BXC owned 100% of the common stock of Boxercraft Incorporated (“Boxercraft”).

As of July 1, 2012, the cost basis of Prospect’s total debt and equity investment in Boxercraft was \$15,123, including capitalized payment-in-kind interest of \$1,466. On December 31, 2013, Boxercraft repaid \$100 of the senior secured term loan. On April 18, 2014, Prospect made a new \$300 senior secured term loan to Boxercraft. During the period from July 1, 2012 through June 30, 2014, Prospect capitalized a total of \$804 of paid-in-kind interest and accreted a total of \$1,321 of the original purchase discount, increasing the total debt investment to \$17,448 as of June 30, 2014. Effective March 28, 2014, Prospect acquired voting control of BXC pursuant to a voting agreement and irrevocable proxy. Effective May 8, 2014, Prospect acquired control of BXC by transferring shares held by the other equity holders of BXC to Prospect pursuant to an assignment agreement entered into with such other equity holders.

On July 2, 2014, Prospect made a new \$250 senior secured term loan to provide liquidity to Boxercraft.

On July 17, 2014, Prospect restructured the investments in BXC and Boxercraft. The existing Senior Secured Term Loan A and a portion of the existing Senior Secured Term Loan B were replaced with a new Senior Secured Term Loan A to Boxercraft. The remainder of the existing Senior Secured Term Loan B and the existing Senior Secured Term Loan C, Senior Secured Term Loan D, and Senior Secured Term Loan E were replaced with a new Senior Secured Term Loan B to Boxercraft. The existing Senior Secured Term Loan to Boxercraft was converted into Series D Preferred Stock in BXC.

During the year ended June 30, 2015, Prospect accrued \$5 of administrative agent fees from Boxercraft (which were recognized by Prospect as other income). On August 25, 2014, Prospect sold Boxercraft, a wholly-owned subsidiary of BXC, for net proceeds of \$750 and realized a net loss of \$16,949 on the sale.

CCPI Inc.

Prospect owns 100% of the equity of CCPI Holdings Inc. (“CCPI Holdings”), a Consolidated Holding Company. CCPI Holdings owns 94.95% of the equity of CCPI Inc. (“CCPI”), with CCPI management owning the remaining 5.05% of the equity. CCPI owns 100% of each of CCPI Europe Ltd. and MEFEC B.V., and 45% of Gulf Temperature Sensors W.L.L.

On December 13, 2012, Prospect initially made a \$15,921 investment (including 467,928 common shares of Prospect at fair value of \$5,021) in CCPI Holdings, \$7,500 senior secured note and \$8,443 equity interest. The proceeds received by CCPI Holdings were partially utilized to purchase 95.13% of CCPI common stock for \$14,878. The remaining proceeds were used to pay \$395 of structuring fees from CCPI Holdings to Prospect (which were recognized by Prospect as structuring fee income), \$215 for legal services provided by attorneys at Prospect Administration, \$137 for third party expenses and \$318 was retained by CCPI Holdings for working capital. On December 13, 2012, Prospect made an additional investment of \$18,000 in CCPI senior secured debt. The proceeds of the Prospect loan along with \$14,878 of equity financing from CCPI Holdings (mentioned above) were used to purchase 95.13% of CCPI equity from the sellers for \$31,829, provide \$120 of debt financing to CCPI management (to partially fund a purchase by management of CCPI stock), fund \$180 of structuring fees from CCPI to Prospect (which were recognized by Prospect as structuring fee income), pay \$548 of third-party expenses, reimburse \$12 for reimbursement of expenses paid by Prospect on behalf of CCPI (no income was recognized by Prospect) and \$189 was retained by CCPI as working capital.

During the year ended June 30, 2014, certain members of CCPI management exercised options to purchase common stock, decreasing our ownership to 94.77%. On June 13, 2014, Prospect made a new \$8,218 senior secured note to CCPI. CCPI then distributed this amount to CCPI Holdings as a return of capital which was used to pay down the \$8,216 senior secured note from CCPI Holdings to Prospect. The remaining \$2 was distributed to Prospect as a return of capital of Prospect’s equity investment in CCPI Holdings.

On July 1, 2014, Prospect began consolidating CCPI Holdings. As a result, any transactions between CCPI Holdings and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

During the year ended June 30, 2015, CCPI repurchased 30 shares of its common stock from a former CCPI executive, decreasing the number of shares outstanding and increasing Prospect’s ownership to 94.95%.

In June 2015, CCPI engaged Prospect to provide certain investment banking and financial advisory services in connection with a possible transaction. As compensation for the services provided, Prospect received \$525 of advisory fees from CCPI which was recognized as other income during the year ended June 30, 2015.

In addition to the repayments noted above, the following amounts were paid from CCPI to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$338
 Year Ended June 30, 2014 450
 Year Ended June 30, 2015 450

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

Year Ended June 30, 2013 \$794
 Year Ended June 30, 2014 1,266
 Year Ended June 30, 2015 —

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 500

Year Ended June 30, 2015 N/A

All dividends were paid from earnings and profits of CCPI and CCPI Holdings.

The following interest payments were accrued and paid from CCPI Holdings to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ 801

Year Ended June 30, 2014 1,464

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from CCPI Holdings was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ 159

Year Ended June 30, 2014 557

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ 991

Year Ended June 30, 2014 1,848

Year Ended June 30, 2015 3,332

Included above, the following payment-in-kind interest from CCPI was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 27

Year Ended June 30, 2015 599

The following interest income recognized had not yet been paid by CCPI to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$9

June 30, 2015 —

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

Year Ended June 30, 2013 \$ 32

Year Ended June 30, 2014 71

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ 132

Year Ended June 30, 2014 240

Year Ended June 30, 2015 240

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$60

June 30, 2015 60

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

Year Ended June 30, 2013 \$214

Year Ended June 30, 2014 249

Year Ended June 30, 2015 —

The following amounts were due from CCPI to Prospect for reimbursement of expenses paid by Prospect on behalf of CCPI and were included by Prospect within other receivables:

June 30, 2014 \$10

June 30, 2015 —

CP Energy Services Inc.

Prospect owns 100% of the equity of CP Holdings of Delaware LLC (“CP Holdings”), a Consolidated Holding Company. CP Holdings owns 82.3% of the equity of CP Energy Services Inc. (“CP Energy”), and the remaining 17.7% of the equity is owned by CP Energy management. As of June 30, 2014, CP Energy owned directly or indirectly 100% of each of CP Well Testing Services, LLC (f/k/a CP Well Testing Holding Company LLC) (“CP Well Testing”); CP Well Testing, LLC (“CP Well”); Fluid Management Services, Inc. (f/k/a Fluid Management Holdings, Inc.) (“Fluid Management”); Fluid Management Services LLC (f/k/a Fluid Management Holdings LLC); Wright Transport, Inc. (f/k/a Wright Holdings, Inc.); Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; Artexoma Logistics, LLC; and Wright Trucking, Inc. Effective December 31, 2014, CP Energy underwent a corporate reorganization in order to consolidate certain of its wholly-owned subsidiaries. As of June 30, 2015, CP Energy owned directly or indirectly 100% of each of CP Well; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

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

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

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

On August 2, 2013, Prospect made a senior secured debt investment of \$58,773 in CP Energy. CP Energy also received \$2,505 management co-investment in exchange for 17.1% of CP Energy common stock. Total proceeds received by CP Energy of \$73,413 (including the \$12,135 of equity financing from CP Holdings mentioned above) were used to purchase 100% of the equity interests in CP Well Testing and Fluid Management for \$33,600 and \$34,576, respectively. The remaining proceeds were used by CP Energy to pay \$1,414 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income) and pay \$823 of third-party expenses, with \$3,000 retained by CP Energy for working capital.

On August 2, 2013, Prospect made an additional senior secured debt investment of \$22,500 in CP Well Testing. Total proceeds received by CP Well Testing of \$56,100 (including the \$33,600 of equity financing from CP Energy mentioned above) were used to purchase 100% of the equity interests in CP Well for \$55,650 and pay \$450 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income). After the financing, Prospect received repayment of the \$18,991 loan previously outstanding from CP Well.

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

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

On April 1, 2014, Prospect made new loans to CP Well (with Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. as co-borrowers), two first lien loans in the amount of \$11,035 and \$72,238, and a second lien loan in the amount of \$15,000. The proceeds of these loans were used to repay CP Energy's senior secured term loan and CP Well Testing's senior secured term loan previously outstanding from Prospect.

On July 1, 2014, Prospect began consolidating CP Holdings. As a result, any transactions between CP Holdings and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

During the year ended June 30, 2015, certain members of CP Energy management exercised options to purchase common stock, decreasing our ownership to 82.3%.

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 8,083

Year Ended June 30, 2015 —

The following interest payments were accrued and paid from CP Well Testing to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 1,657

Year Ended June 30, 2015 —

The following interest payments were accrued and paid from CP Well to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 4,118

Year Ended June 30, 2015 16,420

Included above, the following payment-in-kind interest from CP Well was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 2,818

The following interest income recognized had not yet been paid by CP Well to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$45

June 30, 2015 46

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 275

Year Ended June 30, 2015 300

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$75

June 30, 2015 75

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 609

Year Ended June 30, 2015 60

The following amounts were due from CP Energy to Prospect for reimbursement of expenses paid by Prospect on behalf of CP Energy and were included by Prospect within other receivables:

June 30, 2014 \$4

June 30, 2015 1

Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Holdings of Delaware, LLC (“Credit Central Delaware”), a Consolidated Holding Company. Credit Central Delaware owns 74.93% of the equity of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) (“Credit Central”), with entities owned by Credit Central management owning the remaining 25.07% of the equity. Credit Central owns 100% of each of Credit Central, LLC; Credit Central South, LLC; Credit Central of Texas, LLC; and Credit Central of Tennessee, LLC. Credit Central is a branch-based provider of installment loans.

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

On June 26, 2014, Prospect made a new \$36,333 second lien term loan to Credit Central. Credit Central then distributed this amount to Credit Central Delaware as a return of capital which was used to pay down the Senior Secured Revolving Credit Facility from Credit Central Delaware by the same amount. The remaining amount of the Senior Secured Revolving Credit Facility, \$3,874, was then converted to additional membership interests in Credit Central Delaware.

On July 1, 2014, Prospect began consolidating Credit Central Delaware. As a result, any transactions between Credit Central Delaware and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

During the year ended June 30, 2015, Credit Central redeemed 24,629 shares of its membership interest from former Credit Central employees, decreasing the number of shares outstanding and increasing Prospect’s ownership to 74.93%.

In addition to the repayments noted above, the following amounts were paid from Credit Central to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 300

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

Year Ended June 30, 2013 \$4,796

Year Ended June 30, 2014 10,431

Year Ended June 30, 2015 —

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 4,841

Year Ended June 30, 2015 N/A

During the year ended June 30, 2015, Prospect reclassified \$159 of return of capital received from Credit Central Delaware in the year ended June 30, 2014 as dividend income.

All dividends were paid from earnings and profits of Credit Central and Credit Central Delaware.

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

Year Ended June 30, 2013 \$3,893

Year Ended June 30, 2014 7,744

Year Ended June 30, 2015 N/A

The following interest payments were accrued and paid from Credit Central to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 101

Year Ended June 30, 2015 7,375

Included above, the following payment-in-kind interest from Credit Central was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 300

The following interest income recognized had not yet been paid by Credit Central to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$20

June 30, 2015 20

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

Year Ended June 30, 2013 \$240

Year Ended June 30, 2014 521

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 1,220

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

Year Ended June 30, 2013 \$350

Year Ended June 30, 2014 700

Year Ended June 30, 2015 700

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$175

June 30, 2015 175

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

Year Ended June 30, 2013 \$292

Year Ended June 30, 2014 131

Year Ended June 30, 2015 —

The following amounts were due to Credit Central from Prospect for reimbursement of expenses paid by Credit Central on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2014 \$38

June 30, 2015 27

Echelon Aviation LLC

Prospect owns 99.02% of the membership interests of Echelon Aviation LLC (“Echelon”). Echelon owns 60.7% of the equity of AerLift Leasing Limited (“AerLift”).

On March 31, 2014, Prospect initially made a \$92,628 investment in Echelon, of which \$78,521 was a Senior Secured Revolving Credit Facility and \$14,107 to purchase 100% of the membership interests of Echelon. The proceeds were partially utilized to purchase 60.7% of AerLift’s membership interests for \$83,657. The remaining proceeds were used to pay \$2,771 of structuring fees from Echelon to Prospect (which was recognized by Prospect as structuring fee income), \$540 for third party expenses, \$664 for legal and tax services provided by Prospect Administration and \$4,996 was retained by Echelon for working capital.

During the year ended June 30, 2014, Echelon issued 57,779.44 Class B shares to the company’s President, decreasing Prospect’s ownership to 99.49%.

On July 1, 2014, Prospect sold a \$400 participation in the Senior Secured Revolving Credit Facility, equal to 0.51% of the outstanding principal amount on that date.

On September 15, 2014, Echelon made an optional partial prepayment of \$37,313 of the Senior Secured Revolving Credit Facility outstanding.

On September 30, 2014, Prospect made an additional \$5,800 investment in the membership interests of Echelon. During the year ended June 30, 2015, Echelon issued 54,482.06 Class B shares to the company's President, decreasing Prospect's ownership to 99.02%.

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 2,809

Year Ended June 30, 2015 6,895

The following interest income recognized had not yet been paid by Echelon to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$2,809

June 30, 2015 2,412

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 313

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$ —

June 30, 2015 63

The following managerial assistance recognized had not yet been paid by Echelon to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2014 \$63

June 30, 2015 —

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 664

Year Ended June 30, 2015 211

The following amounts were due from Echelon to Prospect for reimbursement of expenses paid by Prospect on behalf of Echelon and were included by Prospect within other receivables:

June 30, 2014 \$78

June 30, 2015 30

Edmentum Ultimate Holdings, LLC

Prospect owns 37.1% of the equity of Edmentum Ultimate Holdings, LLC ("Edmentum Holdings"). Edmentum Holdings owns 100% of the equity of Edmentum, Inc. ("Edmentum"). Edmentum is the largest all subscription based, software as a service provider of online curriculum and assessments to the U.S. education market. Edmentum provides high-value, comprehensive online solutions that support educators to successfully transition learners from one stage to the next.

On May 17, 2012, Prospect initially made a \$50,000 second lien term loan to Edmentum.

On June 9, 2015, Prospect provided additional debt and equity financing to support the recapitalization of Edmentum. As part of the recapitalization, Prospect exchanged 100% of the \$50,000 second lien term loan previously outstanding for \$26,365 of junior PIK notes and 370,964.14 Class A common units representing 37.1% equity ownership in Edmentum Holdings. In addition, Prospect invested \$5,875 in senior PIK notes and committed \$7,834 as part of a second lien revolving credit facility, of which \$4,896 was funded at closing. On June 9, 2015, we determined that the impairment of Edmentum was other-than-temporary and recorded a realized loss of \$22,116 for the amount that the amortized cost exceeded the fair value, reducing the amortized cost to \$37,216.

Energy Solutions Holdings Inc.

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

Energy Solutions owns interests in companies operating in the energy sector. These include companies operating offshore supply vessels, ownership of a non-operating biomass electrical generation plant and several coal mines. Energy Solutions subsidiaries formerly owned interests in gathering and processing business in east Texas. As of July 1, 2011, the cost basis of Prospect’s investment in Energy Solutions, including debt and equity, was \$42,003.

In December 2011, Prospect completed a reorganization of Gas Solutions Holdings Inc. renaming the company Energy Solutions and transferring ownership of other operating companies owned by Prospect and operating within the energy industry. As part of the reorganization, Prospect transferred its debt and equity interests with cost basis of \$2,540 in Change Clean Energy Holdings, Inc. and Change Clean Energy, Inc. to Change Clean; \$12,504 in Freedom Marine Holdings, Inc. to Freedom Marine; and \$1,449 of Yatesville Coal Holdings, Inc. to Yatesville. Each of these entities is wholly owned (directly or indirectly) by Energy Solutions. On December 28, 2011, Prospect made a follow-on \$1,250 equity investment in Energy Solutions and a \$3,500 debt investment in Vessel.

On January 4, 2012, Energy Solutions sold its gas gathering and processing assets held in Gas Solutions II Ltd. (“Gas Solutions”) for a potential sale price of \$199,805, adjusted for the final working capital settlement, including a potential earn-out of \$28,000 that may be paid based on the future performance of Gas Solutions. After expenses, including structuring fees of \$9,966 paid to Prospect, and \$3,152 of third-party expenses, Gas Solutions LP LLC and Gas Solutions GP LLC, subsidiaries of Gas Solutions, received \$157,100 and \$1,587 in cash, respectively, and subsequently distributed these amounts, \$158,687 in total, to Energy Solutions. The sale of Gas Solutions by Energy Solutions resulted in significant earnings and profits, as defined by the Code, at Energy Solutions for calendar year 2012. In accordance with ASC 946, the distributions Prospect received from Energy Solutions during calendar year 2012 were required to be recognized as dividend income, as there were current year earnings and profits sufficient to support such recognition. As a result, we recognized dividends of \$53,820 from Energy Solutions during the year ended June 30, 2013. No such dividends were received from Energy Solutions during the year ended June 30, 2014. During the year ended June 30, 2013, Energy Solutions repaid \$28,500 of senior and subordinated secured debt due to Prospect. In addition to the repayment of principal, Prospect received \$19,543 of make-whole fees for early repayment of the outstanding loan receivables, which was recorded as additional interest income during the year ended June 30, 2013.

