

PROSPECT CAPITAL CORP
Form 497
April 08, 2013

Prospect Capital Corporation Prospect Capital InterNotes® Floating Senior Notes due 2023 (the "Notes")

Filed under Rule 497, Registration Statement No. 333-183530

Pricing Supplement No. 84 Dated Monday, April 8, 2013 (To: Prospectus Dated October 29, 2012, and Prospectus Supplement Dated March 4, 2013)

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Interest Payment Frequency
74348YDK4	US74348YDK47	\$205,000.00	100.000%	2.200%	\$200,490.00	Floating	Quarterly
Maturity Date	1st Coupon Date	Base Rate	Index Maturity	Spread	Spread Multiplier	Initial Base Rate	
04/15/2023	07/15/2013	LIBOR	3 months	3.500% per annum	Not applicable	LIBOR in effect on April 9, 2013	
Maximum Rate	Minimum Rate	Interest Determination Date	Interest Reset Dates*	Survivor's Option	Product Ranking		
Not applicable	Not applicable	The second London business day preceding the Interest Reset Date	January 15, April 15, July 15 and October 15 of each year*	Yes	Senior Unsecured Notes		

*

Subject to adjustment pursuant to the following business day convention

Redemption Information: Callable at 100.000% on April 15, 2014 and every coupon date thereafter.
Trade Date: Monday, April 8, 2013 @ 12:00 PM ET
Settle Date: Thursday, April 11, 2013
Minimum Denomination/Increments: \$1,000.00/\$1,000.00
Initial trades settle flat and clear SDFS: DTC Book Entry only

The Note will be issued pursuant to the Indenture, dated as of February 16, 2012, as amended and supplemented by that certain Eighty-Fourth Supplemental Indenture, dated as of April 11, 2013.

The date from which interest shall accrue on the Notes is Thursday, April 11, 2013. The "Interest Payment Dates" for the Notes shall be January 15, April 15, July 15 and October 15 of each year, commencing July 15, 2013; the interest payable on any Interest Payment Date, will be paid to the Person in whose name the Note (or one or more predecessor Notes) is registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest, which shall be January 1, April 1, July 1 or October 1, as the case may be, next preceding such Interest Payment Date.

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The Notes will be redeemable in whole or in part at any time or from time to time, at the option of Prospect Capital Corporation, on or after April 15, 2014 at a redemption price of \$1,000 per Note plus accrued and unpaid interest payments otherwise payable for the then-current interest period accrued to, but excluding, the date fixed for redemption and upon not less than 30 days nor more than 60 days prior notice to the noteholder and the trustee, as described in the prospectus.

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

This pricing supplement relates only to the securities described in the accompanying prospectus supplement and prospectus, is only a summary of changes and should be read together with the accompanying prospectus supplement and prospectus, including among other things the section entitled "Risk Factors" beginning on page S-8 of such prospectus supplement and page 11 of such prospectus. This pricing supplement and the accompanying prospectus supplement and prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the "SEC." This information is available free of charge by contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

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

InterNotes® is a registered trademark of Incapital Holdings LLC.

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Recent Developments: On March 6, 2013, we purchased an additional \$5.0 million of secured second-lien financing in a leading global infrastructure software company.

On March 7, 2013, we made a secured second-lien follow-on investment of \$60.0 million to support the recapitalization of a national distributor of hunting, outdoor, marine and tackle products.

On March 8, 2013, we made an investment of \$40.4 million to purchase 78.60% of the subordinated notes in Halcyon Loan Advisors Funding 2013-1 Ltd.

On March 15, 2013, we provided \$12.0 million of secured second-lien financing to Apple Leisure Group, a vertically integrated travel company that focuses on providing all-inclusive vacations in Mexico and the Caribbean to the U.S. customer.

On March 15, 2013, we made an investment of \$44.1 million to purchase 95.27% of the subordinated notes in Apidos CLO XII, Ltd.

On March 15, 2013, we issued \$250.0 million in aggregate principal amount of 5.875% senior unsecured notes due 2023 (the "2023 Notes") for net proceeds following underwriting and other expenses of approximately \$243.5 million. Interest on the 2023 Notes is paid semi-annually. The 2023 Notes mature on March 15, 2023.

On March 18, 2013, we sold our \$2.0 million investment in JGWPT Holdings, LLC.

On March 19, 2013, we provided a \$197.3 million first-lien senior secured credit facility to support the refinancing of a logistics services portfolio company controlled by H.I.G. Capital. After the financing, we received repayment of the \$27.7 million loan previously outstanding.

On March 27, 2013, we provided \$100.0 million of senior secured debt financing to support the recapitalization of Broder Bros.