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

During the year ended June 30, 2014, Energy Solutions repaid the remaining \$8,500 of the subordinated secured debt due to Prospect. In addition to the repayment of principal, Prospect received \$4,812 of make-whole fees for early repayment of the outstanding loan receivables, which was recorded as additional interest income during the year ended June 30, 2014.

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

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On June 4, 2014, Gas Solutions GP LLC and Gas Solutions LP LLC merged with and into Freedom Marine, with Freedom Marine as the surviving entity.

On July 1, 2014, Prospect began consolidating Energy Solutions. As a result, any transactions between Energy Solutions and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below. Transactions between Prospect and Freedom Marine are separately discussed below under “Freedom Marine Solutions, LLC.”

During the three months ended December 31, 2014, Prospect determined that the impairments of Change Clean and Yatesville were other-than-temporary and recorded a realized loss of \$1,449, reducing the amortized cost to zero. The following interest payments, including prepayment penalty fees, were accrued and paid from Energy Solutions to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$24,172

Year Ended June 30, 2014 5,368

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$180

Year Ended June 30, 2014 180

Year Ended June 30, 2015 N/A

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$45

June 30, 2015 N/A

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

Year Ended June 30, 2013 \$118

Year Ended June 30, 2014 —

Year Ended June 30, 2015 N/A

First Tower Finance Company LLC

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

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

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

On July 1, 2014, Prospect began consolidating First Tower Delaware. As a result, any transactions between First Tower Delaware and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

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

Year Ended June 30, 2013 \$31,918
 Year Ended June 30, 2014 14,912
 Year Ended June 30, 2015 —

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

Year Ended June 30, 2013 \$54,035
 Year Ended June 30, 2014 36,064
 Year Ended June 30, 2015 —

During the year ended June 30, 2015, Prospect reclassified \$1,929 of return of capital received from First Tower Finance in prior periods as dividend income.

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

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

Year Ended June 30, 2013 \$52,476
 Year Ended June 30, 2014 53,489
 Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from First Tower Delaware was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 1,698
 Year Ended June 30, 2015 N/A

The following interest payments were accrued and paid from First Tower to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 831
 Year Ended June 30, 2015 52,900

Included above, the following payment-in-kind interest from First Tower was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 332

The following interest income recognized had not yet been paid by First Tower to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$ 119

June 30, 2015 4,612

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

Year Ended June 30, 2013 \$2,426

Year Ended June 30, 2014 2,560

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$2,520

Year Ended June 30, 2014 2,400

Year Ended June 30, 2015 N/A

At June 30, 2014, \$600 of managerial assistance received by Prospect had not yet been remitted to Prospect Administration and was included by Prospect within due to Prospect Administration.

The following managerial assistance payments were accrued and paid from First Tower Delaware to Prospect Administration and recognized by Prospect as an expense:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 2,400

At June 30, 2015, \$600 of managerial assistance recognized had not yet been paid by First Tower Delaware to Prospect Administration and was included by Prospect within due to Prospect Administration.

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

Year Ended June 30, 2013 \$ 4

Year Ended June 30, 2014 243

Year Ended June 30, 2015 N/A

The following amounts were due from First Tower to Prospect for reimbursement of expenses paid by Prospect on behalf of First Tower and were included by Prospect within other receivables:

June 30, 2014 \$37

June 30, 2015 20

Freedom Marine Solutions, LLC

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

As of July 1, 2014, the cost basis of Prospect's total debt and equity investment in Freedom Marine was \$39,811, which consisted of the following: \$3,500 senior secured note to Vessel; \$12,504 senior secured note to Vessel II; \$16,000 senior secured note to Vessel III; and \$7,807 of equity.

On December 29, 2014, Freedom Marine reached a settlement for and received \$5,174, net of third party obligations, related to the contingent earn-out from the sale of Gas Solutions in January 2012 which was retained by Freedom Marine. This is a final settlement and no further payments are expected from the sale. (See "Energy Solutions Holdings Inc." above for more information related to the sale of Gas Solutions.)

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

Year Ended June 30, 2013 \$637
 Year Ended June 30, 2014 641
 Year Ended June 30, 2015 639

The following interest income recognized had not yet been paid by Vessel to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$2
 June 30, 2015 2

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 1,023
 Year Ended June 30, 2015 1,713

The following interest income recognized had not yet been paid by Vessel II to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$5
 June 30, 2015 5

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 1,213
 Year Ended June 30, 2015 2,109

The following interest income recognized had not yet been paid by Vessel III to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$6
 June 30, 2015 6

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 —
 Year Ended June 30, 2015 300

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$ —

June 30, 2015 75

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

Year Ended June 30, 2013 \$ 1

Year Ended June 30, 2014 38

Year Ended June 30, 2015 115

The following amounts were due from Freedom Marine to Prospect for reimbursement of expenses paid by Prospect on behalf of Freedom Marine and were included by Prospect within other receivables:

June 30, 2014 \$1

June 30, 2015 3

Gulf Coast Machine & Supply Company

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

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

During the year ended June 30, 2013, Gulf Coast repaid \$787 of the first lien term loan.

Between July 1, 2013 and November 8, 2013, Gulf Coast repaid \$263 of the first lien term loan, leaving a balance of \$40,950. On November 8, 2013, Gulf Coast issued \$25,950 of convertible preferred stock to Prospect (representing 99.9% of the voting securities of Gulf Coast) in exchange for crediting the same amount to the first lien term loan previously outstanding, leaving a first lien loan balance of \$15,000. Prior to this conversion, Prospect was just a lender to Gulf Coast and the investment was not a controlled investment. On November 29, 2013 and December 16, 2013, Prospect provided an additional \$1,000 and \$1,500, respectively, to fund working capital needs, increasing the first lien loan balance to \$17,500.

During the year ended June 30, 2015, Prospect made an additional \$8,500 investment in the first lien term loan to Gulf Coast to fund capital improvements to key forging equipment and other liquidity needs.

The following interest payments were accrued and paid from Gulf Coast to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 1,449

Year Ended June 30, 2015 1,370

The following interest income recognized had not yet been paid by Gulf Coast to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$6

June 30, 2015 —

The following amounts were due from Gulf Coast to Prospect for reimbursement of expenses paid by Prospect on behalf of Gulf Coast and were included by Prospect within other receivables:

June 30, 2014 \$342

June 30, 2015 1

Harbortouch Payments, LLC

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

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

On April 1, 2014, Prospect made a new \$137,226 senior secured term loan to Harbortouch. Harbortouch then distributed this amount to Harbortouch Delaware as a return of capital which was used to pay down the \$123,000 senior secured note from Harbortouch Delaware to Prospect. The remaining \$14,226 was distributed to Prospect as a return of capital of Prospect’s equity investment in Harbortouch Delaware.

On July 1, 2014, Prospect began consolidating Harbortouch Delaware. As a result, any transactions between Harbortouch Delaware and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On September 30, 2014, Prospect made a new \$26,431 senior secured term loan to Harbortouch to support an acquisition. As part of the transaction, Prospect received \$529 of structuring fees (which was recognized by Prospect as structuring fee income) and \$50 of amendment fees (which was recognized by Prospect as amendment fee income).

On December 19, 2014, Prospect made an additional \$1,291 equity investment in Harbortouch Class C voting units. This amount was deferred consideration stipulated in the original agreement.

In addition to the repayments noted above, the following amounts were paid from Harbortouch to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 5,371

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 55

The following interest payments were accrued and paid from Harbortouch Delaware to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 55

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 6,824
 Year Ended June 30, 2015 29,834

Included above, the following payment-in-kind interest from Harbortouch was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 —
 Year Ended June 30, 2015 7,652

The following interest income recognized had not yet been paid by Harbortouch to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$1,962
 June 30, 2015 2,077

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 125
 Year Ended June 30, 2015 500

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$125
 June 30, 2015 125

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 1,761
 Year Ended June 30, 2015 46

Manx Energy, Inc.

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

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

On June 30, 2012, AEH and Coalbed loans held by Manx with a cost basis of \$7,991 were removed from Manx and contributed by Prospect to Wolf Energy Holdings Inc., a separate holding company wholly owned by Prospect. During the three months ended June 30, 2013, Prospect determined that the impairment of Manx was other-than-temporary and recorded a realized loss of \$9,397 for the amount that the amortized cost exceeded the fair value, reducing the amortized cost to \$500. During the year ended June 30, 2014, Manx repaid \$450 of the senior secured note. During the three months ended December 31, 2014, Manx was dissolved and Prospect recorded a realized loss of \$50, reducing the amortized cost to zero.

MITY, Inc.

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

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

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

On June 23, 2014, Prospect made a new \$15,769 debt investment in MITY and MITY distributed proceeds to MITY Delaware as a return of capital. MITY Delaware used this distribution to pay down the senior secured debt of MITY Delaware to Prospect by the same amount. The remaining amount of the senior secured debt due from MITY Delaware to Prospect, \$7,200, was then contributed to the capital of MITY Delaware. On June 23, 2014, Prospect also extended a new \$7,500 senior secured revolving facility to MITY, which was unfunded at closing.

On July 1, 2014, Prospect began consolidating MITY Delaware. As a result, any transactions between MITY Delaware and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

During the year ended June 30, 2015, Prospect funded \$2,500 of MITY’s senior secured revolving facility, which MITY fully repaid during that time.

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 884
 Year Ended June 30, 2015 —

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 861
 Year Ended June 30, 2015 —

All dividends were paid from earnings and profits of MITY.

The following interest payments were accrued and paid from MITY Delaware to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 3,177

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from MITY Delaware was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 177

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 1,516

Year Ended June 30, 2015 5,146

Included above, the following payment-in-kind interest from MITY was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 532

The following interest income recognized had not yet been paid by MITY to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$14

June 30, 2015 14

The following interest payments were accrued and paid from Broda Canada to MITY Delaware and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 637

During the year ended June 30, 2015, there was an unfavorable fluctuation in the foreign currency exchange rate and MITY Delaware recognized \$5 of realized loss related to its investment in Broda Canada.

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 225

Year Ended June 30, 2015 310

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$75

June 30, 2015 75

The following managerial assistance recognized had not yet been paid by MITY to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2014 \$10

June 30, 2015 —

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 495

Year Ended June 30, 2015 121

The following amounts were due to MITY from Prospect for reimbursement of expenses paid by MITY on behalf of Prospect and were included within other liabilities:

June 30, 2014 \$5

June 30, 2015 1

National Property REIT Corp.

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

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

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

On December 31, 2013, Prospect made a \$10,620 investment in NPH, of which \$8,800 was a Senior Term Loan and \$1,820 was used to purchase additional membership interests of NPH. The proceeds were utilized by NPH to purchase additional NPRC common equity for \$10,620. The proceeds were utilized by NPRC to purchase a 93.0% ownership interest in APH Carroll Bartram Park, LLC for \$10,288 and to pay \$113 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$219 retained by NPRC for working capital. The JV was purchased for \$38,000 which included debt financing and minority interest of \$28,500 and \$774, respectively. The remaining proceeds were used to pay \$206 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,038 of third party expenses, \$5 of legal services provided by attorneys at Prospect Administration, and \$304 of prepaid assets, with \$9 retained by the JV for working capital.

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

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

Effective April 1, 2014, Prospect made a new \$104,460 senior term loan to NPRC. NPRC then distributed this amount to NPH as a return of capital which was used to pay down the Senior Term Loan from NPH by the same amount.

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

On July 1, 2014, Prospect began consolidating NPH. As a result, any transactions between NPH and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On October 23, 2014, UPRC transferred its investment in Michigan Storage, LLC to NPRC. As a result, Prospect's investments in UPRC related to these properties also transferred to NPRC. The investments transferred consisted of \$1,281 of equity and \$9,444 of debt. There was no gain or loss realized on the transaction.

On November 26, 2014, APRC transferred its investment in APH Carroll Resort, LLC to NPRC and the investment was renamed NPRC Carroll Resort, LLC. As a result, Prospect's investments in APRC related to this property also transferred to NPRC. The investments transferred consisted of \$10,237 of equity and \$65,586 of debt. There was no gain or loss realized on the transaction.

On January 16, 2015, Prospect made a \$13,871 investment in NPRC, of which \$11,810 was a Senior Term Loan directly to NPRC and \$2,061 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in Michigan Storage, LLC (which was originally purchased by UPRC and transferred to NPRC, as discussed below) for \$13,854, with \$17 retained by NPRC for working capital. The minority interest holder also invested an additional \$2,445 in the JV. With additional debt financing of \$12,602, the total proceeds were used by the JV to purchase five additional properties for \$26,405. The remaining proceeds were used to pay \$276 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$1,762 of third party expenses, \$65 in pre-funded capital expenditures, and \$393 of prepaid assets.

On March 17, 2015, Prospect entered into a new credit agreement with ACL Loan Holdings, Inc. ("ACLLH"), a wholly-owned subsidiary of NPRC, to form two new tranches of senior secured term loans, Term Loan A and Term Loan B, with the same terms as the existing NPRC Term Loan A and Term Loan B due to Prospect. The agreement was effective as of June 30, 2014. On June 30, 2014, ACLLH made a non-cash return of capital distribution of \$22,390 to NPRC and NPRC transferred and assigned to ACLLH a senior secured Term Loan A due to Prospect.

On May 1, 2015, APRC transferred its investment in 5100 Live Oaks Blvd, LLC to NPRC. As a result, Prospect's investments in APRC related to this property also transferred to NPRC. The investments transferred consisted of \$2,748 of equity and \$29,990 of debt. There was no gain or loss realized on the transaction.

On May 6, 2015, Prospect made a \$252 investment in NPRC, of which \$236 was a Senior Term Loan and \$16 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in 5100 Live Oaks Blvd, LLC for \$252. The minority interest holder also invested an additional \$6 in the JV. The proceeds were used by the JV to fund \$258 of capital expenditures.

On June 2, 2015, Prospect amended the credit agreement with NPRC to form two new tranches of senior secured term loans, Term Loan C and Term Loan D, with the same terms as the existing ACLLH Term Loan A and Term Loan B due to Prospect. The amendment was effective as of April 1, 2015.

During the year ended June 30, 2015, Prospect made thirty-six follow-on investments in NPRC totaling \$224,200 to support the online consumer lending initiative. Prospect invested \$52,350 of equity through NPH and \$171,850 of

debt directly to NPRC and its wholly-owned subsidiaries. In addition, during the year ended June 30, 2015, Prospect received partial repayments of \$32,883 of the loans previously outstanding and \$5,577 as a return of capital on the equity investment in NPRC.

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The following dividends were declared and paid from NPRC to NPH (partially via a wholly-owned subsidiary of NPH) and recognized as dividend income by NPH:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 2,696

Year Ended June 30, 2015 —

All dividends were paid from earnings and profits of NPRC.

The following interest payments were accrued and paid by NPH to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 2,838

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from NPH was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 432

Year Ended June 30, 2015 N/A

The following interest payments were accrued and paid by NPRC to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 3,135

Year Ended June 30, 2015 23,869

Included above, the following payment-in-kind interest from NPRC was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 18

Year Ended June 30, 2015 3,056

The following interest income recognized had not yet been paid by NPRC to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$ —

June 30, 2015 116

The following interest payments were accrued and paid by ACLLH to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 6,742

Included above, the following payment-in-kind interest from ACLLH was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 816

The following interest income recognized had not yet been paid by ACLLH to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$ —

June 30, 2015 23

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 567

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 1,683

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 255

Year Ended June 30, 2015 510

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$128

June 30, 2015 128

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 207

Year Ended June 30, 2015 1,164

The following amounts were due from NPRC to Prospect for reimbursement of expenses paid by Prospect on behalf of NPRC and included by Prospect within other receivables:

June 30, 2014 \$13

June 30, 2015 108

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Nationwide Acceptance LLC

Prospect owns 100% of the membership interests of Nationwide Acceptance Holdings LLC (“Nationwide Holdings”), a Consolidated Holding Company. Nationwide Holdings owns 93.79% of the equity of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC) (“Nationwide”), with members of Nationwide management owning the remaining 6.21% of the equity.

On January 31, 2013, Prospect initially made a \$25,151 investment in Nationwide Holdings, of which \$21,308 was a Senior Secured Revolving Credit Facility and \$3,843 was in the form of membership interests in Nationwide Holdings. \$21,885 of the proceeds were utilized to purchase 93.79% of the membership interests in Nationwide. Proceeds were also used to pay \$753 of structuring fees from Nationwide Holdings to Prospect (which was recognized by Prospect as structuring fee income), \$350 of third party expenses and \$163 of legal services provided by attorneys at Prospect Administration. The remaining \$2,000 was retained by Nationwide Holdings as working capital. In December 2013, Prospect received \$1,500 of structuring fees from Nationwide Holdings related to the amendment of the loan agreement. On March 28, 2014, Prospect funded an additional \$4,000 to Nationwide Holdings (\$3,400 through the Senior Secured Revolving Credit Facility and \$600 to purchase additional membership interests in Nationwide Holdings). The additional funding along with cash on hand was utilized by Nationwide Holdings to fund a \$5,000 dividend to Prospect.

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

On July 1, 2014, Prospect began consolidating Nationwide Holdings. As a result, any transactions between Nationwide Holdings and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On June 1, 2015, Nationwide completed a corporate reorganization. As part of the reorganization, Nationwide Acceptance LLC was renamed Nationwide Loan Company LLC (continues as “Nationwide”) and formed two new wholly-owned subsidiaries: Pelican Loan Company LLC (“Pelican”) and Nationwide Consumer Loans LLC. Nationwide assigned 100% of the equity interests in its other subsidiaries to Pelican which, in turn, assigned these interests to Nationwide Acceptance LLC (“New Nationwide”), the new operating company wholly-owned by Pelican. New Nationwide also assumed the existing senior subordinated term loan due to Prospect.