On March 28, 2013, we sold our investment in New Meatco Provisions, LLC for net proceeds of approximately \$2.0 million, recognizing a realized loss of \$10.8 million on the sale.

On March 29, 2013, we received net proceeds of \$1.3 million for the partial sale of our equity investment in Caleel + Hayden, LLC.

On April 1, 2013, we refinanced our existing senior secured loans to Ajax Rolled Ring & Machine, In., increasing the size of our debt investment to \$38.5 million.

During the period from January 4, 2013 to April 4, 2013, we issued \$37.5 million in aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$36.4 million.

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

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

In the opinion of Venable LLP, as Maryland counsel to the Company, (i) the execution and delivery by the Company of the Indenture, dated as of February 16, 2012, as supplemented through the Eighty-First Supplemental Indenture, between the Company and American Stock Transfer & Trust Company, the Eighty-Second Supplemental Indenture, between the Company and American Stock Transfer & Trust Company, the Eighty-Third Supplemental Indenture, between the Company and American Stock Transfer & Trust Company and the Eighty-Fourth

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Company, and the global notes representing the Notes issued pursuant to each such Supplemental Indenture, and the performance by the Company of its obligations thereunder, have been duly authorized by the Company and (ii) the issuance of the Notes has been duly authorized by the Company. This opinion is given to the Company as of April 8, 2013 and is limited to the laws of the State of Maryland as in effect on April 8, 2013. In addition, this opinion is subject to the same assumptions, qualifications and limitations stated in the opinion letter to the Company of Venable LLP, dated March 8, 2012, filed as Exhibit (I)(4) to the Company's Registration Statement on Form N-2 (File No. 333-176637). Capitalized terms used in this paragraph without definition have the meanings ascribed to them in the accompanying prospectus supplement.

Very truly yours,

/s/ Venable LLP

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 29, 2012)

Prospect Capital Corporation

Prospect Capital InterNotes®

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

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

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

Investing in the notes involves certain risks, including those described in the "Risk Factors" section beginning on page S-8 of this prospectus supplement and page 11 of the accompanying prospectus.

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

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

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

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

Incapital LLC

BofA Merrill Lynch

Prospectus Supplement dated March 4, 2013.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," which involve substantial risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs, and our assumptions. Words such as "intends," "intend," "intended," "goal," "estimate," "estimates," "expects," "expect," "expected," "project," "projected," "projections," "plans," "seeks," "anticipates," "anticipated," "should," "could," "may," "will," "designed to," "foreseeable future," "believe," "believes" and "scheduled" and variations of these words and similar expressions are intended to identify forward-looking statements. Our actual results or outcomes may differ materially from those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

our future operating results,

our business prospects and the prospects of our portfolio companies,

the impact of investments that we expect to make,

our contractual arrangements and relationships with third parties,

the dependence of our future success on the general economy and its impact on the industries in which we invest,

the ability of our portfolio companies to achieve their objectives,

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

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

adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise,

a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us,

our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company,

the adequacy of our cash resources and working capital,

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

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

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

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the NASDAQ Global Select Market, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business, and

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

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

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

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

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PROSPECTUS SUMMARY

This section summarizes the legal and financial terms of the notes that are described in more detail in "Description of Notes" beginning on page S-13. Final terms of any particular notes will be determined at the time of sale and will be contained in the pricing supplement, which will be included with this prospectus supplement, relating to those notes. The terms in that pricing supplement may vary from and supersede the terms contained in this summary and in "Description of Notes." In addition, you should read the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and in that pricing supplement.

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

The Company

Prospect Capital Corporation is a financial services company that primarily lends to and invests in middle market privately-held companies. In this prospectus supplement and the accompanying prospectus, we use the term "middle-market" to refer to companies with annual revenues between \$50 million and \$2 billion. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the "1940 Act." We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments have generally ranged between \$5 million and \$75 million each, although the investment size may be more or less than this range. Our investment sizes are expected to grow as our capital base expands.

We also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. In most cases, companies in which we invest are privately held at the time we invest in them. We refer to these companies as "target" or "middle market" companies and these investments as "middle market investments."

We seek to maximize total returns to our investors, including both current yield and equity upside, by applying rigorous credit analysis and asset-based and cash-flow based lending techniques to make and monitor our investments. Many of our investments to date have been in energy-related industries, which consist of companies in the discovery, production, transportation, storage and use of energy resources as well as companies that sell products and services to, or acquire products and services from, these companies.