During the year ended June 30, 2015, Prospect made additional equity investments totaling \$2,814 in Nationwide. Nationwide management invested an additional \$186 of equity in Nationwide, and Prospect’s ownership in Nationwide did not change.

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

Year Ended June 30, 2013	\$2,615
Year Ended June 30, 2014	7,074
Year Ended June 30, 2015	4,425

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

Year Ended June 30, 2013	\$ —
Year Ended June 30, 2014	5,000
Year Ended June 30, 2015	N/A

All dividends were paid from earnings and profits of Nationwide and Nationwide Holdings.

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

Year Ended June 30, 2013	\$ 1,788
Year Ended June 30, 2014	4,322
Year Ended June 30, 2015	N/A

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

Year Ended June 30, 2013 \$ —
 Year Ended June 30, 2014 107
 Year Ended June 30, 2015 3,005

The following interest income recognized had not yet been paid by Nationwide to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$8
 June 30, 2015 8

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

Year Ended June 30, 2013 \$131
 Year Ended June 30, 2014 354
 Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$167
 Year Ended June 30, 2014 400
 Year Ended June 30, 2015 400

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$100
 June 30, 2015 100

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

Year Ended June 30, 2013 \$163
 Year Ended June 30, 2014 234
 Year Ended June 30, 2015 4

The following amounts were due from Nationwide to Prospect for reimbursement of expenses paid by Prospect on behalf of Nationwide and were included by Prospect within other receivables:

June 30, 2014 \$2
 June 30, 2015 —

The following amounts were due to Nationwide from Prospect for reimbursement of expenses paid by Nationwide on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2014 \$ —
 June 30, 2015 12

NMMB, Inc.

Prospect owns 100% of the equity of NMMB Holdings, Inc. (“NMMB Holdings”), a Consolidated Holding Company. NMMB Holdings owns 96.33% of the fully-diluted equity of NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) (“NMMB”), with NMMB management owning the remaining 3.67% of the equity. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”). Refuel Agency owns 100% of Armed Forces Communications, Inc. (“Armed Forces”). NMMB is an advertising media buying business.

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

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

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

On June 12, 2014, Prospect made a new \$7,000 senior secured term loan to Armed Forces. Armed Forces distributed this amount to Refuel Agency as a return of capital. Refuel Agency distributed this amount to NMMB as a return of capital, which was used to pay down \$7,000 of NMMB's \$10,714 senior secured term loan to Prospect.

On July 1, 2014, Prospect began consolidating NMMB Holdings. As a result, any transactions between NMMB Holdings and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On October 1, 2014, Prospect made an additional \$383 equity investment in NMMB Series B Preferred Stock, increasing Prospect's ownership to 93.13%. During the year ended June 30, 2015, NMMB repurchased 460 shares of its common stock from a former NMMB executive, decreasing the number of shares outstanding and increasing Prospect's ownership to 96.33%.

The following interest payments were accrued and paid from NMMB Holdings to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013	\$426
Year Ended June 30, 2014	192
Year Ended June 30, 2015	N/A

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

Year Ended June 30, 2013	\$2,601
Year Ended June 30, 2014	1,826
Year Ended June 30, 2015	525

The following interest income recognized had not yet been paid by NMMB to Prospect and was included by Prospect within interest receivable:

June 30, 2014	\$ 1
June 30, 2015	133

The following interest payments were accrued and paid from Armed Forces to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013	\$ —
Year Ended June 30, 2014	33
Year Ended June 30, 2015	996

The following interest income recognized had not yet been paid by Armed Forces to Prospect and was included by Prospect within interest receivable:

June 30, 2014	\$ 3
June 30, 2015	250

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

Year Ended June 30, 2013 \$500

Year Ended June 30, 2014 100

Year Ended June 30, 2015 —

The following managerial assistance recognized had not yet been paid by NMMB to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2014 \$300

June 30, 2015 700

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

Year Ended June 30, 2013 \$12

Year Ended June 30, 2014 15

Year Ended June 30, 2015 —

The following amounts were due from NMMB to Prospect for reimbursement of expenses paid by Prospect on behalf of NMMB and were included by Prospect within other receivables:

June 30, 2014 \$1

June 30, 2015 2

R-V Industries, Inc.

As of July 1, 2011 and continuing through June 30, 2015, Prospect owns 88.27% of the fully-diluted equity of R-V Industries, Inc. (“R-V”), with R-V management owning the remaining 11.73% of the equity. As of June 30, 2011, Prospect’s equity investment cost basis was \$1,682 and \$5,087 for warrants and common stock, respectively.

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

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

In addition to the repayments noted above, the following amounts were paid from R-V to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 2,339

Year Ended June 30, 2015 1,175

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

Year Ended June 30, 2013 \$24,462

Year Ended June 30, 2014 1,100

Year Ended June 30, 2015 298

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

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

Year Ended June 30, 2013 \$781

Year Ended June 30, 2014 3,188

Year Ended June 30, 2015 3,018

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

Year Ended June 30, 2013 \$180

Year Ended June 30, 2014 180

Year Ended June 30, 2015 180

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$45

June 30, 2015 45

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

Year Ended June 30, 2013 \$37

Year Ended June 30, 2014 —

Year Ended June 30, 2015 13

The following amounts were due to R-V from Prospect for reimbursement of expenses paid by R-V on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2014 \$2

June 30, 2015 2

United Property REIT Corp.

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

UPRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. UPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties. UPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity (the “JV”).

On December 31, 2013, APRC distributed its majority interests in five JVs holding real estate assets to APH. APH then distributed these JV interests to Prospect in a transaction characterized as a return of capital. Prospect, on the same day, contributed certain of these JV interests to NPH and the remainder to UPH (each wholly-owned subsidiaries of Prospect). Each of NPH and UPH immediately thereafter contributed these JV interests to NPH and UPRC, respectively. The total investments in the JVs transferred to UPH and from UPH to UPRC consisted of \$18,855 and \$3,707 of debt and equity financing, respectively. There was no material gain or loss realized on these transactions.

Effective April 1, 2014, Prospect made a new \$19,027 senior term loan to UPRC. UPRC then distributed this amount to UPH as a return of capital which was used to pay down the Senior Term Loan from UPH by the same amount.

On June 4, 2014, Prospect made a \$1,405 investment in UPH to purchase additional membership interests of UPH, which was revised to \$1,420 on July 1, 2014. The proceeds were utilized by UPH to purchase additional UPRC common equity for \$1,420. The proceeds were utilized by UPRC to acquire the real property located at 1201 West College, Marshall, MO (“Taco Bell, MO”) for \$1,405 and pay \$15 of third party expenses.

On July 1, 2014, Prospect began consolidating UPH. As a result, any transactions between UPH and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

On August 19, 2014 and August 27, 2014, Prospect made a combined \$11,046 investment in UPRC, of which \$9,389 was a Senior Term Loan directly to UPRC and \$1,657 was used to purchase additional common equity of UPRC through UPH. On October 1, 2015, UPRC distributed \$376 to Prospect as a return of capital. The net proceeds were utilized by UPRC to purchase an 85.0% ownership interest in Michigan Storage, LLC for \$10,579, with \$42 retained by UPRC for working capital and \$49 restricted for future property acquisitions. The JV was purchased for \$38,275 which included debt financing and minority interest of \$28,705 and \$1,867, respectively. The remaining proceeds were used to pay \$210 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,589 of third party expenses, and \$77 for legal services provided by attorneys at Prospect Administration. The investment was subsequently contributed to NPRC.

On September 29, 2014, Prospect made a \$22,618 investment in UPRC, of which \$19,225 was a Senior Term Loan and \$3,393 was used to purchase additional common equity of UPRC through UPH. The proceeds were utilized by UPRC to purchase a 92.5% ownership interest in Canterbury Green Apartments Holdings, LLC for \$22,036, with \$582 retained by UPRC for working capital. The JV was purchased for \$85,500 which included debt financing and minority interest of \$65,825 and \$1,787, respectively. The remaining proceeds were used to pay \$432 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$2,135 of third party expenses, \$82 for legal services provided by attorneys at Prospect Administration, and \$1,249 of prepaid assets, with \$250 retained by the JV for working capital.

On September 30, 2014 and October 29, 2014, Prospect made a combined \$22,688 investment in UPRC, of which \$19,290 was a Senior Term Loan and \$3,398 was used to purchase additional common equity of UPRC through UPH. The proceeds were utilized by UPRC to purchase a 66.2% ownership interest in Columbus OH Apartment Holdco, LLC for \$21,992 and to pay \$241 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), with \$455 retained by UPRC for working capital. The JV was purchased for \$114,377 which included debt financing and minority interest of \$97,902 and \$11,250, respectively. The remaining proceeds were used to pay \$440 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), \$7,711 of third party expenses, \$180 for legal services provided by attorneys at Prospect Administration, \$6,778 in pre-funded capital expenditures, and \$1,658 of prepaid assets.

On October 23, 2014, UPRC transferred its investment in Michigan Storage, LLC to NPRC. As a result, Prospect’s investments in UPRC related to these properties also transferred to NPRC. The investments transferred consisted of \$1,281 of equity and \$9,444 of debt. There was no gain or loss realized on the transaction.

On November 12, 2014, Prospect made a \$669 investment in UPRC, of which \$569 was a Senior Term Loan and \$100 was used to purchase additional common equity of UPRC through UPH. The proceeds were utilized by UPRC to purchase additional ownership interest in South Atlanta Portfolio Holding Company, LLC for \$667, with \$2 retained by UPRC for working capital. The minority interest holder also invested an additional \$53 in the JV. The proceeds were used by the JV to fund \$707 of capital expenditures and pay \$13 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income).

On April 27, 2015, Prospect made a \$733 investment in UPRC, of which \$623 was a Senior Term Loan and \$110 was used to purchase additional common equity of UPRC through UPH. The proceeds were utilized by UPRC to purchase additional ownership interest in South Atlanta Portfolio Holding Company, LLC for \$731 and pay \$2 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional \$59 in the JV. The proceeds were used by the JV to fund \$775 of capital expenditures and pay \$15 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income).

On May 19, 2015, Prospect made a \$4,730 investment in UPRC, of which \$3,926 was a Senior Term Loan and \$804 was used to purchase additional common equity of UPRC through UPH. The proceeds were utilized by UPRC to purchase additional ownership interest in Columbus OH Apartment Holdco, LLC for \$4,658, with \$72 retained by

UPRC for working capital. The proceeds were used by the JV to fund \$4,565 of capital expenditures and pay \$93 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income).

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The following dividends were declared and paid from UPRC to UPH and recognized as dividend income by UPH:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 510

Year Ended June 30, 2015 —

All dividends were paid from earnings and profits of UPRC.

The following interest payments were accrued and paid by UPH to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 548

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from UPH was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 173

Year Ended June 30, 2015 N/A

The following interest payments were accrued and paid by UPRC to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 553

Year Ended June 30, 2015 5,893

Included above, the following payment-in-kind interest from UPRC was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 162

The following interest income recognized had not yet been paid by UPRC to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$6

June 30, 2015 20

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 156

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 —

Year Ended June 30, 2015 901

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 100

Year Ended June 30, 2015 200

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$50

June 30, 2015 50

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

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 85

Year Ended June 30, 2015 262

The following amounts were due from UPRC to Prospect for reimbursement of expenses paid by Prospect on behalf of UPRC and were included by Prospect within other receivables:

June 30, 2014 \$32

June 30, 2015 15

Valley Electric Company, Inc.

Prospect owns 100% of the common stock of Valley Electric Holdings I, Inc. (“Valley Holdings I”), a Consolidated Holding Company. Valley Holdings I owns 100% of Valley Electric Holdings II, Inc. (“Valley Holdings II”), a Consolidated Holding Company. Valley Holdings II owns 94.99% of Valley Electric Company, Inc. (“Valley Electric”), with Valley Electric management owning the remaining 5.01% of the equity. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. (“Valley”), a leading provider of specialty electrical services in the state of Washington and among the top 50 electrical contractors in the United States.

On December 31, 2012, Prospect initially invested \$52,098 (including 4,141,547 common shares of Prospect at a fair value of \$44,650) in exchange for \$32,572 was in the form of a senior secured note to Valley Holdings I, a \$10,000 senior secured note to Valley (discussed below) and \$9,526 to purchase the common stock of Valley Holdings I. The proceeds were partially utilized by Valley Holdings I to purchase 100% of Valley Holdings II common stock for \$40,528. The remaining proceeds at Valley Holdings I were used to pay \$977 of structuring fees from Valley Holdings I to Prospect (which were recognized by Prospect as structuring fee income), \$345 for legal services provided by attorneys at Prospect Administration and \$248 was retained by Valley Holdings I for working capital. The \$40,528 of proceeds received by Valley Holdings II were subsequently used to purchase 96.3% of Valley’s common stock. Valley management provided a \$1,500 co-investment in Valley.

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

On June 24, 2014, Valley Holdings II and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Valley management made an additional equity investment in Valley Electric, reducing our ownership to 94.99%. Prospect made a new \$20,471 senior secured loan to Valley Electric. Valley Electric then distributed this amount to Valley Holdings I, via Valley Holdings II, as a return of capital which was used to pay down the senior secured note of Valley Holdings I by the same amount. The remaining principal amount of the senior secured note, \$16,754, was then contributed to the capital of Valley Holdings I.

On July 1, 2014, Prospect began consolidating Valley Holdings I and Valley Holdings II. As a result, any transactions between Valley Holdings I, Valley Holdings II and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

In addition to the repayments noted above, the following amounts were paid from Valley to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2013 \$100

Year Ended June 30, 2014 200

Year Ended June 30, 2015 —

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

Year Ended June 30, 2013 \$1,867

Year Ended June 30, 2014 2,953

Year Ended June 30, 2015 —

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

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

Year Ended June 30, 2013 \$2,982

Year Ended June 30, 2014 6,323

Year Ended June 30, 2015 N/A

Included above, the following payment-in-kind interest from Valley Holdings I was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$1,491

Year Ended June 30, 2014 3,162

Year Ended June 30, 2015 N/A

The following interest payments were accrued and paid from Valley Electric to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 74

Year Ended June 30, 2015 3,905

Included above, the following payment-in-kind interest from Valley Electric was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$ —

Year Ended June 30, 2014 29

Year Ended June 30, 2015 1,794

The following interest income recognized had not yet been paid by Valley Electric to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$45

June 30, 2015 11

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

Year Ended June 30, 2013 \$530

Year Ended June 30, 2014 1,074

Year Ended June 30, 2015 1,086

Included above, the following payment-in-kind interest from Valley was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2013 \$126

Year Ended June 30, 2014 255

Year Ended June 30, 2015 259

The following interest income recognized had not yet been paid by Valley to Prospect and was included by Prospect within interest receivable:

June 30, 2014 \$3

June 30, 2015 3

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

Year Ended June 30, 2013 \$98

Year Ended June 30, 2014 148

Year Ended June 30, 2015 N/A

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

Year Ended June 30, 2013 \$150

Year Ended June 30, 2014 300

Year Ended June 30, 2015 300

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2014 \$75

June 30, 2015 75

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

Year Ended June 30, 2013 \$345

Year Ended June 30, 2014 91

Year Ended June 30, 2015 18

The following amounts were due to Valley Electric from Prospect for reimbursement of expenses paid by Valley Electric on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2014 \$6

June 30, 2015 —

Vets Securing America, Inc.

As of June 30, 2014, Prospect owned 100% of the equity of Vets Securing America, Inc. (“VSA”) and 100% of the equity of The Healing Staff, Inc. (“THS”), a former wholly-owned subsidiary of ESA Environmental Specialists, Inc. (“ESA”). During the year ended June 30, 2015, THS ceased operations and the VSA management team supervised both the continued operations of VSA and the wind-down of activities at THS. VSA provides out-sourced security guards staffing.

As of July 1, 2011, the cost basis of Prospect’s investment in THS and VSA, including debt and equity, was \$18,219. During the year ended June 30, 2012, Prospect made follow-on secured debt investments of \$1,033 to support the ongoing operations of THS and VSA. In October 2011, Prospect sold a building previously acquired from ESA for \$894. In January 2012, Prospect received \$2,250 of litigation settlement proceeds related to ESA. The proceeds from both of these transactions were used to reduce the outstanding loan balances due from THS and VSA by \$3,144. In June 2012, THS and VSA repaid \$118 and \$42, respectively, of loans previously outstanding.

In May 2012, in connection with the implementation of accounts receivable based funding programs for THS and VSA with a third party provider, Prospect agreed to subordinate its first priority security interest in all of the accounts receivable and other assets of THS and VSA to the third party provider of that accounts receivable based funding. During the year ended June 30, 2013, Prospect determined that the impairment of THS and VSA was other-than-temporary and recorded a realized loss of \$12,117, reducing the amortized cost to \$3,831. During the year ended June 30, 2014, Prospect received \$5,825 of legal cost reimbursement related to the ESA litigation settlement which had been expensed in prior years. The proceeds were recognized by Prospect as other income during the year ended June 30, 2014. During the year ended June 30, 2015, Prospect received \$685 related to the ESA litigation settlement which was recognized as realized gain.

On May 20, 2015, Prospect made a new \$100 secured promissory note to provide liquidity to VSA.

As of June 30, 2014, THS and VSA were joint borrowers on the secured promissory notes. On June 5, 2015, Prospect sold its equity investment in VSA and realized a net loss of \$975 on the sale. In connection with the sale, VSA was released as a borrower on the secured promissory notes, leaving THS as the sole borrower. During the year ended June 30, 2015, THS ceased operations and Prospect recorded a realized loss of \$2,956, reducing the amortized cost to zero. The following amounts were due from THS and VSA to Prospect for reimbursement of expenses paid by Prospect on behalf of THS and VSA and were included by Prospect within other receivables:

June 30, 2014 \$6

June 30, 2015 —

Wolf Energy, LLC

Prospect owns 100% of the equity of Wolf Energy Holdings Inc. (“Wolf Energy Holdings”), a Consolidated Holding Company. Wolf Energy Holdings owns 100% of each of Appalachian Energy LLC (f/k/a Appalachian Energy Holdings, LLC) (“AEH”); Coalbed, LLC (“Coalbed”); and Wolf Energy, LLC (“Wolf Energy”). AEH owns 100% of C&S Operating, LLC.

Wolf Energy Holdings is a holding company formed to hold 100% of the outstanding membership interests of each of AEH and Coalbed. The membership interests and associated operating company debt of AEH and Coalbed, which were previously owned by Manx Energy, Inc. (“Manx”), were assigned to Wolf Energy Holdings effective June 30, 2012. The purpose of assignment was to remove those activities from Manx deemed non-core by the Manx convertible debt investors who were not interested in funding those operations. On June 30, 2012, AEH and Coalbed loans with a cost basis of \$7,991 were assigned by Prospect to Wolf Energy Holdings from Manx.

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

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

third-party expenses.

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On February 27, 2013, Prospect made a \$50 senior secured debt investment senior secured to East Cumberland, L.L.C., a former wholly-owned subsidiary of AEH with AEH as guarantor. Proceeds were used to pay off vendors. On April 15, 2013, Prospect foreclosed on the assets of H&M Oil & Gas, LLC (“H&M”). At the time of foreclosure, H&M was in default on loans receivables due to Prospect with a cost basis of \$64,449. The assets previously held by H&M were assigned by Prospect to Wolf Energy in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan, accrued interest and net profits interest receivable due to us resulting in a realized capital gain of \$11,826 offsetting the previously recognized loss. Prospect received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

On July 1, 2014, Prospect began consolidating Wolf Energy Holdings. As a result, any transactions between Wolf Energy Holdings and Prospect are eliminated in consolidation and as such, transactions after July 1, 2014 are not presented below.

During the three months ended September 30, 2014, Prospect determined that the impairment of AEH was other-than-temporary and recorded a realized loss of \$2,050, reducing the amortized cost to zero. On November 21, 2014, Coalbed merged with and into Wolf Energy, with Wolf Energy as the surviving entity. During the three months ended December 31, 2014, Prospect determined that the impairment of the Coalbed debt assumed by Wolf Energy was other-than-temporary and recorded a realized loss of \$5,991, reducing the amortized cost to zero.

During the year ended June 30, 2015, Wolf Energy Holdings received a tax refund of \$173 related to its investment in C&J and Prospect realized a gain of the same amount.

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

Year Ended June 30, 2013 \$22

Year Ended June 30, 2014 101

Year Ended June 30, 2015 N/A

Note 15. Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any material litigation as of June 30, 2015.

Note 16. Financial Highlights

The following is a schedule of financial highlights for each of the five years in the period ended June 30, 2015:

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Per Share Data					
Net asset value at beginning of year	\$ 10.56	\$ 10.72	\$ 10.83	\$ 10.36	\$ 10.30
Net investment income(1)	1.03	1.19	1.57	1.63	1.10
Net realized losses (gains) on investments(1)	(0.51)	(0.01)	(0.13)	0.32	0.19
Net change in unrealized appreciation (depreciation) on investments(1)	0.47	(0.12)	(0.37)	(0.28)	0.09
Net realized losses on extinguishment of debt(1)	(0.01)	—	—	—	—
Dividends to shareholders	(1.19)	(1.32)	(1.28)	(1.22)	(1.21)
Common stock transactions(2)	(0.04)	0.10	0.10	0.02	(0.11)
Net asset value at end of year	\$ 10.31	\$ 10.56	\$ 10.72	\$ 10.83	\$ 10.36
Per share market value at end of year	\$ 7.37	\$ 10.63	\$ 10.80	\$ 11.39	\$ 10.11
Total return based on market value(3)	(20.84 %)	10.88 %	6.24 %	27.21 %	17.22 %
Total return based on net asset value(3)	11.47 %	10.97 %	10.91 %	18.03 %	12.54 %
Shares of common stock outstanding at end of year	359,090,759	342,626,637	247,836,965	139,633,870	107,606,690
Weighted average shares of common stock outstanding	353,648,522	300,283,941	207,069,971	114,394,554	85,978,757
Ratios/Supplemental Data					
Net assets at end of year	\$ 3,703,049	\$ 3,618,182	\$ 2,656,494	\$ 1,511,974	\$ 1,114,357
Portfolio turnover rate	25.32 %	15.21 %	29.24 %	29.06 %	27.63 %
Annualized ratio of operating expenses to average net assets	11.70 %	11.11 %	11.50 %	10.73 %	8.47 %
Annualized ratio of net investment income to average net assets	9.91 %	11.18 %	14.86 %	14.92 %	10.60 %

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

(2) Common stock transactions include the effect of our issuance of common stock in public offerings (net of underwriting and offering costs), shares issued in connection with our dividend reinvestment plan and shares issued to acquire investments.

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

Note 17. Selected Quarterly Financial Data (Unaudited)

The following table sets forth selected financial data for each quarter within the three years ended June 30, 2015.

Quarter Ended	Investment Income		Net Investment Income		Net Realized and Unrealized Gains (Losses)		Net Increase in Net Assets from Operations	
	Total	Per Share(1)	Total	Per Share(1)	Total	Per Share(1)	Total	Per Share(1)
September 30, 2012	\$ 123,636	\$ 0.76	\$ 74,027	\$ 0.46	\$ (26,778)	\$ (0.17)	\$ 47,249	\$ 0.29
December 31, 2012	166,035	0.85	99,216	0.51	(52,727)	(0.27)	46,489	0.24
March 31, 2013	120,195	0.53	59,585	0.26	(15,156)	(0.07)	44,429	0.20
June 30, 2013	166,470	0.68	92,096	0.38	(9,407)	(0.04)	82,689	0.34
September 30, 2013	161,034	0.62	82,337	0.32	(2,437)	(0.01)	79,900	0.31
December 31, 2013	178,090	0.62	92,215	0.32	(6,853)	(0.02)	85,362	0.30
March 31, 2014	190,327	0.60	98,523	0.31	(16,422)	(0.05)	82,101	0.26
June 30, 2014	182,840	0.54	84,148	0.25	(12,491)	(0.04)	71,657	0.21
September 30, 2014	202,021	0.59	94,463	0.28	(10,355)	(0.04)	84,108	0.24
December 31, 2014	198,883	0.56	91,325	0.26	(5,355)	(0.02)	85,970	0.24
March 31, 2015	191,350	0.53	87,441	0.24	(5,949)	(0.01)	81,492	0.23
June 30, 2015	198,830	0.55	89,518	0.25	5,251	0.01	94,769	0.26

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

Note 18. Subsequent Events

On July 1, 2015, we provided \$31,000 of first lien senior secured financing, of which \$30,200 was funded at closing, to Intelius, Inc. ("Intelius"), an online information commerce company.

On July 8, 2015, we sold 27.45% of the outstanding principal balance of the senior secured Term Loan A investment in InterDent, Inc. for \$34,415. There was no gain or loss realized on the sale.

On July 23, 2015, we made an investment of \$37,969 to purchase 80.73% of the subordinated notes in Halcyon Loan Advisors Funding 2015-3 Ltd. in a co-investment transaction with Priority Income Fund, Inc., a closed-end fund managed by an affiliate of Prospect Capital Management.

On July 23, 2015, we issued 193,892 shares of our common stock in connection with the dividend reinvestment plan.

On July 24, 2015, TB Corp. repaid the \$23,628 loan receivable to us.

On August 6, 2015, we provided \$92,500 of first lien senior secured debt to support the refinancing of Crosman Corporation. Concurrent with the refinancing, we received repayment of the \$40,000 second lien term loan previously outstanding.

On August 7, 2015, Ryan, LLC repaid the \$72,701 loan receivable to us.

On August 11, 2015, we made a \$13,500 follow-on first lien senior secured debt investment in Intelius, of which \$13,000 was funded at closing, to support an acquisition.

On August 12, 2015, we made an investment of \$22,898 to purchase 50.04% of the subordinated notes in Octagon Investment Partners XVIII, Ltd.

On August 12, 2015, we sold 780 of our small business whole loans purchased from OnDeck to Jefferies Asset Funding LLC for proceeds of \$26,562, net of related transaction expenses, and a trust certificate representing a 41.54% interest in the MarketPlace Loan Trust, Series 2015-OD2.

On August 14, 2015, we announced the then current conversion rate on the 2018 Notes as 84.1497 shares of common stock per \$1 principal amount of the 2018 Notes converted, which is equivalent to a conversion price of approximately \$11.88.

On August 20, 2015, we issued 152,896 shares of our common stock in connection with the dividend reinvestment plan.

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On August 21, 2015, we committed to funding a \$16,000 second lien secured investment in a provider of customer care outsourcing services.

During the period from July 1, 2015 through August 26, 2015, we made seven follow-on investments in NPRC totaling \$52,852 to support the online consumer lending initiative. We invested \$12,508 of equity through NPH and \$40,344 of debt directly to ACL Loan Holdings, Inc., a wholly-owned subsidiary of NPRC.

During the period from July 1, 2015 through August 26, 2015, our wholly-owned subsidiary PSBL purchased \$14,101 of small business whole loans from OnDeck.

During the period from July 1, 2015 through August 26, 2015, we issued \$32,362 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$31,870. In addition, we sold \$1,425 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$1,405 with expected closing on August 27, 2015.

During the period from July 28, 2015 through August 14, 2015 (with settlement dates of July 31, 2015 to August 19, 2015), we repurchased 4,158,750 shares of our common stock at an average price of \$7.22 per share, including commissions.

On August 24, 2015, we announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.08333 per share for September 2015 to holders of record on September 30, 2015 with a payment date of October 22, 2015; and

\$0.08333 per share for October 2015 to holders of record on October 30, 2015 with a payment date of November 19, 2015.

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First Tower Finance Company LLC
and Subsidiaries
(formerly First Tower Holdings LLC)
Consolidated Financial Statements
December 31, 2014 and 2013

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Independent Auditor's Report

To the Board of Members
First Tower Finance Company LLC and Subsidiaries
Flowood, Mississippi

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Tower Finance Company LLC and Subsidiaries (the "Company") which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income and comprehensive income, changes in members' equity (deficit), and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Raleigh, North Carolina
March 31, 2015

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Consolidated Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 10,906,825	\$ 5,821,481
Investment in trading securities	1,594,391	1,473,768
Investment securities available for sale	51,942,251	49,536,651
Finance receivables, net	431,395,397	421,309,663
Prepaid reinsurance premiums	24,645	392,662
Reinsurance receivable and recoverable	1,239,614	1,687,537
Other receivables	601,794	686,865
Real estate acquired by foreclosure	834,832	797,935
Property and equipment, net	11,839,506	8,563,664
Deferred policy acquisition costs	976,967	874,979
Intangible assets, net	20,769,578	23,384,176
Goodwill	108,941,160	122,558,807
Debt issue costs, net	1,037,384	3,068,778
Other assets	503,727	543,920
Total assets	\$ 642,608,071	\$ 640,700,886
Liabilities and Members' Equity (Deficit)		
Liabilities:		
Notes payable	\$ 291,497,668	\$ 276,900,091
Subordinated notes payable to members	313,844,000	—
Unearned premiums	40,585,670	38,531,397
Policy claim reserves	2,386,867	2,524,084
Accounts payable and accrued expenses	6,708,800	5,644,448
Other liabilities	1,518,504	1,383,523
Deferred tax liabilities, net	3,831,412	3,003,771
Total liabilities	660,372,921	327,987,314
Commitments and contingencies		
Members' Equity (Deficit):		
Class A members	(18,221,959)	312,771,733
Class B members	(50,402)	138,051
Class C members	—	—
Class D members	177,298	107,542
Accumulated other comprehensive income (loss), net of income tax effect of \$196,000 and (\$181,000) as of December 31, 2014 and 2013, respectively	330,213	(303,754)
Total members' equity (deficit)	(17,764,850)	312,713,572
Total liabilities and members' equity (deficit)	\$ 642,608,071	\$ 640,700,886

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Interest and fee income from finance receivables	\$ 162,821,460	\$ 162,687,677
Insurance premiums	31,137,142	23,613,523
Net investment income	836,748	770,771
Net realized investment gains (losses)	(53,942) 110,837
Other income	11,615,562	9,982,617
Total revenues	206,356,970	197,165,425
Expenses:		
Interest expense	44,205,889	11,758,168
Policyholders' benefits	5,184,863	5,105,706
Salaries and fringe benefits	36,514,752	33,260,014
Provision for credit losses	56,186,665	59,937,057
Other operating expenses	46,900,257	43,706,625
Total expenses	188,992,426	153,767,570
Income before income taxes	17,364,544	43,397,855
Provision for income taxes	432,948	1,527,828
Net income	16,931,596	41,870,027
Other comprehensive income (loss), net of income tax effects of approximately \$377,000 as of December 31, 2014 and (\$383,000) as of December 31, 2013		
Unrealized holding gains (losses) on securities	601,967	(650,223)
Reclassification adjustments for amounts included in net income	32,000	19,537
Other comprehensive income (loss)	633,967	(630,686)
Comprehensive income	\$ 17,565,563	\$ 41,239,341

See notes to consolidated financial statements.

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Consolidated Statements of Changes in Members' Equity (Deficit)
Years Ended December 31, 2014 and 2013

	Class A Members Equity (Deficit)	Class B Members Equity (Deficit)	Class C Members Equity	Class D Members Equity	Accumulated Over Comprehensive Income (Loss)	Total
Balance, January 1, 2013	\$ 333,687,368	\$ 149,960	\$ —	\$ -37,786	\$ 326,932	\$ 334,202,046
Member compensation vested	—	—	—	69,756	—	69,756
Net income	41,846,202	23,825	—	—	—	41,870,027
Distributions paid	(62,761,837)	(35,734)	—	—	—	(62,797,571)
Change in net unrealized gain (loss) on investment securities available for sale	—	—	—	—	(630,686)	(630,686)
Balance, January 1, 2014	312,771,733	138,051	—	107,542	(303,754)	312,713,572
Member compensation vested	—	—	—	69,756	—	69,756
Net income	16,921,961	9,635	—	—	—	16,931,596
Distributions paid	(34,250,240)	(19,501)	—	—	—	(34,269,741)
Subordinated debt financed distributions	(313,665,413)	(178,587)	—	—	—	(313,844,000)
Change in net unrealized gain (loss) on investment securities available for sale	—	—	—	—	633,967	633,967
Balance, December 31, 2014	\$(18,221,959)	\$(50,402)	\$ —	-\$177,298	\$ 330,213	\$(17,764,850)

See notes to consolidated financial statements.

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Net income	\$ 16,931,596	\$ 41,870,027
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,764,275	20,208,165
Amortization of discount on securities, net	1,191,607	1,206,979
Loss on sales of investments - net	51,822	31,639
(Gain) loss on trading securities	2,120	(142,476)
(Gain) loss on sales of assets	(49,744)	52,104
Loss from sales and impairments of real estate	261,360	237,494
Deferred income tax provision	450,495	1,527,828
Provision for credit losses	56,186,665	59,937,057
Compensation expense	69,756	69,756
Net loan costs deferred	(968,792)	(1,853,270)
PIK Rate interest added to principal	1,113,196	—
Purchase of trading securities	(123,603)	(1,500,907)
Proceeds from sales of trading securities	860	1,298,643
Changes in operating assets and liabilities:		
Reinsurance recoverables	815,940	1,680,368
Receivables	85,071	(111,352)
Other assets	40,193	(149,946)
Deferred policy acquisition cost	(101,988)	(874,979)
Policy claim reserves	(137,217)	(47,454)
Accounts payable and accrued expenses	1,064,352	499,466
Unearned premiums	2,054,273	6,764,783
Other liabilities	134,981	11,937
Net cash provided by operating activities	\$ 99,837,218	\$ 130,715,862
(Continued)		

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Investing Activities		
Loans originated	\$(586,037,272)	\$(556,300,281)
Loans repaid or sold	519,686,122	477,608,635
Proceeds from sales of investment in real estate	749,286	442,415
Proceeds from calls or maturities of investment securities	5,113,523	5,026,869
Proceeds from sales of investment securities	7,480,249	5,793,902
Purchases of investment securities	(15,231,688)	(16,434,774)
Proceeds from sales of property and equipment	129,829	79,180
Purchase of property and equipment	(5,856,563)	(3,796,359)
Net cash used in investing activities	(73,966,514)	(87,580,413)
Cash Flows From Financing Activities		
Net changes in short-term borrowings	14,597,577	19,804,437
Principal payments on subordinated notes payable	(1,113,196)	—
Debt issue cost paid	—	(300,000)
Distributions paid	(34,269,741)	(62,797,571)
Net cash used in financing activities	(20,785,360)	(43,293,134)
Increase (decrease) in cash and cash equivalents	5,085,344	(157,685)
Cash and cash equivalents		
Beginning of period	5,821,481	5,979,166
End of period	\$10,906,825	\$5,821,481
Supplemental Disclosures of Cash Flow Information		
Real estate acquired in satisfaction of finance receivables	\$1,048,000	\$790,000
Return of capital distributed as subordinated notes payable to members	\$313,844,000	\$—
Cash payments for interest on notes payable	\$9,972,000	\$13,003,000
Cash payments for interest, including paid-in-kind interest, on subordinated notes payable to members	\$32,203,000	\$—

See notes to consolidated financial statements.