We are currently pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. Motivated sellers, including commercial finance companies, hedge funds, other business development companies, total return swap counterparties, banks, collateralized loan obligation funds, and other entities, are suffering from excess leverage, and we believe we are well positioned to capitalize as potential buyers of such assets at attractive prices. If any of these

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opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

As of December 31, 2012, we held investments in 106 portfolio companies. The aggregate fair value as of December 31, 2012 of investments in these portfolio companies held on that date is approximately \$3.0 billion. Our portfolio across all our interest bearing investments had an annualized current yield of 14.7% as of December 31, 2012.

Recent Developments

Dividends

On February 7, 2013, we announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.110050 per share for February 2013 to holders of record on February 28, 2013 with a payment date of March 21, 2013;

\$0.110075 per share for March 2013 to holders of record on March 29, 2013 with a payment date of April 18, 2013; and

\$0.110100 per share for April 2013 to holders of record on April 30, 2013 with a payment date of May 23, 2013.

Recent Investment Activity

On January 11, 2013, we provided \$27.1 million of debt financing to CHC Companies, Inc., a national provider of correctional medical and behavioral healthcare solutions.

On January 17, 2013, we made a \$30.3 million follow-on investment in APH Property Holdings, LLC, to acquire 5100 Live Oaks Blvd, LLC, a multi-family residential property located in Tampa, Florida. We invested \$2.7 million of equity and \$27.6 million of debt in APH Property Holdings, LLC.

On January 24, 2013, we made an investment of \$24.3 million to purchase 56.14% of the subordinated notes in Cent 17 CLO Limited.

On January 24, 2013, we made an investment of \$25.7 million to purchase 50.12% of the subordinated notes in Octagon Investment Partners XV, Ltd.

On January 29, 2013 we provided \$8.0 million of secured second lien financing to TGG Medical Transitory, Inc., a developer of technologies for extracorporeal photopheresis treatments.

On January 31, 2013, we funded an acquisition of the subsidiaries of Nationwide Acceptance Corporation, which operate a specialty finance business based in Chicago, Illinois, a \$25.2 million of combined debt and equity financing.

On February 4, 2013, we received a distribution of \$3.3 million related to our investment in NRG Manufacturing, Inc., for which we realized a gain of the same amount. This is a partial release of the total amounts held in escrow with a fair value of \$8.1 million as of December 31, 2012.

On February 5, 2013, we made a secured debt investment of \$2.0 million in Healogics, Inc., a provider of outpatient wound care management services located in Jacksonville, Florida. On the same day we fully exited the deal and realized a gain of \$60,000 on this investment.

On February 13, 2013, we made an investment of \$35.0 million to purchase 50.34% of the subordinated notes in Galaxy XV CLO, Ltd.

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On February 14, 2013, we made a \$2.0 million secured first-lien debt investment in JGWPT Holdings, LLC, the parent holding company of JG Wentworth, the largest purchaser of structured settlement and annuity payments in the United States.

On February 14, 2013, we provided \$15.0 million of senior secured financing to Speedy Group Holdings Corp., a leading provider of short-term loans and financial services in the United States, the United Kingdom and Canada.

On February 15, 2013, we made a \$6.0 million secured second-lien debt investment in SESAC HoldCo II LLC, a performing rights organization based in Nashville, TN.

On February 21, 2013, we provided \$47.0 million of senior secured first-lien financing to support the acquisition of a leading owner and operator of dialysis stations.

On February 25, 2013, we made a \$10.0 million secured second lien loan and a \$2.0 million secured first-lien debt investment in TNS, Inc., an international data communications company that provides networking, data communications and other value added services. On the same day we sold the \$2.0 million secured first lien debt instrument and realized a gain of \$0.020 million on this investment.

On March 1, 2013, we made a \$70.0 million secured term loan investment in a subsidiary of Cinedigm Digital Cinema Corp., the leading provider of digital cinema services, software and content marketing and distribution.

Equity Issuance

During the period from January 7, 2013 to February 5, 2013, we sold 10,248,051 shares of our common stock at an average price of \$11.25 per share, and raised \$115.3 million of gross proceeds, under the ATM Program. Net proceeds were \$114.0 million net of commissions to the broker-dealer on shares sold and offering costs.

During the period from February 11, 2013 to March 1, 2013 (with settlement dates from February 14, 2013 to March 6, 2013), we sold 5,973,913 shares of our common stock at an average price of \$11.26 per share, and raised \$67.2 million of gross proceeds, under the ATM Program. Net proceeds were \$66.4 million net of commissions to the broker-dealer on shares sold and offering costs.

Debt Issuance

During the period from January 4, 2013 to February 28, 2013, we issued \$24.1 million in aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of \$23.3 million.

On March 4, 2013, we entered into a Second Amended and Restated Selling Agent Agreement which continued our issuance of Prospect Capital Internotes on substantially the same terms and provides for our issuance of floating rate notes in addition to fixed rate notes.