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: First Tower Finance Company LLC (formerly First Tower Holdings LLC) is a Mississippi limited liability company and is engaged in consumer lending and related insurance activities through its wholly-owned subsidiaries, First Tower, LLC, Tower Loan of Mississippi, LLC, Tower Loan of Illinois, LLC, First Tower Loan, LLC, Gulfco of Mississippi, LLC, Gulfco of Alabama, LLC, Gulfco of Louisiana, LLC, Tower Loan of Missouri, LLC, and Tower Auto Loan, LLC. Tower Loan of Mississippi, LLC is the sole member of American Federated Holding Company, which has two wholly-owned subsidiaries, American Federated Insurance Company (AFIC), and American Federated Life Insurance Company (AFLIC). These entities are collectively referred to as “the Company”. The Company acquires and services finance receivables (direct loans, real estate loans and sales finance contracts) through branch offices principally located in Mississippi, Louisiana, Alabama, Illinois and Missouri. In addition, the Company writes credit insurance when requested by its loan customers.

Government regulation: The Company is subject to various state and federal laws and regulations in each of the states in which it operates that are enforced by the respective state regulatory authorities. These state laws and regulations impact the economic terms of the Company’s products. In addition, these laws regulate collection procedures, the keeping of books and records and other aspects of the operation of consumer finance companies. As a result, the terms of products offered by the Company vary among the states in which it operates in order to comply with each state’s specific laws and regulations.

Each of the Company’s branch offices is separately licensed under the laws of the state in which the office is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations.

The Company is also subject to state regulations governing insurance agents in the states in which it sells credit insurance. State insurance regulations require that insurance agents be licensed; govern the commissions that may be paid to agents in connection with the sale of credit insurance and limit the premium amount charged for such insurance.

A summary of the Company’s significant accounting policies follows:

Principles of consolidation: In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic (“ASC”) 810, Consolidation, a company’s consolidated financial statements are required to include subsidiaries in which the company has a controlling financial interest. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The Company’s consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing its financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenues and expenses for the years ended December 31, 2014 and 2013. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to change include the determination of the allowance for credit losses, policy claim reserves, impairment of goodwill, deferred tax assets and liabilities and the valuation of investments.

Investment in Trading Securities: The Company has an investment in a large capitalization equity mutual fund which is classified as a trading security. Changes in the unrealized gains and losses of this investment are recognized through earnings. Dividends on trading securities are recognized in net investment income.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investment Securities Available for Sale: Investments in debt securities are classified as available for sale. Available for sale securities are carried at fair value, with changes in the fair value of such securities being reported as other comprehensive income (loss), net of related deferred income taxes (benefit). When the fair value of a security falls below carrying value, an evaluation must be made to determine if the unrealized loss is a temporary or other than temporary impairment. Impaired debt securities that are not deemed to be temporarily impaired are written down to net realizable value by a charge to earnings to the extent the impairment is related to credit losses or if the Company intends, or more-likely-than not will be required, to sell the security before recovery of the security's amortized cost basis. In estimating other than temporary impairments, the Company considers the duration of time and extent to which the amortized cost exceeds fair value, the financial condition of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for anticipated recovery in fair value.

Premiums and discounts on debt securities are recognized as adjustments to net investment income by the interest method over the period to maturity and adjusted for prepayments as applicable. Realized gains and losses on sales of investment securities are determined using the specific identification method.

Fair Value Measurements: The Company carries its trading securities, and its investment securities available-for-sale at fair value on a recurring basis and measures certain other assets and liabilities at fair value on a nonrecurring basis using a hierarchy of measurements which requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels of inputs are used to measure fair value:

Level 1 Valuations based on unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 Valuations derived for similar assets in active markets, or other inputs that are observable or can be corroborated by market data.

Level 3 Valuations derived from unobservable (supported by little or no market activity) inputs that reflect an entity's best estimate of what hypothetical market participants would use to determine a transaction price at the reporting date.

When quoted market prices in active markets are unavailable, the Company determines fair value using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed as Level 2. Generally, the Company obtains a single price or quote per instrument from independent third parties to assist in establishing the fair value of these investments.

If quoted market prices and independent third party valuation information are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or 3.

On occasions when pricing service data is unavailable, the Company may rely on bid/ask spreads from dealers in determining fair value.

To the extent the Company determines that a price or quote is inconsistent with actual trading activity observed in that investment or similar investments, or if the Company does not think the quote is reflective of the market value for the investment, the Company internally develops a fair value using this other market information and discloses the input as a Level 3.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Finance Receivables: Finance receivables are stated at the amount of unpaid principal and finance charges, including deferred loan costs, and reduced by unearned finance charges, unearned discounts and an allowance for credit losses. Non-refundable loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the finance receivable yield over the contractual life of the related loan using the interest method. Unamortized amounts are recognized in income when finance receivables are renewed or paid in full.

Real Estate Acquired by Foreclosure: The Company records real estate acquired by foreclosure at the lesser of the outstanding finance receivable amount (including accrued interest, if any) or fair value, less estimated costs to sell, at the time of foreclosure. Any resulting loss on foreclosure is charged to the allowance for credit losses and a new basis is established in the property. A valuation allowance and a corresponding charge to operations is established to reflect declines in value subsequent to acquisition, if any, below the new basis. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other operating expenses.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income when incurred; significant improvements and betterments are capitalized. The Company evaluates the recoverability of property, plant and equipment and other long-term assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, based upon expectations of non-discounted cash flows and operating income.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the identifiable net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangibles with finite lives are amortized over their estimated useful lives. Additionally, during 2013, the Company elected to early adopt the alternative permitted for private companies and began amortizing goodwill over ten years by the straight-line method. Goodwill and other intangible assets are subject to impairment testing annually or more frequently if events or circumstances indicate possible impairment. Other intangible assets consist of trade names, sales finance relationships, non-competition and license agreements and internally developed technology. Intangible assets are reviewed for events or circumstances which could impact the recoverability of the intangible asset, such as a loss of significant relationships, increased competition or adverse changes in the economy. No impairment was identified for the Company's goodwill or its other intangible assets during 2014 and 2013.

Debt Issue Costs: Debt issue costs represents costs associated with obtaining the Company's credit facility, and is amortized on a straight line basis over the life of the related financing agreement which approximates the interest method. Amortization expense for the years ended December 31, 2014 and 2013 approximated \$2,031,000 and \$1,925,000, respectively, and is included in interest expense.

Deferred Policy Acquisition Costs: Costs incurred to acquire credit insurance policies are deferred and amortized over the life of the underlying insurance contracts.

Income Recognition: Precomputed finance charges are included in the gross amount of the Company's finance receivables. These precomputed charges are deferred and recognized as income on an accrual basis using the effective interest method over the terms of receivables. However, with certain exceptions, state regulations allow interest refunds to be made according to the Rule of 78's method for payoffs and renewals. Since a significant percentage of the Company's precomputed accounts are paid off or renewed prior to maturity, the result is that a majority of the precomputed accounts effectively yield on a Rule of 78's basis. The difference between income previously recognized under the interest yield method and the Rule of 78's method is recognized as an adjustment to interest income at the time of the renewal or payoff.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Insurance premiums on credit life and accident and health policies written by the Company are earned over the term of the policy using the pro-rata method, for level-term life policies, and the effective yield method, for decreasing-term life policies. Premiums on accident and health policies are earned based on an average of the pro-rata method and the effective yield method. Property and casualty credit insurance premiums written by the Company are earned over the period of insurance coverage using the pro-rata method or the effective yield method, depending on whether the amount of insurance coverage generally remains level or declines.

Commissions earned from the sale of accidental death and dismemberment insurance coverage and motor club memberships to finance customers are recognized at the time of origination. The Company has no future obligations related to the sale of these products. Other income includes commissions earned of approximately \$10,175,000 and \$9,012,000 for the year ended December 31, 2014 and 2013, respectively.

Credit Losses: For periods subsequent to the acquisition date of the acquired finance receivables portfolio and for finance receivables originated by the Company, the allowance for credit losses is determined by several factors based upon each portfolio segment. Segments in the finance receivable portfolio include personal property, real estate and sales finance. Historical loss experience is the primary factor in the determination of the allowance for credit losses. An evaluation is performed to compare the amount of accounts charged off, net of recoveries of such accounts, in relation to the average net outstanding finance receivables for the period being reviewed. Historically, management has found that this methodology has provided an adequate allowance due to the Company's loan portfolio segments consisting of a large number of smaller balance homogeneous finance receivables. Further, management routinely evaluates the inherent risks and change in the volume and composition of the Company's finance receivable portfolio based on its extensive experience in the consumer finance industry in consideration of estimating the adequacy of the allowance. Also considered are delinquency trends, economic conditions, and industry factors. Provisions for credit losses are charged to income in amounts sufficient to maintain an allowance for credit losses at a level considered adequate to cover the probable loss inherent in the finance receivable portfolio. Since the estimates used in determining the allowance for credit losses are influenced by outside factors, such as consumer payment patterns and general economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change. Interest on past due finance receivables is recognized until charge-off. Finance receivables are generally charged off when they are five months contractually past due.

Policy Claim Reserves: Policy claim reserves represent (i) the liability for losses and loss-adjustment expenses related to credit property insurance and (ii) the liabilities for future policy benefits related to credit life and accident and health insurance. The liability for loss and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount based on past experience, for losses incurred but not reported. The liabilities for future policy benefits have been computed utilizing accepted actuarial techniques. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in earnings currently.

Reinsurance Receivable: The Company has reduced its exposure relating to credit accident and health insurance through a quota share reinsurance agreement. Amounts recoverable from the reinsurer are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Effective December 31, 2012, the reinsurance agreement was terminated for all new business. The receivable will be fully recovered when unearned premiums on the ceded policies reaches \$0.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income Taxes: First Tower Holdings LLC and its finance company subsidiaries are limited liability companies organized as partnerships for federal and state tax purposes and are not considered taxable entities. Taxable income or loss is reported by the Company's members on their respective tax returns in accordance with the limited liability agreement.

American Federated Holding Company and its wholly-owned subsidiaries, AFIC and AFLIC, are subject to income taxes at the corporate level. As such, deferred income taxes are provided for temporary differences between financial statement carrying amounts of assets and liabilities and their respective bases for income tax purposes using enacted tax rates in effect in the years in which the differences are expected to reverse.

Potential exposures involving tax positions taken that may be challenged by taxing authorities contain assumptions based upon past experiences and judgments about potential actions by taxing jurisdictions. Management does not believe that the ultimate settlement of these items will result in a material amount. Because 2012 was the first taxable year for the Company's limited liability companies, 2012 and subsequent years are subject to income tax examinations. With minimum exceptions, AFIC and AFLIC are no longer subject to income tax examinations prior to 2011.

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, the Company considers certificates of deposit and all short-term securities with original maturities of three months or less to be cash equivalents.

Fair Value Disclosures of Financial Instruments: The following methods and assumptions were used by the Company to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair values.

Investment Securities: The fair value of investments in trading securities and securities available for sale are generally obtained from independent pricing services based upon valuations for similar assets in active markets or other inputs derived from objectively verifiable information.

Finance Receivables: The fair value of finance receivables approximates the carrying value since the estimated life, assuming prepayments, is short-term in nature.

Other Receivables and Payables: The carrying amounts reported in the consolidated balance sheets approximate their fair values.

Notes Payable: The carrying amounts of borrowings under the line-of-credit agreements reported in the consolidated balance sheets approximate their fair values as the interest charged for these borrowings fluctuate with market changes.

Subordinated Notes Payable to Members: The estimated fair value of subordinated notes payable to members was estimated using discounted cash flow analysis.

Comprehensive Income: Comprehensive income for the Company consists of net earnings and changes in unrealized gains on investment securities classified as available-for-sale, net of taxes, and are presented in the consolidated statements of income and comprehensive income.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Advertising: Advertising costs are expensed as incurred. Advertising expenses approximated \$4,909,000 and \$4,912,000 for the years ended December 31, 2014 and 2013, respectively.

Share-Based Compensation: The Company entered into employment agreements with certain executives and, in connection therewith, granted member interests consisting of Class D share awards which vest over a ten year period. Compensation expense for these awards is determined based on the estimated fair value of the shares awarded on the applicable grant or award date, June 14, 2012, and is recognized over the applicable award's vesting period.

Subsequent events: The Company has evaluated its subsequent events (events occurring after December 31, 2014) through March 31, 2015, which represents the date the financial statements were available to be issued.

Effects of Recent Accounting Guidance: In January 2014, the FASB issued ASU 2014-04, "Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)" which clarifies when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. This ASU states that a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. This new guidance is effective beginning for annual periods beginning after December 15, 2014, and may be applied using either a modified retrospective transition method or a prospective transition method as described in ASU 2014-04. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

In May 2014, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for the Company on January 1, 2018. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing (Topic 860)." ASU 2014-11 requires that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, ASU 2014-11 requires separate accounting for repurchase financings, which entails the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. ASU 2014-11 requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, ASU 2014-11 requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. ASU 2014-11 is effective for the Company on January 1, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In January 2015, the FASB issued ASU 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20) - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015-01 is effective for the Company beginning January 1, 2016, though early adoption is permitted. ASU 2015-01 is not expected to have a significant impact on the Company's consolidated financial statements.

Note 2. Investment Securities

The cost or amortized cost of securities available for sale and their fair values at December 31, 2014 and 2013 were as follows:

December 31, 2014	Cost or Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Debt securities:				
U.S. Government agencies and corporations	\$7,039,353	\$7,115,145	\$ 79,820	\$ 4,028
Obligations of states and political subdivisions	26,750,006	27,132,906	454,713	71,813
Corporate securities	15,707,027	15,812,756	140,010	34,281
Residential mortgage-backed securities	771,286	779,264	7,978	—
Commercial mortgage-backed securities	713,606	701,874	—	11,732
Other loan-backed and structured securities	400,582	400,306	—	276
Total investment securities	\$51,381,860	\$51,942,251	\$ 682,521	\$ 122,130

December 31, 2013

Debt securities:

U.S. Government agencies and corporations	\$7,612,186	\$7,440,515	\$ 3,953	\$ 175,624
Obligations of states and political subdivisions	26,151,621	25,860,654	125,159	416,126
Corporate securities	14,745,737	14,763,422	118,145	100,460
Residential mortgage-backed securities	756,473	731,087	—	25,386
Commercial mortgage-backed securities	749,002	740,973	2,271	10,300
Total investment securities	\$50,015,019	\$49,536,651	\$ 249,528	\$ 727,896

As of December 31, 2014 and 2013, accumulated other comprehensive income (loss) includes unrealized gains (losses) on available for sale securities, net of income tax effects, of approximately \$330,000 and (\$304,000), respectively.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 2. Investment Securities (Continued)

The length of time impaired available-for-sale securities have been held in a loss position are as follows:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2014						
U.S. Government agencies and corporations	\$ 1,779,646	\$ 3,734	\$ 500,702	\$ 294	\$ 2,280,348	\$ 4,028
Obligations of states and political subdivisions	933,380	1,571	1,946,507	70,242	2,879,887	71,813
Corporate securities	4,248,109	12,794	2,587,369	21,487	6,835,478	34,281
Commercial mortgage-backed securities	260,296	1,438	441,578	10,294	701,874	11,732
Other loan-backed and structured securities	400,306	276	—	—	400,306	276
Total	\$ 7,621,737	\$ 19,813	\$ 5,476,156	\$ 102,317	\$ 13,097,893	\$ 122,130
December 31, 2013						
U.S. Government agencies and corporations	\$ 3,115,552	\$ 22,541	\$ 1,958,318	\$ 153,083	\$ 5,073,870	\$ 175,624
Obligations of states and political subdivisions	13,854,644	298,337	1,569,119	117,789	15,423,763	416,126
Corporate securities	5,526,887	85,748	664,537	14,712	6,191,424	100,460
Residential mortgage-backed securities	731,086	25,386	—	—	731,086	25,386
Commercial mortgage-backed securities	467,227	10,300	—	—	467,227	10,300
Total	\$ 23,695,396	\$ 442,312	\$ 4,191,974	\$ 285,584	\$ 27,887,370	\$ 727,896

Substantially all gross unrealized losses at December 31, 2014 and 2013 were attributable to interest rate changes rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or the underlying assets and are thus considered temporarily impaired. Due to the issuers' continued satisfaction of the securities' obligations in accordance with contractual terms, the expectation that they will continue to do so and the Company's intent and ability to hold these investments, management believes the securities in unrealized loss positions are temporarily depressed. As of December 31, 2014 the Company had 65 debt securities with temporary impairments, including 11 U.S. government securities, 15 securities classified as obligations of state and political subdivisions, 35 securities classified as corporate securities, and 4 investment classified as commercial mortgage-backed securities. As of December 31, 2013 the Company had 127 debt securities with temporary impairments, including 10 U.S. government securities, 69 securities classified as obligations of state and political subdivisions, 43 securities classified as corporate securities, 3 investments classified as residential mortgage-backed securities and 2 investments classified as commercial mortgage-backed securities.

Management of the Company evaluates securities for other-than-temporary impairment ("OTTI") no less than annually or when economic or market concerns warrant such evaluation. The evaluation is based upon factors such as the creditworthiness of the issuer, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an OTTI condition. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost, and near-term prospects of the issuer.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 2. Investment Securities (Continued)

The Company segregates the OTTI impact on impaired securities where impairment in value was deemed to be other than temporary between the component representing credit loss and the component representing loss related to other factors.

The Company assesses whether a credit loss exists by considering whether (i) the Company has the intent to sell the security, (ii) it is more likely than not that it will be required to sell the security before recovery, or (iii) it does not expect to recover the entire amortized cost basis of a debt security. The portion of the fair value decline attributable to credit loss is recognized as a charge to earnings. The credit loss evaluation is determined by comparing the present value of the cash flows expected to be collected, discounted at the rate in effect before recognizing any OTTI with the amortized cost basis of the debt security. The Company uses the cash flow expected to be realized from the security, which includes assumptions about interest rates, timing and severity of defaults, estimates of potential recoveries, the cash flow distribution from the bond indenture and other factors, then applies a discount rate equal to the effective yield of the security. The difference between the present value of the expected cash flows and the amortized book value is considered a credit loss. The difference between the fair market value and the security's remaining amortized cost is recognized in other comprehensive income or loss.

The amortized cost and fair value of debt securities at December 31, 2014, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepay penalties.

December 31, 2014	Cost or Amortized Cost	Fair Value
Due in one year or less	\$6,498,538	\$6,505,171
Due after one year but less than five years	20,893,496	21,030,923
Due after five years but less than ten years	21,381,410	21,794,775
Due after ten years	722,942	729,938
Residential mortgage-backed securities	771,286	779,264
Commercial mortgage-backed securities	713,606	701,874
Other loan-backed and structured securities	400,582	400,306
Total debt securities	\$51,381,860	\$51,942,251

Investment securities with amortized cost of approximately \$3,063,000 and with estimated fair values of \$3,070,000 at December 31, 2014, were pledged by the Company with various states as required by state law. Investment securities with amortized cost of approximately \$3,057,000 and with estimated fair values of \$3,080,000 at December 31, 2013, were pledged by the Company with various states as required by state law.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 2. Investment Securities (Continued)

Major categories of net investment income are summarized as follows for the year ended December 31, 2014 and 2013:

December 31,	2014	2013
Debt securities	\$883,487	\$721,447
Common stocks	122,744	202,265
Mortgage and collateral loans	7,800	7,800
Cash and short-term investments	509	457
	1,014,540	931,969
Investment expenses	(177,792)	(161,198)
Net investment income	\$836,748	\$770,771

Net realized investment gains are summarized as follows for the year ended December 31, 2014 and 2013:

December 31,	2014	2013
Gross realized gains on sale of securities available for sale	\$34,363	\$14,910
Gross realized losses on sale of securities available for sale	(86,185)	(46,549)
Gain (loss) from investments in trading securities	(2,120)	142,476
Net realized investment gains (losses)	\$(53,942)	\$110,837

Proceeds from sales of investment securities available for sale aggregated approximately \$7,480,000 and \$5,794,000 for the years ended December 31, 2014 and 2013, respectively.

Note 3. Finance Receivables

Finance receivables were as follows:

December 31,	2014	2013
Consumer finance receivables:		
Personal property	\$496,914,298	\$476,832,230
Real estate	34,630,530	43,665,858
Sales finance	117,697,434	102,659,880
	649,242,262	623,157,968
Add (deduct):		
Net deferred origination costs	5,350,272	4,381,480
Unearned income	(177,266,473)	(164,182,157)
Unearned discount on acquired loans	(1,262,484)	(9,242,643)
Allowance for credit losses	(44,668,180)	(32,804,985)
Finance receivables, net	\$431,395,397	\$421,309,663

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 3. Finance Receivables (Continued)

Changes in the allowance for credit losses were as follows during the year ended December 31, 2014 and 2013:

December 31,	2014	2013
Balance at beginning of year	\$(32,804,985)	\$(13,324,265)

Provision for credit losses	(56,186,665)	(59,937,057)
Receivables charged-off	57,641,988	52,562,233
Charge-offs recovered	(13,318,518)	(12,105,896)
Balance at end of year	\$(44,668,180)	\$(32,804,985)

The balance in the allowance for credit losses by portfolio segment at December 31, 2014 and 2013 was as follows:

December 31, 2014	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period	Finance Receivables at End of Period	Allowance as Percentage of Finance Receivables at End of Period
Personal Property	\$31,182,545	\$(54,309,913)	\$12,559,363	\$53,093,822	\$42,525,817	\$369,688,435	11.5 %
Real Estate	199,938	(513,329)	40,455	501,451	228,515	23,553,939	1.0 %
Sales Finance	1,422,502	(2,818,746)	718,700	2,591,392	1,913,848	77,470,931	2.5 %
Total loans	\$32,804,985	\$(57,641,988)	\$13,318,518	\$56,186,665	\$44,668,180	\$470,713,305	9.5 %
December 31, 2013							
Personal Property	\$12,535,995	\$(49,610,961)	\$11,355,276	\$56,902,235	\$31,182,545	\$353,542,477	8.8 %
Real Estate	145,641	(422,774)	58,864	418,207	199,938	27,954,965	0.7 %
Sales Finance	642,629	(2,528,498)	691,756	2,616,615	1,422,502	68,235,726	2.1 %
Total loans	\$13,324,265	\$(52,562,233)	\$12,105,896	\$59,937,057	\$32,804,985	\$449,733,168	7.3 %

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 3. Finance Receivables (Continued)

The Company classifies delinquent accounts based upon the number of contractual installments past due. An aging of delinquent gross finance receivables as of December 31, 2014 and 2013 is as follows:

December 31, 2014	Current	Past Due 30-90 Days	Past Due 91-150 Days	Past Due	Total
				Greater Than 150 Days	
Personal Property	\$439,980,023	\$44,222,982	\$12,708,607	\$2,686	\$496,914,298
Real Estate	30,854,113	2,992,238	261,914	522,265	34,630,530
Sales Finance	113,782,755	3,190,905	714,992	8,782	117,697,434
Gross Finance Receivables	\$584,616,891	\$50,406,125	\$13,685,513	\$533,733	\$649,242,262

December 31, 2013

Personal Property	\$415,630,566	\$47,439,548	\$13,759,974	\$2,142	\$476,832,230
Real Estate	38,485,840	4,522,937	591,422	65,659	43,665,858
Sales Finance	98,857,928	3,054,278	723,329	24,345	102,659,880
Gross Finance Receivables	\$552,974,334	\$55,016,763	\$15,074,725	\$92,146	\$623,157,968

Nonperforming loans consisted of loans past due greater than 150 days and approximated \$534,000 and \$92,000 at December 31, 2014 and 2013, respectively. Additionally, the Company had gross finance receivables relating to customers in bankruptcy and which the terms of the original contract have been modified approximating \$3,810,000 and \$4,583,000 at December 31, 2014 and 2013, respectively.

Note 4. Reinsurance

The Company is party to a quota share reinsurance agreement that ceded 40% of its credit accident and health business written prior to January 1, 2013 in order to limit its exposure on credit disability coverages. Reinsurance contracts do not relieve the Company from its primary obligation to policyholders. Failure of any reinsurer to honor its obligations could result in losses to the Company.

The ceded reinsurance agreement contains a retrospective rating provision that results in a favorable adjustment to the reinsurance premiums if certain underwriting results are achieved on the reinsured business during the experience period. The Company estimates the amount of ultimate premium adjustment that the Company may earn upon completion of the experience period and recognizes an asset for the difference between the initial reinsurance premiums paid and the estimated ultimate premium. The Company adjusts such estimated ultimate premium amounts during the course of the experience period based on actual results to date. The resulting adjustment is recorded as either a reduction of or an increase to the ceded premiums for the year. Included in reinsurance recoverables at December 31, 2014 and 2013 are estimated receivables relating to the retrospective rating provisions of approximately \$1,168,000 and \$1,215,000, respectively. During the years ended December 31, 2014 and 2013 ceded premiums have been reduced by retrospective premium adjustments of approximately \$217,000 and \$482,000, respectively.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 4. Reinsurance (Continued)

The effect of reinsurance on premiums written and earned is as follows for the year end December 31, 2014 and 2013:

December 31, 2014	Written	Earned
Direct	\$33,083,850	\$30,666,460
Ceded	470,682	470,682
Net premiums	\$33,554,532	\$31,137,142

December 31, 2013

Direct	\$30,256,508	\$22,190,544
Ceded	1,422,979	1,422,979
Net premiums	\$31,679,487	\$23,613,523

Note 5. Property and Equipment

Property and equipment at December 31, 2014 and 2013 is as follows:

	Estimated Useful Lives	December 31, 2014	December 31, 2013
Land		\$408,188	\$307,320
Building and improvements	15 to 40 years	2,868,338	2,104,397
Office furniture and fixtures	5 to 10 years	1,591,073	1,161,970
Data processing equipment	3 years	8,298,217	4,559,523
Automotive equipment	3 years	1,510,648	1,328,411
Leasehold improvements	5 years	1,596,903	1,215,642
		16,273,367	10,677,263
Less accumulated depreciation		4,433,861	2,113,599
Property and equipment, net		\$11,839,506	\$8,563,664

Depreciation expense for the years ended December 31, 2014 and 2013 approximated \$2,500,000 and \$1,557,000, respectively.

Note 6. Goodwill and Intangible Assets

A summary of goodwill and its estimated finite life is as follows:

	Estimated Useful Lives	December 31, 2014	December 31, 2013
Goodwill	10 years	\$136,176,452	\$136,176,452
Less accumulated amortization		27,235,292	13,617,645
Goodwill, net		\$108,941,160	\$122,558,807

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 6. Goodwill and Intangible Assets (Continued)

A summary of the other intangible assets and their estimated finite lives were as follows:

	Estimated Useful Lives	December 31, 2014	December 31, 2013
Trade names	5 to 15 years	\$24,400,000	\$24,400,000
Non-competition and license agreements	2 to 4 years	2,323,800	2,323,800
Internally developed technology	2 years	1,000,000	1,000,000
Customer relationships and other	2 to 3 years	488,700	488,700
		28,212,500	28,212,500
Less accumulated amortization		7,442,922	4,828,324
Intangible assets, net		\$20,769,578	\$23,384,176

Aggregate amortization expense for goodwill and intangible assets for the year ended December 31, 2014 approximated \$13,618,000 and \$2,615,000, respectively. Aggregate amortization expense for goodwill and intangible assets for the year ended December 31, 2013 approximated \$13,618,000 and \$3,070,000, respectively. The estimated amortization expense of goodwill and the finite-lived intangible assets for future years is summarized as follows:

2015	\$15,718,131
2016	15,456,187
2017	15,251,812
2018	15,224,312
2019	15,224,312
Thereafter	52,835,983
Total	\$129,710,738

Note 7. Notes Payable and Credit Arrangements for Business Operations

On June 15, 2012, the Company entered into a new revolving loan agreement to provide for a total credit facility of up to \$400,000,000 which terminates on June 15, 2016. Borrowings are limited to a borrowing base as defined in the related agreement. This agreement was amended during 2014 to allow for the issuance of the subordinated notes payable as described in Note 8.

Borrowings under the revolving loan agreement bear interest at an annualized referenced rate equal to the higher of (i) the federal funds rate plus 0.50%, (ii) the lenders prime rate, or (iii) LIBOR plus 1%, and adjusted for an applicable margin based upon the current borrowing availability. The applicable margin ranges from 1.50% to 3.00% depending on the reference rate and borrowing availability percentage as defined in the agreement. Borrowings are collateralized by substantially all of the Company's consumer finance assets, including all finance receivables and intangibles. The loan agreement contains covenants which place restrictions on the Company, including limitations on distributions, additional indebtedness, transactions with affiliates, and require that certain minimum interest coverage and senior debt leverage ratios be maintained. At December 31, 2014 and 2013, the Company was in compliance with the covenants.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 7. Notes Payable and Credit Arrangements for Business Operations (Continued)

In addition, the Company has a \$7,000,000 revolving line of credit with a bank which expires June 30, 2016. Advances under the line of credit bear interest at one-month LIBOR plus 2.75% with a floor rate of 3.75%, adjusted monthly, and are collateralized by all of the outstanding shares of American Federated Life Insurance Company and certain deeds of trust.

At December 31, 2014 and 2013, the amount outstanding under the revolving loan agreement was approximately \$285,500,000 and \$271,759,000, respectively, with an average effective interest rate of 3.78% and 3.93%, respectively. The amount outstanding under the revolving line of credit with the bank was approximately \$5,998,000 with an interest rate of 3.80% at December 31, 2014 and \$5,141,000 with an interest rate of 3.80% at December 31, 2013. Interest is payable monthly.

Note 8. Subordinated Notes Payable to Members

On June 24, 2014, First Tower, LLC ("FT LLC") issued subordinated term loan notes payable to the members of the Company in the aggregate amount of \$313,844,000 pursuant to a subordinated loan agreement (the "Subordinated Loan Agreement"). The proceeds of the subordinated term loans were distributed to the Company, which were then distributed to its members as a return of capital.

Under the terms of the Subordinated Loan Agreement, these subordinated term loans bear interest at a rate per annum equal to 10% plus a paid-in-kind rate (the "PIK Rate") of 7%. Effective October 1, 2014, the PIK Rate was increased to 12%. Interest accruing at the 10% rate is payable monthly in cash and the PIK Rate interest is payable monthly in cash, at FT LLC's option, subject to certain restrictions as specified by the terms of a subordination and intercreditor agreement with lenders of the Company's credit facility and revolving line of credit (See Note 7). Accruing PIK Rate interest that may be prohibited from being paid currently under the subordination and intercreditor agreement as a result of distributable income limitations from operating subsidiaries is automatically added to the principal of the subordinated term loan notes.

The subordinated term loan notes mature on the earlier of June 24, 2019 or six months after the termination of the Company's credit facility. Subject to the subordination and intercreditor agreement, FT LLC may prepay in whole or in part amounts outstanding. However, any amounts prepaid prior to the third anniversary of the issuance would be subject to a prepayment premium ranging from 1% - 3% depending on the timing of the prepayment. FT LLC's obligations under the subordinated term loan notes are secured by a lien granted to Prospect Capital Corporation as collateral agent for the benefit of the holders of the subordinated term loan notes against all of the LLC interests of its wholly-owned finance company subsidiaries and all other First Tower, LLC assets.

The Subordinated Loan Agreement contains various provisions which require FT LLC to make mandatory prepayments, subject to specified exceptions, with the proceeds of asset dispositions, debt and specified equity issuances, changes of control, and certain other events. In addition to other covenants, the Subordinated Loan Agreement places limits on FT LLC and its subsidiaries' ability to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, make capital expenditures, engage in mergers, acquisitions and asset sales, transact with affiliates and alter its business. Further, the Subordinated Loan Agreement contains events of default, including cross defaults under other debt obligations of the Company.

At December 31, 2014, the principal amount outstanding of the subordinated term loan notes payable was \$313,844,000. During 2014, paid-in-kind interest of \$1,113,196 was added to the principal of the subordinated term loan notes payable and repaid. Interest expense, including PIK Rate interest, incurred on the subordinated term loan notes approximated \$32,203,000 during 2014.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 9. Policy Claim Liabilities

Activity in policy claim reserves, including claim adjustment expenses for the year ended from December 31, 2014 and 2013, is summarized as follows:

December 31,	2014	2013
Balance at beginning of year	\$2,524,084	\$2,571,538
Less reinsurance recoverables	413,045	674,746
Net balance at beginning of year	2,111,039	1,896,792
Incurred related to:		
Current period	5,731,101	5,547,196
Prior years	(546,238)	(441,490)
Total incurred	5,184,863	5,105,706
Paid related to:		
Current period	3,586,918	3,589,178
Prior years	1,380,266	1,302,281
Total paid	4,967,184	4,891,459
Net balance at end of year	2,328,718	2,111,039
Plus reinsurance recoverables	58,149	413,045
Balance at end of year	\$2,386,867	\$2,524,084

Note 10. Income Taxes

The Company's insurance subsidiaries file income tax returns in the U. S. federal jurisdiction and in the states in which they operate. The multiple state tax jurisdictions in which the insurance subsidiaries operate require the appropriate allocation of income and expense to each state based on a variety of apportionment or allocation bases.

The provisions for income taxes of the Company's insurance subsidiaries for the year ended December 31, 2014 and 2013 consisted of the following:

December 31,	2014	2013
Current benefit	\$(17,547)	\$—
Deferred expense	450,495	1,527,828
Provision for income taxes	\$432,948	\$1,527,828

The Company did not have unrecognized tax benefits as of December 31, 2014 and does not expect this to change significantly over the next 12 months. It is the Company's policy to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2014, the Company had no accrued interest or penalties related to uncertain tax positions.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 10. Income Taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes relating to the Company's insurance subsidiaries. The tax effects of significant items comprising the Company's net deferred tax liability and asset were as follows:

	December 31, 2014	December 31, 2013
Deferred tax assets:		
Policy claim reserves and unearned premiums	\$2,170,553	\$2,172,755
Goodwill and intangible assets	551,579	—
Net operating and capital losses carryforward	1,492,501	1,952,934
Unrealized holding loss on available for sale securities	—	180,703
	4,214,633	4,306,392
Valuation allowance	—	—
	4,214,633	4,306,392
Deferred tax liabilities:		
Reinsurance recoverables	323,269	249,152
Goodwill and intangible assets	—	43,101
Deferred acquisition costs	7,459,096	6,949,882
Unrealized holding gain on trading securities	67,237	68,028
Unrealized gain on securities available for sale	196,443	—
	8,046,045	7,310,163
Deferred tax liabilities, net	\$(3,831,412)	\$(3,003,771)

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 10. Income Taxes (Continued)

The provision for income taxes differs from the amount computed by applying the federal statutory rate of 35% to income before income taxes as follows:

December 31,	2014	2013
Consolidated income before taxes	\$17,364,544	\$43,397,855
Less: non-taxable entities	16,257,002	44,169,728
Income before taxes from taxable entities	\$1,107,542	\$(771,873)
Tax based on federal statutory rate	\$376,564	\$(262,437)
Mark to market adjustments	251,388	2,394,521
Non taxable interest income	(176,917)	(176,948)
State income taxes and other	(14,914)	38,990
Adjustment to prior year taxes	16,021	(430,104)
Transactional costs	(230,269)	(247,269)
Goodwill	211,075	211,075
Provision for income taxes	\$432,948	\$1,527,828

The Company's insurance subsidiaries have approximately \$4,258,000 in federal net operating loss carryforwards that will expire in 2032, if not used.