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The Offering

Issuer	Prospect Capital Corporation
Purchasing Agent	Incapital LLC
Agents	Merrill Lynch, Pierce, Fenner & Smith Incorporated. From time to time, we may sell the notes to or through additional agents.
Title of Notes	Prospect Capital InterNotes®
Amount	We may issue notes from time to time in various offerings up to \$500,000,000, the aggregate principal amount authorized by our board of directors for notes as well as all other publicly-offered senior debt securities of the Company. As of March 1, 2013, \$189,052,000 aggregate principal amount of notes has been issued. There are no limitations on our ability to issue additional indebtedness in the form of Prospect Capital InterNotes® or otherwise other than under the 1940 Act and the marginally more restrictive 175% asset coverage requirement under our credit facility.
Denominations	The notes will be issued and sold in denominations of \$1,000 and multiples of \$1,000 (unless otherwise stated in the pricing supplement).
Status	The notes will be our direct unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.
Maturities	Each note will mature 12 months or more from its date of original issuance.
Interest	Notes may be issued with a fixed or floating interest rate; a floating interest rate note will be based on the London Interbank Offered Rate ("LIBOR"). Interest on each fixed or floating interest rate note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and on the stated maturity date. Interest also will be paid on the date of redemption or repayment if a note is redeemed or repaid prior to its stated maturity in accordance with its terms. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months, often referred to as the 30/360 (ISDA) day count convention.
Principal	The principal amount of each note will be payable on its stated maturity date at the corporate trust office of the paying agent or at any other place we may designate.
Redemption and Repayment	Unless otherwise stated in the applicable pricing supplement, a note will not be redeemable at our option or be repayable at the option of the holder prior to its stated maturity date. The notes will not be subject to any sinking fund.

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Survivor's Option

Specific notes may contain a provision permitting the optional repayment of those notes prior to stated maturity, if requested by the authorized representative of the beneficial owner of those notes, following the death of the beneficial owner of the notes, so long as the notes were owned by the beneficial owner or his or her estate at least six months prior to the request. This feature is referred to as a "Survivor's Option." Your notes will not be repaid in this manner unless the pricing supplement for your notes provides for the Survivor's Option. If the pricing supplement for your notes provides for the Survivor's Option, your right to exercise the Survivor's Option will be subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of a note in any calendar year. Additional details on the Survivor's Option are described in the section entitled "Description of Notes Survivor's Option."

Sale and Clearance

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

Trustee

The trustee for the notes is U.S. Bank National Association, under an indenture dated as of February 16, 2012, as amended and as supplemented from time to time.

Selling Group

The agents and dealers comprising the selling group are broker-dealers and securities firms. Each of the Purchasing Agent and the Agent entered into a Second Amended and Restated Selling Agent Agreement with us dated March 4, 2013 (the "Selling Agent Agreement"). Additional agents appointed by us from time to time in connection with the offering of the notes contemplated by this prospectus supplement will become parties to the Selling Agent Agreement. Dealers who are members of the selling group have executed a Master Selected Dealer Agreement with the Purchasing Agent. The agents and the dealers have agreed to market and sell the notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the Purchasing Agent at info@incapital.com for a list of selling group members.

Table of Contents**SELECTED CONDENSED FINANCIAL DATA**

You should read the condensed consolidated financial information below with the Consolidated Financial Statements and notes thereto included in this prospectus supplement and the accompanying prospectus. Financial information below for the years ended June 30, 2012, 2011, 2010, 2009 and 2008 has been derived from the financial statements that were audited by our independent registered public accounting firm. The selected consolidated financial data at and for the three and six months ended December 31, 2012 and 2011 has been derived from unaudited financial data. Interim results for the three and six months ended December 31, 2012 are not necessarily indicative of the results that may be expected for the year ending June 30, 2013. Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" starting on page S-25 for more information.

	For the Three Months Ended December 31,		For the Six Months Ended December 31,		For the Year/Period Ended June 30,				
	2012	2011	2012	2011	2012	2011	2010	2009	2008
(in thousands except data relating to shares, per share and number of portfolio companies)									
Performance Data:									
Interest income	\$ 116,866	\$ 46,136	\$ 195,176	\$ 88,523	\$ 219,536	\$ 134,454	\$ 86,518	\$ 62,926	\$ 59,033
Dividend income	31,955	19,029	68,163	26,079	64,881	15,092	15,366	22,793	12,033
Other income	17,214	2,098	26,332	8,003	36,493	19,930	12,675	14,762	8,336
Total investment income	166,035	67,263	289,671	122,605	320,910	169,476	114,559	100,481	79,402
Interest and credit facility expenses	(16,414)	(9,759)	(29,925)	(18,719)	(38,534)	(17,598)	(8,382)	(6,161)	(6,318)
Investment advisory expense	(41,110)	(17,952)	(72,845)	(33,132)	(82,507)	(46,051)	(30,727)	(26,705)	(20,199)
Other expenses	(9,295)	(3,044)	(13,658)	(6,369)	(13,185)	(11,606)	(8,260)	(8,452)	(7,772)
Total expenses	(66,819)	(30,755)	(116,428)	602,709	1.6%				
Louis deBoer II (4)	209,375	*							
Patrick Spain (5)	285,875	*							
Elizabeth DeMarse (6)	55,725	*							
Stephen Zacharias (7)	424,609	1.1%							
Thomas Baker (8)	91,275	*							
Executive Officers									