Note 11. Employee Profit Sharing Plan

The Company has a profit sharing plan covering substantially all the Company's employees that includes a 401(k) provision which allows employees to contribute salary subject to the maximum contribution allowed by the IRS. The Company matches 50% of the first 6% of employee contributions. Additional contributions may be made at the discretion of the Company. Profit sharing expense approximated \$397,000 and \$360,000 for the years ended December 31, 2014 and 2013, respectively.

Note 12. Members Equity

The Company's capital structure consists of four classes of member common units. All classes of common units, except for Class D common units, share in the profits and losses of the Company and in the distributions of member capital on a pro-rata basis in proportion to total number of such units outstanding. The four classes of member common units are as follows:

Class A common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 104,530,989 Class A common units issued to members for the value of the contributed assets on June 14, 2012 which remain outstanding as of December 31, 2014 and 2013. Issuance of additional Class A common units in excess of 10% of the fully diluted outstanding units of Class A and Class B common units require the approval of at least 81% of the outstanding Class A common units.

Class B common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 39,677 Class B common units issued for cash on June 14, 2012. An additional 19,838 Class B common units were issued for cash on October 1, 2012. As of December 31, 2014 and 2013, there are 59,515 Class B common units outstanding.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 12. Members Equity (Continued)

Class C common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. As of December 31, 2014 and 2013, no Class C common units have been issued. These units will be issued upon the conversion of Class D common units.

Class D common units – These units have no voting rights and are unvested upon issuance. Class D common units vest over a ten year period beginning June 15, 2012 at 10% per year. Unvested Class D common units are forfeited upon the termination of the holder's employment for any reason. Each holder of Class D common units has the right to convert such units to Class C common units at a ratio of four Class D common units for one Class C common unit provided that (i) the date of such conversion occurs no earlier than the 10th anniversary of June 15, 2012, (ii) such holder notifies the Company thirty days prior to conversion, and (iii) the internal rate of return as of the most recent fiscal quarter exceeds a pre-defined minimum. On June 14, 2012, the Company entered into employment contracts with two key executives and, in connection therewith, granted these executives 12,941,176 unvested Class D common units with an estimated fair value at date of grant of approximately \$698,000. Compensation expense related to Class D common units approximated \$70,000 annually for the years ended December 31, 2014 and 2013.

Members have no power to vote on any matter except matters on which a vote of units is required pursuant to the Company's Operating Agreement. The Operating Agreement provides for, among other things, limitations on the transfer of member units, rights of first refusal, pre-emptive rights, and certain call and put provisions.

Note 13. Statutory Financial Information of Insurance Subsidiaries

Generally accepted accounting principles (GAAP) differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (Statutory). A reconciliation between net income and stockholder's equity of the Company's insurance subsidiaries as reported under GAAP and Statutory follows as of December 31, 2014 and 2013:

December 31, 2014	Net Income (Loss)	Stockholder's Equity
GAAP basis, including effects of purchase accounting	\$675,196	\$70,929,278
Adjustments to:		
Non-admitted assets	1,600	(46,529)
Accumulated depreciation	—	55,137
Investment securities and related unrealized gains	505,082	(1,783,268)
Deferred acquisition costs	(1,519,537)	(22,147,866)
Goodwill and intangible assets	4,448,554	(33,858,921)
Policy claim reserves and unearned premiums	353,267	(609,083)
Deferred income taxes and income taxes payable	420,711	10,320,919
Asset valuation and interest maintenance reserves	45,596	(107,354)
Statutory Basis	\$4,930,469	\$22,752,313

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 13. Statutory Financial Information of Insurance Subsidiaries (Continued)

December 31, 2013	Net Income (Loss)	Stockholder's Equity
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GAAP basis, including effects of purchase accounting	\$(2,299,526)	\$73,033,267
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Adjustments to:

Non-admitted assets	1,600	(50,270)
Reinsurance receivables	—	55,001
Investment securities and related unrealized gains	424,592	(1,223,560)
Deferred acquisition costs	(6,936,756)	(20,628,322)
Goodwill and intangible assets	4,551,165	(38,310,663)
Policy claim reserves and unearned premiums	6,882,516	(1,017,353)
Deferred income taxes and income taxes payable	1,527,828	5,622,722
Asset valuation and interest maintenance reserves	47,587	(168,820)
Statutory Basis	\$4,199,006	\$17,312,002

Under state statutes, each of the insurance subsidiaries is required to maintain minimum capital and surplus of \$1,500,000.

Insurance regulations limit the amount of dividends that may be paid without approval of the insurance subsidiaries' regulatory agency. At December 31, 2014 and 2013, there were no undistributed earnings and surplus available for future distributions as dividends are not permitted, without the prior approval of the State of Mississippi Insurance Department.

The National Association of Insurance Commissioners (NAIC) measures the adequacy of an insurance company's capital by its risk-based capital ratio (the ratio of its total capital, as defined, to its risk-based capital). The requirements provide a measurement of minimum capital appropriate for an insurance company to support its overall business operations based upon its size and risk profile which considers (i) asset risk, (ii) insurance risk, (iii) interest rate risk, and (iv) business risk. An insurance company's risk-based capital is calculated by applying a defined factor to various statutory-based assets, premiums, and reserve items, wherein the factor is higher for items with greater underlying risk.

The State of Mississippi statutes have provided levels of progressively increasing regulatory action for remedies when an insurance company's risk-based capital ratio falls below a ratio of 2:1. As of December 31, 2014 and 2013 (latest information available), the Company's insurance subsidiaries were in compliance with these minimum capital requirements as follows:

December 31, 2014	AFLIC	AFIC
Total adjusted capital	\$10,069,089	\$12,760,517
Authorized control level risk-based capital	722,357	2,522,020
Ratio of adjusted capital to risk based capital	13.9:1	5.1:1

December 31, 2013

Total adjusted capital	\$8,139,231	\$9,242,097
Authorized control level risk-based capital	646,982	2,959,300
Ratio of adjusted capital to risk based capital	12.6:1	3.1:1

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 14. Leases

The Company leases office facilities under noncancellable operating leases. Rental expense approximated \$2,182,000 and \$1,909,000 for the years ended December 31, 2014 and 2013, respectively. Future minimum lease payments at December 31, 2014 are as follows:

Fiscal Year 2015 \$1,997,745

Fiscal Year 2016 1,695,391

Fiscal Year 2017 1,323,529

Fiscal Year 2018 774,143

Fiscal Year 2019 256,444

Thereafter 104,153

\$6,151,405

Note 15. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of finance receivables. Concentrations of credit risk with respect to finance receivables are limited due to the large number of customers comprising the Company's customer base. These finance receivables are mainly from customers located in Mississippi, Louisiana, Alabama, Illinois and Missouri.

At December 31, 2014 and 2013, the Company had funds on deposit with depository and investment institutions in excess of insured limits of approximately \$9,849,000 and \$5,027,000, respectively.

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First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements

The fair value measurements by input level at December 31, 2014 and 2013 for assets and liabilities measured at fair value on a recurring basis follow:

December 31, 2014	Total	Level 1	Level 2	Level 3
Trading securities - equity mutual funds	\$ 1,594,391	\$ 1,594,391	\$ —	\$ —
Available-for-sale securities:				
U.S. Government agencies and corporations	7,115,145	6,907,601	207,544	—
Obligations of states and political subdivisions	27,132,906	—	27,132,906	—
Corporate securities	15,812,756	—	15,812,756	—
Residential mortgage-backed securities	779,264	—	779,264	—
Commercial mortgage-backed securities	701,874	—	701,874	—
Other loan-backed and structured securities	400,306	—	400,306	—
	\$ 53,536,642	\$ 8,501,992	\$ 45,034,650	\$ —

December 31, 2013

Trading securities - equity mutual funds	\$ 1,473,768	\$ 1,473,768	\$ —	\$ —
Available-for-sale securities:				
U.S. Government agencies and corporations	7,440,515	7,192,739	247,776	—
Obligations of states and political subdivisions	25,860,654	—	25,860,654	—
Corporate securities	14,763,422	—	14,763,422	—
Residential mortgage-backed securities	731,087	—	731,087	—
Commercial mortgage-backed securities	740,973	—	740,973	—
	\$ 51,010,419	\$ 8,666,507	\$ 42,343,912	\$ —

Certain assets and liabilities are potentially measured at fair value on a nonrecurring basis (for example, when there is evidence of impairment). In addition, to the assets and liabilities measured at fair value at date of acquisition (see Note 2), assets measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities subject to measurement at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets subject to measurement at fair value for impairment assessment. During the years ended December 31, 2014 and 2013, certain foreclosed real estate assets, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for credit losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset, upon initial recognition, is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. Foreclosed assets measured at fair value upon initial recognition during the year ended December 31, 2014 and 2013 were not material.

First Tower Finance Company LLC and Subsidiaries
(formerly First Tower Holdings LLC)

Notes to Consolidated Financial Statements

Note 17. Disclosures About Fair Value of Financial Instruments

The carrying values and approximate fair values of the Company's financial instruments were as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 10,906,825	\$ 10,906,825	\$ 5,821,481	\$ 5,821,481
Trading securities	1,594,391	1,594,391	1,473,768	1,473,768
Investment securities available for sale	51,942,251	51,942,251	49,536,651	49,536,651
Finance receivables - net	431,395,397	431,395,397	421,309,663	421,309,663

Financial Liabilities:

Notes payable	291,497,668	291,497,668	276,900,091	276,900,091
Subordinated notes payable to members	313,844,000	313,844,000	—	—

Certain financial instruments are not carried at fair value in the accompanying consolidated balance sheets, including receivables, payables and accrued liabilities. The carrying amount of financial instruments not carried at fair value is a reasonable estimate of their fair value because of the generally short periods of time in which these related assets or liabilities are expected to be realized or liquidated, and because they do not present unanticipated credit concerns. The estimated fair values are significantly affected by assumptions used, principally the timing of future cash flows, the discount rate, judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent quotes and, in many cases, the estimated fair values could not necessarily be realized in an immediate sale or settlement of the instrument. Potential tax ramifications related to the realization of unrealized gains and losses that would be incurred in an actual sale and/or settlement have not been taken into consideration.

Note 18. Contingencies

As of December 31, 2014, the Company is involved in various legal actions resulting from normal business activities. Many of these actions do not specify an amount of damages. Also, many of these actions are in very early stages of discovery or discovery has not begun. As a result, legal counsel is unable to provide an estimate of the probability or range of potential exposure. However, based on its experience with lawsuits alleging similar claims, management is of the opinion that the resolution of such actions will not result in a material adverse effect on the consolidated financial statements. Accordingly, with respect to these matters, no provision for loss or liability has been provided in the consolidated financial statements.

The Company's insurance subsidiaries are required by law to participate in the guaranty associations of the various states in which they are licensed to do business. The state guaranty associations ensure payment of guaranteed benefits, with certain restrictions, to policyholders of impaired or insolvent insurance companies by assessing all other companies operating in similar lines of business. As a result, the Company is exposed to undeterminable future assessments resulting from the insolvency of other insurers. For the year ended December 31, 2014, the expenses incurred related to guaranty assessments were minimal.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted into law. This act established the Consumer Financial Protection Bureau ("CFPB") as a federal authority responsible for administering and enforcing the laws and regulations for consumer financial products and services. The legislation does not specifically target installment lending and is specifically prohibited from instituting federal usury interest rate caps. However, it is unclear to what extent the CFPB will impact the future regulation of the industry in which the Company operates.

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HARBORTOUCH PAYMENTS, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

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HARBORTOUCH PAYMENTS, LLC

BALANCE SHEET
DECEMBER 31, 2014
UNAUDITED

Assets

Current assets:

Cash	\$6,059,898
Accounts receivable, less allowance for doubtful accounts of \$97,820	21,948,820
Loans receivable:	
Employee and agent loans receivable (note 1)	518,303
Related party (note 8)	2,526
Prepaid expenses	404,783
 Total current assets	 28,934,330

Leasehold improvements, software and equipment:

At cost, less accumulated depreciation of \$359,169 (notes 1 and 2)	2,295,582
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Other assets:

Deposits:

Lease security	55,978
Processing agent (note 1)	611,064
Promotional equipment not in service	2,498,959
Goodwill (note 1)	204,438,721
Intangible assets (note 3)	199,998,032

Total other assets	407,602,754
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Total assets (note 5)	\$438,832,666
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HARBORTOUCH PAYMENTS, LLC

BALANCE SHEET
DECEMBER 31, 2014
UNAUDITED

Liabilities and Members' Equity

Current liabilities:

Accounts payable:

Trade	\$ 18,677,815
Related party (note 8)	58,838
Current portion of residual liability (note 9)	397,126
Current portion of long-term debt (note 5)	5,231,202
Deferred revenue (note 4)	2,941,725
Accrued expenses (notes 1 and 10)	6,396,576
Contingent liability (note 3)	1,311,635

Total current liabilities	35,014,917
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Residual liability (note 9)	1,010,974
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Long-term debt (note 5)	310,819,175
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Deferred revenue (note 4)	6,964,130
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Contingent liability (note 3)	1,735,108
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Accrued paid-in-kind interest (note 5)	5,744,434
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Cumulative preferred distributions (note 11)	4,455,050
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Members' equity (note 11)	73,088,878
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Total liabilities and members' equity	\$438,832,666
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See accompanying notes to financial statements

HARBORTOUCH PAYMENTS, LLC

STATEMENT OF OPERATIONS
FOR THE PERIOD MARCH 27, 2014 (DATE OF INCEPTION)
THROUGH DECEMBER 31, 2014
UNAUDITED

Gross revenues	\$205,511,144
Cost of services	148,584,499
Selling, general and administrative expenses	69,631,552
Loss from operations	(12,704,907)
Other income (expense):	
Interest expense (note 5)	(22,428,819)
Transaction costs (notes 1 and 3)	(3,164,429)
Other income (note 4)	352,788
Interest income	15,484
Total other income (expense)	(25,224,976)
Net loss	\$(37,929,883)

See accompanying notes to financial statements

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HARBORTOUCH PAYMENTS, LLC

STATEMENT OF MEMBERS' EQUITY
FOR THE PERIOD MARCH 27, 2014 (DATE OF INCEPTION)
THROUGH DECEMBER 31, 2014
UNAUDITED

Balance - March 27, 2014	\$—
Capital contributions	121,001,374
Preferred distributions (note 11)	(9,982,613)
Net loss	(37,929,883)
Balance - December 31, 2014	\$73,088,878

See accompanying notes to financial statements

HARBORTOUCH PAYMENTS, LLC

STATEMENT OF CASH FLOWS
 FOR THE PERIOD MARCH 27, 2014 (DATE OF INCEPTION)
 THROUGH DECEMBER 31, 2014
 UNAUDITED

Cash flows from operating activities:	
Cash received from customers	\$90,495,302
Cash paid to suppliers and employees	(55,722,862)
Interest paid	(15,856,280)
Interest received	15,484
Net cash provided from operating activities	18,931,644
Cash flows from investing activities:	
Acquisition of substantially all of the assets of MSND, LLC	(34,827,773)
Acquisition of substantially all of the assets of MSI Merchant Holdings, LLC	(148,476,899)
Acquisition of leasehold improvements, software and equipment (net of assets acquired in connection with the acquisition of MSI Merchant Holdings, LLC, United Bank Card, Inc. and United Cash Solutions, Inc.)	(869,116)
Acquisition of deferred origination costs (net of assets acquired in connection with the acquisition of United Bank Card, Inc.)	(5,189,980)
Acquisition of merchant portfolios	(3,977,982)
Increase in employee and agent loans receivable	(183,769)
Increase in accounts payable related party	58,838
Decrease in related party loans receivable	118,633
Net cash used in investing activities	(193,348,048)
Cash flows from financing activities:	
Repayment of debt	(1,694,225)
Proceeds from debt	186,698,090
Contributed capital	1,000,000
Distributions to members	(5,527,563)
Net cash provided from financing activities	180,476,302
Net increase in cash	6,059,898
Cash - March 27, 2014	—
Cash - December 31, 2014	\$6,059,898
See accompanying notes to financial statements	

HARBORTOUCH PAYMENTS, LLC

STATEMENT OF CASH FLOWS
 FOR THE PERIOD MARCH 27, 2014 (DATE OF INCEPTION)
 THROUGH DECEMBER 31, 2014
 UNAUDITED

Cash flows from operating activities:

Net loss	\$(37,929,883)
Adjustments:	
Depreciation	359,169
Amortization	45,077,459
Accrued paid-in-kind interest	5,744,434
Accrued interest rolled into note balance	828,105
Changes in assets and liabilities (net of assets acquired and liabilities assumed in connection with the transaction with MSI Merchant Services Holding, LLC, MSND, LLC, United Bank Card, Inc., United Cash Solutions, Inc. and Harbortouch Financial, LLC):	
Increase in accounts receivable	(18,345)
Increase in prepaid expenses	(110,838)
Decrease in processing agent deposit	501,541
Decrease in promotional equipment not in service	179,222
Increase in accounts payable	1,647,600
Decrease in accrued expenses	(2,612,019)
Decrease in residual liability	(130,120)
Decrease in sweepstakes liability	(23,018)
Increase in deferred revenue	5,680,644
Decrease in contingent liability	(262,307)
Total adjustments	56,861,527
Net cash provided from operating activities	\$ 18,931,644

See accompanying notes to financial statements

HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business

Harbortouch Payments, LLC (the "Company") was formed in the State of New Jersey on March 27, 2014. The Company was formed for the purpose of purchasing substantially all of the assets of MSDN Financial, LLC and the outstanding members' interests in MSI Service Holding, LLC along with a contribution of all of the assets and liabilities of United Bank Card, Inc. The transactions were effective March 31, 2014 and the Company began operations at that time.