Susan	283,000	*
Lovell (9)		
Bruce	123,050	*
Nunn (10)		
Michael	237,500	*
Donnelly		
(11)		
All	7,841,947	19.3%

directors
and
officers as
a group
(12)

* less than 1%

Stockgroup Information Systems Inc.

Proxy Statement

- (1) See description of holdings in section above on beneficial owners who own more than 5% of our outstanding common shares.
- (2) Includes 292,575 shares issuable on the exercise of stock options as of February 28, 2007, or 60 days thereafter.
- (3) Includes 209,375 shares issuable on the exercise of stock options and 166,667 shares issuable on the exercise of share warrants, as of February 28, 2007, or 60 days thereafter. Also includes 40,000 common shares which are indirectly owned through his wife.
- (4) Includes 159,375 shares issuable on the exercise of stock options as of February 28, 2007, or 60 days thereafter.
- (5) Includes 109,375 shares issuable on the exercise of stock options as of February 28, 2007, or 60 days thereafter. Also includes 70,000 common shares and 70,000 share warrants exercisable as of February 28, 2007, or 60 days thereafter which are indirectly owned by the Spain Family IX LLC.
- (6) Includes 55,725 shares issuable on the exercise of stock options as of February 28, 2007, or 60 days thereafter.
- (7) Includes 24,609 shares issuable on the exercise of stock options and 200,000 shares issuable on the exercise of share warrants, as of February 28, 2007, or 60 days thereafter.
- (8) Includes 24,609 shares issuable on the exercise of stock options and 33,333 shares issuable on the exercise of share warrants, as of February 28, 2007, or 60 days thereafter.
- (9) Includes 37,500 shares issuable on the exercise of stock options and 100,000 shares issuable on the exercise of share warrants, as of February 28, 2007, or 60 days thereafter.
- (10) Includes 56,250 shares issuable on the exercise of stock options and 33,400 shares issuable on the exercise of share warrants, as of February 28, 2007, or 60 days thereafter.
- (11) Includes 37,500 shares issuable on the exercise of stock options and 100,000 shares issuable on the exercise of share warrants, as of February 28, 2007, or 60 days thereafter.
- (12) See notes 1 through 11.

Applicable percentage ownership in the above table is based on 36,971,788 shares outstanding as of February 28, 2007. The number and percentage of shares beneficially owned is determined under rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within sixty days of February 28, 2007, through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes above, we believe each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ELECTION OF ALL SEVEN NOMINEES FOR DIRECTORS WITH A TERM EXPIRING AT THE 2008 ANNUAL MEETING.

PROPOSAL 2: TO ADOPT THE STOCKGROUP INFORMATION SYSTEMS INC. 2007 STOCK OPTION PLAN.

The Company grants stock options pursuant to shareholder approved stock option plans. The Company's 1999, 2000, 2001, 2002, and 2003 Stock Option Plans (collectively the "Plans") authorize a total of 5,220,600 common shares for issuance. The Plans entitle employees, non-employee directors, and consultants to purchase common shares of the Company on the exercise of stock options. Options immediately become exercisable once vested. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the common shares underlying them are returned to the reserve if they were granted under the 2003 Stock Option Plan.

The Company generally grants stock options for a fixed number of shares to employees with an exercise price equal to at least the fair market value of the underlying common shares on the date of grant. The standard vesting schedule used for stock option grants to most employees is a two year vesting calendar, with equal vesting occurring at the end of each quarterly period. Stock option grants to management generally follow a four year vesting calendar, with

vesting occurring at the end of each quarterly period. All stock options are denominated in U.S. dollars and expire either five or six years after the date of grant.

Stockgroup Information Systems Inc.