Harbortouch Payments, LLC provides point-of sale solutions and card-based payment processing services to business merchants located throughout the United States. The Company's facilities are located in Allentown, Pennsylvania and Morrisville, North Carolina.

Cash

The Company maintains its cash with high credit quality financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At December 31, 2014, approximately \$6,500,000 was in excess of the FDIC insurance limits.

Accounts Receivable

Accounts receivable are primarily comprised of amounts due from the Company's processors from revenues earned, net of related interchange and processing fees. The receivables are typically received within 15-20 days following the end of each month. Accounts are considered past due when payments exceed normal customer payment periods.

Amounts deemed uncollectible are written-off in the period that determination is made. As of December 31, 2014, an allowance of \$97,820 was recorded.

Employee and Agent Loans Receivable

The Company periodically advances money to agents and employees. The advances at December 31, 2014 amounted to \$518,303. The advances are classified as short-term and are deemed fully collectible.

Leasehold Improvements, Software and Equipment

Leasehold improvements, software and equipment are recorded at cost. The Company's policy is to depreciate all leasehold improvements and equipment using the straight-line depreciation method over the estimated useful lives of the assets. Useful lives range from three to fifteen years.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 1 - Nature of Business and Significant Accounting Policies

Promotional Equipment Not in Service

Promotional equipment not in service represents credit and debit card terminals, point-of-sale systems and electronic cash registers on hand. These items are deployed to merchants under the Company's free equipment program to merchants as new merchant contracts are signed.

Business Combination and Goodwill

Effective April 1, 2014, the Company entered into an asset purchase agreement to acquire substantially all of the assets of MSND Financial, LLC and a membership purchase agreement to acquire all of the outstanding membership interests in MSI Services Holdings, LLC for a total purchase price of \$203,670,174, comprised of \$183,304,672 in cash and a \$20,365,502 seller note payable (fair value of \$22,170,000). In addition all of the outstanding equity in United Bank Card, Inc., United Cash Solutions, Inc. and HarborTouch Financial, LLC were contributed to the Company for 46.5% ownership. The Company accounted for this acquisition under the purchase method of accounting. The following is the condensed summary of the assets and liabilities acquired:

Current assets	\$20,818,125
Other Assets	3,836,264
Deployed equipment	8,910,000
Fixed assets	1,490,000
Total assets	35,054,389
Liabilities	46,388,818
Net assets acquired	(11,334,429)
Cash purchase price	183,304,672
Seller note payable	22,170,000
Fair value of United Bank Card, Inc.	198,895,686
Total purchase price	404,370,358

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 1 - Nature of Business and Significant Accounting Policies

Business Combination and Goodwill

Purchase price in excess of fair value of net assets acquired
before the allocation of identified intangible assets \$415,704,787

Merchant relationships	\$ 101,370,000
Developed technology	70,230,000
Trademarks/ Tradenames	18,930,000
Non-competition agreements	3,080,000
In-process research and development	920,000
Leasehold interests	160,000
Goodwill	221,014,787

Total 415,704,787

The Company has elected to early adopt Accounting Standards Update No. 2014-02, allowing for amortization of existing goodwill over a period of 10 years resulting in recognition of goodwill amortization. Amortization is computed using the straight-line method. At December 31, 2014, accumulated amortization related to goodwill amounted to \$16,576,109.

As of December 31, 2014, estimated amortization expense for goodwill for each of the five succeeding years is as follows:

Year Ending

December 31st:

2015	\$22,101,479
2016	22,101,479
2017	22,101,479
2018	22,101,479
2019	22,101,479

The Company incurred transaction costs totaling \$2,897,266 related to this acquisition which are included in net loss.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 1 - Nature of Business and Significant Accounting Policies

Impairment of Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets, in relation to the respective projected future undiscounted cash flows, to assess recoverability. An impairment loss is recognized if the sum of the expected net cash flows is less than the carrying amount of the long-lived assets being evaluated. The difference between the carrying amount of the long-lived assets being evaluated and the fair value, calculated as the sum of the expected cash flows discounted at a market rate, represents the impairment loss.

Reserve for Losses on Merchant Accounts

Disputes between a cardholder and a merchant periodically arise as a result of, among other things, cardholder dissatisfaction with either merchandise quality of merchant services, non-delivery of goods or non-performance of services. Such disputes may not be resolved in the merchant's favor. In these cases, the transaction is "charged back" to the merchant, which means the disputed amount is refunded to the customer through the merchant's acquiring bank and charged to the merchant. If the merchant has inadequate funds, the Company or under limited circumstances, the Company and the acquiring bank, must bear the credit risk for the full amount of the transaction.

The Company maintains deposits from certain merchants as an offset to potential contingent liabilities that are the responsibility of such merchants. The total amount of merchant deposits included in accrued expenses as of December 31, 2014 is \$10,000. In addition, the Company's sponsorship banks hold merchant funds that are available to meet merchant chargeback liabilities if the merchant has inadequate funds to meet the obligation. Total merchant funds held at the Company's sponsorship banks totaled approximately \$2,823,000 as of December 31, 2014. The Company records a reserve for potential chargeback losses. At December 31, 2014, the reserve for losses on merchant accounts included in accrued expenses totaled \$58,216. The Company's transaction processors require the Company to maintain deposits. At December 31, 2014, the total amount of the Company's funds held at transaction processors and included in other assets was \$611,064.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 1 - Nature of Business and Significant Accounting Policies

Revenue Recognition and Deferred Revenue

Company revenues are generated from recurring point-of-sale service fees to merchants, as well as fees for card-based payment processing services. Point-of-sale fees are based on the type and quantity of equipment deployed to the merchant, while card-based fees are based on a percentage of sales and the number of transactions processed each month. The Company reports revenues at the time of sale on a gross basis equal to the full amount of the fees charged to the merchant. Revenue is also derived from miscellaneous service fees, including monthly minimum, statement fees, annual fees and other miscellaneous services.

Annual and other fees that relate to multiple months are deferred and recognized as revenue over the respective period the fee covers which is one year or less.

The Company follows the requirements of FASB ASC 605-45-45, Reporting Revenue Gross as a Principal Versus Net as an Agent, in determining revenue reporting. Generally, where the Company has credit risk and ultimate responsibility for the merchant, revenues are reported at the time of sale on a gross basis equal to the full amount of the discount charged to the merchant. This amount includes interchange paid to card issuing banks and assessments paid to credit card companies pursuant to which such parties receive payments based primarily on processing volume for particular groups of merchants. Interchange fees are set by Visa and MasterCard and are based on transaction processing volume and are recognized at the time transactions are processed.

Income Taxes

The Company is organized as a limited liability company in accordance with New Jersey. A limited liability company is not subject to tax in accordance with partnership tax rules. Therefore, there will be no provision for income taxes for this entity since income is taxed on the individual member level.

The Company evaluates uncertain tax positions in accordance with generally accepted accounting principles. The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2014.

Advertising Costs

The Company expenses advertising costs as incurred. For the period March 27, 2014 (date of inception) through December 31, 2014 advertising costs were \$885,323.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 1 - Nature of Business and Significant Accounting Policies

Concentrations

The majority of the Company's merchant processing activity has been processed by two vendors. The Company believes that these vendors maintain appropriate backup systems and alternative arrangements to avoid a significant disruption of the processing in the event of an unforeseen event.

A majority of the Company's revenue is derived from processing Visa and MasterCard bank card transactions. Because the Company is not a "member bank" as defined by Visa and MasterCard, in order to process these bank card transactions the Company has entered into a sponsorship agreement with a bank. The agreement with the bank sponsor requires, among other things, that the Company abide by the by-laws and regulations of the Visa and MasterCard companies. If the Company breaches the sponsorship agreements, the bank sponsor may terminate the agreement and, under the terms of the agreement, the Company would have 180 days to identify an alternative bank sponsor. The Company is dependent on its bank sponsor, Visa and MasterCard for notification of any compliance breaches.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 2 - Leasehold Improvements, Software and Equipment

The principal categories of leasehold improvements, software and equipment may be summarized as follows:

Leasehold improvements \$722,830

Office equipment 359,735

Capital lease office equipment 293,139

Software 1,002,212

Office furniture and fixtures 276,835

Total cost 2,654,751

Less accumulated depreciation 359,169

Undepreciated cost \$2,295,582

Depreciation expense for the period March 27, 2014 (date of inception) through December 31, 2014 amounted to \$359,169.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 3 - Intangible Assets and Contingent Liability

Intangible assets consist of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Amortization Life
Merchant relationships	\$101,370,000	\$12,671,250	\$88,698,750	72 Months
Developed technology	70,230,000	5,267,250	64,962,750	120 Months
Trademarks & tradenames	18,930,000	2,839,500	16,090,500	60 Months
Non-Compete agreements	3,080,000	1,155,000	1,925,000	24 Months
In process research and development	920,000	69,000	851,000	120 Months
Leasehold interest	160,000	6,900	153,100	210 Months
Merchant portfolios	16,564,898	1,432,917	15,131,981	36-60 Months
Deferred origination costs	14,099,980	4,640,756	9,459,224	36-60 Months
Loan closing costs	3,144,547	418,820	2,725,727	60 Months
Total	\$228,499,425	\$28,501,393	\$199,998,032	

As of December 31, 2014, estimated amortization expense for intangible assets for each of the five succeeding years is as follows:

Year Ending
December 31st:

2015	\$37,757,887
2016	36,312,741
2017	34,695,217
2018	31,052,269
2019	26,028,853

Amortization expense for other intangible assets totaled \$28,501,393 for the period March 27, 2014 (date of inception) through December 31, 2014.

Estimated future amortization expense is based on intangible amounts recorded as of December 31, 2014. Actual amounts will increase if additional amortizable assets are acquired.

The Company incurred transaction costs totaling \$267,163 related to the acquisition of the merchant portfolio's acquisition which are included in net loss.

The Company has recorded \$3,046,743 in contingent liability in relation to the purchase of the merchant portfolios above. Payments of these contingent obligations depend on attrition rates and other financial metrics within the respective merchant portfolios.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 4 - Deferred Revenue

The Company charges merchants annual and PCI fees. These fees related to period of up to one year. The Company defers these and recognizes revenue on them over the period they are respective period earned. As of December 31, 2014, the Company had a total of \$1,730,572 in deferred revenue relating to annual and PCI fees. The Company recognized a total of approximately \$4,982,239 in revenue is recognized on annual and PCI fees for the period March 27, 2014 (date of inception) through December 31, 2014.

As of December 31, 2014, estimated service contract revenue to be recognized for the next year is \$1,730,572.

The Company received a signing bonus as an inducement to enter into a processing agreement. The Company has deferred this revenue and recognizes it over the period of the processing agreement which is seven years. As of December 31, 2014, the Company had a total of \$8,175,283 in deferred revenue relating to deferred signing bonus. The Company also received a one-time payment of \$50,000 for damages caused by the processors system conversion disruptions. A total of \$352,788 in revenue was recognized for signing bonus and damages income for the period March 27, 2014 (date of inception) through December 31, 2014, which is included in other income.

As of December 31, 2014, estimated signing bonus revenue to be recognized for each of the five succeeding years and thereafter is as follows:

Year Ending

December 31st:

2015	\$1,211,153
2016	1,211,153
2017	1,211,153
2018	1,211,153
2019	1,211,153
Thereafter	2,119,518

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 5 - Long-Term Debt

Note payable to finance company, quarterly excess cash flow principal payments based on set formula, monthly interest only payments with interest at the greater of 9% or the applicable term loan margin plus the greater of LIBOR or 2% (9% as of December 31, 2014), due September 2017, secured by all assets of the Company and guaranteed by Rook Holdings, Inc. 130,391,816

Convertible debt to finance company, interest only at the greater of 5.5% or the applicable term loan margin plus the greater of LIBOR or 4% (5.5% as of December 31, 2014) plus 5.5% accrued paid in kind, convertible into 535 units of class A equity, due March 2018, secured by all assets of the Company and guaranteed by Rook Holdings, Inc. 137,226,025

Note payable to finance company, monthly excess cash flow principal payments based on set formula, monthly interest only payments with interest at the greater of 13% or the applicable term loan margin plus the greater of LIBOR or 4% (13% as of December 31, 2014), due September 2018, secured by all assets of the Company and guaranteed by Rook Holdings, Inc. 25,196,292

Subordinated seller note payable to former owners of MSI Merchant Services Holdings, LLC and MSND Financials, LLC, interest accrues at 4.85% (face of note at 7%) and compounds semiannually, due March 2018, secured by all assets of the Company 22,998,105

Total this page 315,812,238

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 5 - Long-Term Debt

Total from previous page	\$315,812,238
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Capital lease payable to financial institution, monthly payment of \$7,671, including interest at 2.86%, due September 2017, secured by phone system with a net book value of \$249,168	238,139
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Total	316,050,377
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Less current portion of long-term debt	5,231,202
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Total debt reflected as long-term	\$310,819,175
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The amounts of long-term debt coming due during the four years ending December 31, 2018 are as follows:

2015 \$5,231,202

2016 5,238,716

2017 130,960,036

2018 174,620,423

Interest expense for the period March 27, 2014 (date of inception) through December 31, 2014 amounted to \$22,428,819.

The Company has agreed to certain loan covenants, including the maintenance of certain financial ratios and restrictions on the level of distributions.

As of December 31, 2014, the Company had a total of \$5,744,434 in accrued paid-in-kind interest.

Note 6 - Employee Benefit Plan

The Company maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering full-time employees who meet minimum age and service requirements. The provisions of the plan include a corporate discretionary profit-sharing contribution to the plan. There were no discretionary profit-sharing contributions to the plan for the period March 27, 2014 (date of inception) through December 31, 2014.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 7 - Operating Leases

The Company leases its facilities under noncancellable agreements which expire at various dates through December 2018 and require monthly lease payments of \$62,017 plus the payment of repairs, maintenance, taxes and insurance. In addition, the Company rents additional warehouse space under month-to-month lease agreements and rents a corporate jet from a related party, see Note 8.

The following are the future minimum rental payments required under the operating leases as of December 31, 2014:

Year Ending

December 31st:

2015	\$752,227
2016	764,932
2017	561,770
2018	340,990

Total future minimum payments required 2,419,919

Total rental expense included in the determination of net earnings for the period March 27, 2014 (date of inception) through December 31, 2014 amounted to \$817,672.

Note 8 - Related Party Transactions

The Company leases an airplane on a month-to-month basis from the shareholder of the Company. Total expense for this lease amounted to \$270,000 for the period March 27, 2014 (date of inception) through December 31, 2014.

The Company pays management fees to its shareholders. A total expense for management fees to related parties amounted to \$712,500 for the period March 27, 2014 (date of inception) through December 31, 2014.

The Company has a loan receivable from a related party, related through common control. The loan is unsecured and has no repayment terms and is non-interest bearing. The balance due under this loan receivable was \$2,526 as of December 31, 2014.

The Company has accounts payable to a related party, related through common control. The balance due as of December 31, 2014 amounted to \$58,838.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 9 - Residual Liability

In connection with the Company's sale of the future cash flow rights for its merchant contracts done in prior years, the Company is obligated to pay residual commissions to sales agents on the income from those merchants. The Company recorded the present value of the liability using a discount rate of 13.2%. The residual liability as of December 31, 2014 amounted to \$1,408,100.

The expected amounts of residual liability payments coming due during the five years ending December 31, 2019 and thereafter are as follows:

2015 \$397,126

2016 368,701

2017 263,294

2018 166,033

2019 103,735

Thereafter 114,211

Note 10 - Litigation

Various legal claims arise from time-to-time in the normal course of business, which, in the opinion of management, will not have a material impact on the Company. As of December 31, 2014 a total of \$1,297,847 was accrued for legal settlements and included in accrued expenses.

Note 11 - Members' Equity

The Company has four classes of member's interests. All classes of member's interest earn a preferred return of 11% for which any unpaid balances accrue. Class C and class D member's interest contain voting rights while class A and B contain no voting rights.

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HARBORTOUCH PAYMENTS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

UNAUDITED

Note 12 - Supplemental Cash Flow Information

During the period March 27, 2014 (date of inception) through December 31, 2014, the Company had the following non-cash transactions.

Deferred revenue of \$16,192,134, a merchant portfolio of \$12,429,011, loan closing costs of \$528,619 and transaction fees of \$185,913 were acquired with the assumption of \$283,591 in liabilities, a contingent liability of \$2,621,145 and term-debt of \$26,430,941.

Equipment of \$293,139 was acquired with a capital lease payable.

MSND, LLC and MSI Merchant Holdings, LLC were acquired with \$22,170,000 in sellers note payable.

Merchant portfolios were acquired with \$157,905 in contingent liabilities.

Term-debt of \$23,894,312 and distributions of \$55,000,000 were funded with \$78,894,312 in term-debt.

Contributed capital of \$120,001,374 was received in exchange for the assets and liabilities of United Bank Card, Inc., United Cash Solutions, Inc. and HarborTouch Financial, LLC.

Loan closing costs of \$2,615,928 was acquired with term-debt.

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PROSPECTUS SUPPLEMENT

May 13, 2016

Incapital LLC
BofA Merrill Lynch
Citigroup
RBC Capital Markets