Proxy Statement

The following table provides information on the Company's outstanding options and options available for grant at December 31, 2006, and activity since December 31, 2004:

	Number of Options Available For Grant	Number of Options	Options Outstanding	
			Price Per Share U.S. \$	Weighted Average Exercise Price U.S. \$
Balance at December 31, 2004	1,622,500	3,598,100	\$0.12 - \$0.59	\$0.24
Options granted	(1,301,800)	1,301,800	\$0.29 - \$0.53	\$0.28
Options exercised		(136,125)	\$0.15 - \$0.29	\$0.18
Options forfeited	634,375	(634,375)	\$0.26 - \$0.53	\$0.39
Balance at December 31, 2005	955,075	4,129,400	\$0.12 - \$0.59	\$0.26
Options granted	(1,201,250)	1,201,250	\$0.29 - \$0.44	\$0.38
Options exercised		(761,400)	\$0.15 - \$0.36	\$0.25
Options forfeited	637,500	(685,000)	\$0.15 - \$0.38	\$0.30
Balance at December 31, 2006	391,325	3,884,250	\$0.12 - \$0.59	\$0.29

The Company ceased granting of stock options under its 1999, 2000, 2001 and 2002 Stock Option Plans in December 2002. Stock options outstanding to purchase common shares under these plans continue to be exercisable as vested until exercised or forfeited, and if forfeited, they are no longer available for future grants. For 2006, there were 761,400 options exercised for proceeds of \$189,594. For 2005, there were 136,125 options exercised for proceeds of \$24,538. Subsequent to December 31, 2006, an additional 175,000 options were granted.

In March 2007, the Board, upon the recommendation of the Compensation Committee (the Committee), unanimously approved and adopted the Corporation's 2007 Stock Option Plan (the 2007 Plan) which is a new plan to make available 3,300,000 non-qualified options to purchase the Corporation's common shares. The Board believes the 2007 Plan should be approved as there are currently very few options left to grant to participants under the Plans mentioned in this section above.

Philosophy

We have a company philosophy of "shared fate" which recognizes there is a community of interest among all of our stakeholders. We believe the Corporation's Stock Option Plan for directors, employees, officers, consultants and advisors under which all eligible for option grants, creates an ownership consciousness among the stakeholders that more closely aligns their interests with those of our shareholders. Through our broad-based plan, our stakeholders share in the risks and the rewards of our business.

Summary Description of the 2007 Plan

The following is a brief summary of the material features of the 2007 Plan. The full text of the plan document is attached as Appendix A.

Administration and Operation

The 2007 Plan, will be administered by the Board; provided, however, that the Board may appoint a Committee consisting solely of two (2) or more "Non-Employee Directors" to administer the Plan on behalf of the Board, in accordance with Rule 16b-3 of the Securities Exchange Act of 1934. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and

appoint additional members thereof, remove members (with or without cause), appoint new members in substitution therefore, and fill vacancies however caused; provided, however, that at no time may any person serve

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on the Committee if that person's membership would cause the Committee not to satisfy the requirements of Rule 16b-3.

A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee.

The Committee or a Designated Officer (as defined in the 2007 Plan) of the Committee will have complete and absolute authority to make any and all decisions regarding the administration of the 2007 Plan, including the authority to construe and interpret the 2007 Plan and awards under the 2007 Plan, establish administrative rules and procedures, select award recipients, determine the type of awards, establish the terms, conditions and other provisions of awards and amend, modify or suspend awards. The Committee may delegate the right to act on its behalf to such persons and with respect to such matters as authorized by the Committee.

Eligibility

Consistent with the 2007 Plan's purposes, options or shares may be granted only to such directors, officers, employees, consultants and advisors of the Company as determined by the Board, Committee or a Designated Officer. At no time, however, may Options under the Plan, together with all of the Company's previously established or proposed share compensation arrangements, result, at any time, in:

1. more than 5% of the outstanding shares of common stock of the Company being granted to any one participant in any 12 month period (unless the Company is classified as a Tier 1 Issuer, in accordance with the TSX Venture Exchange Corporate Finance Manual, and has obtained disinterested shareholder approval);
2. more than 2% of the outstanding shares of common stock of the Company being granted to any one consultant in any 12 month period; or
3. more than an aggregate of 2% of the outstanding shares of the common stock of the Company being granted to all employees conducting investor relations activities, in any 12 month period.

Other Provisions

The Board, Committee or a Designated Officer may from time to time authorize grants of options to purchase shares, to participants upon such terms and conditions as the Board, Committee or a Designated Officer may determine in accordance with the following provisions:

(a) Options granted pursuant to the 2007 Plan would be non-qualified stock options. The Board or the Committee or a Designated Officer shall determine the specific terms of options.

(b) Each grant shall specify the period or periods of continuous employment, or continuous engagement of the consulting or advisory services, of the participant by the Company or such other conditions as the Board or the Committee or a Designated Officer may provide, that are necessary before the options or installments thereof shall become exercisable.

(c) The granting of options to consultants who directly or indirectly beneficially own 10% or more of the Company's issued and outstanding shares or who is an affiliate of such person must be approved by the requisite vote of the disinterested shareholders in accordance with applicable securities regulatory requirements.

(d) All options issued under the 2007 Plan shall vest over a period of at least one year and not greater than thirty-four percent (34%) of the options may vest in any one year.

(e) All options issued under the 2007 Plan are non-transferable and non-assignable.

Stockgroup Information Systems Inc.

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(f) The term (the "Option Term") of each option shall be ten (10) years from the date of grant, provided that no grant shall be effective until the Company and the participant have executed and delivered a signed agreement. In no case shall the Option Term exceed ten (10) years.

Federal Income Tax Consequences

The following is a summary of the U.S. federal income tax consequences of transactions under the 2007 Plan based on current federal income tax laws. **This summary is not intended to be exhaustive and does not discuss the tax consequences of a participant's death or the provision of any income tax laws of any municipality, state or foreign country in which a participant may reside.**

Nonqualified Stock Options. With respect to nonqualified stock options: (i) no income is recognized by the participant at the time the nonqualified stock option is granted; (ii) generally, at exercise, ordinary income is recognized by the participant in an amount equal to the difference between the option exercise price paid for the shares and the fair market value of the shares on the date of exercise and the Company is entitled to a tax deduction in the same amount; and (iii) upon disposition of the shares, any gain or loss is treated as capital gain or loss. In the case of a participant at the time of grant, any income recognized upon exercise of a nonqualified stock option will constitute wages for which withholding will be required.

Board of Directors Recommendation:

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION AND ADOPTION OF THE COMPANY'S 2007 STOCK PLAN.

PROPOSAL 3: SELECTION OF INDEPENDENT ACCOUNTANTS

The Board recommends the ratification by the shareholders of the appointment by the Board of Deloitte LLP as the Company's independent accountants for the fiscal year ending December 31, 2007. In the absence of instructions to the contrary, the shares of common stock represented by a proxy delivered to the Board will be voted **FOR** the ratification of the appointment of Deloitte LLP.

PROPOSAL: APPOINTMENT OF DELOITTE LLP AS THE INDEPENDENT ACCOUNTANTS

On May 30, 2006, the Company dismissed Ernst & Young LLP and we engaged Deloitte LLP, independent registered chartered accountants, as our principal accountant with the approval of our Company's Board of Directors. The decision to dismiss Ernst & Young LLP was recommended and approved by the Audit Committee and the Board and was the result of a competitive bidding process conducted in the ordinary course of business.

Services performed by our principal accountant during 2006 consisted of the examination of our financial statements, services related to filings with the SEC and the TSX, consulting and regulatory filing reviews in connection with private placements, domestic and foreign tax compliance work, tax filings and tax consulting services.

Audit Fees

Fees billed for audit services totalled approximately \$64,800 for 2006 and \$85,100 for 2005, including fees associated with the annual audit and the reviews of our quarterly reports on Form 10-QSB.

Audit-Related Fees

Fees billed for audit related services totalled approximately \$3,200 for 2006 and \$2,300 for 2005. Audit related fees include services related to other regulatory filings and other accounting matters.

Tax Fees

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Fees billed for tax services, including tax compliance and tax advice, totaled approximately \$46,800 for 2006 and \$6,754 for 2005.

All Other Fees

We did not incur other types of fees in 2006 or 2005.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION AND APPOINTMENT OF DELOITTE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2007.

INCLUSION OF FUTURE SHAREHOLDER PROPOSALS IN PROXY MATERIALS

All proposals of shareholders intended to be included in our proxy statement and form of proxy relating to our Annual Meeting of shareholders for the year ending December 31, 2007 (the "2008 Annual Meeting") must be received by our Corporation no later than January 31, 2008. All such proposals must comply with the requirements of Rule 14a-8 of Regulation 14A of the Securities Exchange Act of 1934, as amended which sets forth specific requirements and limitations applicable to nominations and proposals at annual meetings of shareholders.

For any shareholder proposal that is not submitted for inclusion in our proxy statement and form of proxy relating to the 2008 Annual Meeting pursuant to the processes of Rule 14a-8 of the Securities Exchange Act of 1934, as amended, is submitted, notice of such proposal must be received by our Corporation no later than January 31, 2008; otherwise, we may exercise, pursuant to Rule 14a-4(c)(1) under the Securities Exchange Act of 1934, discretionary voting authority under proxies we solicit for the 2008 Annual Meeting.

All shareholder proposals, notices and requests should be made in writing and sent via registered, certified or express mail, to the Corporation at Suite 500, 750 West Pender Street, Vancouver, British Columbia V6C 2T7 Attention: Corporate Secretary.

With respect to business to be brought before the 2007 annual meeting to be held on May 29, 2007, we have received no notices from shareholders that we were required to include in this proxy statement.

"HOUSEHOLDING" OF PROXY MATERIAL

In December of 2000, the Securities and Exchange Commission adopted new rules that permit companies and intermediaries (e.g. brokers) to satisfy the delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding", potentially means extra conveniences for security holders and cost savings for companies.

This year, a number of brokers with accountholders who are shareholders of our Corporation will be "householding" our proxy materials. As indicated in the notice previously provided by these brokers to shareholders of our Corporation, a single proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from an affected shareholder. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement, please notify your broker.

Shareholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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Since the beginning of the fiscal year ended December 31, 2006, we have not been a party to any transaction, proposed transaction, or series of transactions in which, to our knowledge, any of our directors, officers, five percent beneficial security holder, or any member of the immediate family of the foregoing persons has had or will have a direct or indirect material interest.

ANNUAL REPORT AND FINANCIAL STATEMENTS

Attention is directed to the financial statements contained in our Annual Report to Shareholders on Form 10-KSB for the year ended December 31, 2006, which was filed with the SEC on March 15, 2007. A copy of the Annual Report to Shareholders has been sent, or is concurrently being sent, to all shareholders of record as of April 24, 2007.

AVAILABILITY OF FORM 10-KSB

A copy of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 which has been filed with the Securities and Exchange Commission, including the financial statements, but without exhibits, is available on our website at www.stockgroup.com and will be provided without charge to any shareholder or beneficial owner of our common shares upon written request to Corporate Secretary, Suite 500 - 750 West Pender Street, Vancouver, British Columbia V6C 2T7.

We file annual and other reports, proxy statements and other information with certain Canadian securities regulatory authorities and with the Securities and Exchange Commission (the SEC) in the United States. The documents filed with the SEC are available to the public from the SEC's Web site at <http://www.sec.gov>. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>

REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent is Pacific Corporate Trust Company 2nd Floor 510 Burrard St. Vancouver, BC V6C 3B9 (telephone 604-689-9853; facsimile 604-689-8144).

OTHER MATTERS TO COME BEFORE THE MEETING

In addition to the matters to be voted upon by the shareholders of our common shares, we will receive and consider both the Report of the Board of Directors to the Shareholders, and the financial statements of our Corporation for the year ended December 31, 2006, together with the auditors report thereon. These matters do not require shareholder approval, and therefore shareholders will not be required to vote upon these matters.

Except for the above-noted matters, our Board of Directors does not intend to bring any other matters before the meeting and does not know of any matters which will be brought before the meeting by others. If other matters properly come before the meeting, it is the intention of the persons named in the solicited proxy to vote the proxy on such matters in accordance with their good judgment.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, SHAREHOLDERS ARE URGED TO VOTE, DATE, SIGN AND RETURN THE ENCLOSED PROXY.

By Order of the Board of Directors:

Susan Lovell, CA
Corporate Secretary

Dated: April 4, 2007

Stockgroup Information Systems Inc.
Appendices

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A. The Stockgroup Information Systems Inc. 2007 Stock Option Plan

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Proxy Statement

APPENDIX A

**STOCKGROUP INFORMATION SYSTEMS INC. (the Company)
STOCK OPTION PLAN 2007
3,300,000 OPTIONS**

This 2007 Stock Option Plan (the Plan) makes available, as of June 1, 2007, 3,300,000 options to purchase the Company s common shares.

1. Definitions.

As used herein, the following definitions shall apply:

1.1 "**Board**" shall mean the Board of Directors of the Company.

1.2 "**Change of Control**" means a change in ownership or control of the Company which is approved by the TSX Venture Exchange, effected through any of the following transactions:

(a) the direct or indirect acquisition by any person or related group of persons (other than by the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders, or other transaction, in each case which the Board does not recommend such shareholders to accept; or

(b) a change in the composition of the Board over a period of 24 consecutive months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of

individuals who either (i) have been Board members continuously since the beginning of such period or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board; or

(c) a Corporate Transaction as defined below.

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company wholly owned by such person; provided that such consultant: (a) possess technical, business, management, or legal expertise of value to the Company or an affiliate; (b) spends a significant amount of time and attention on the business and affairs of the Company; and (c) has a relationship with the Company or an affiliate that enables the individual to have knowledge concerning the business and affairs of the Company.

1.7 "**Corporate Transaction**" means any of the following shareholder-approved transactions to which the Company is a party:

- (a) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;
- (b) the sale, transfer or other disposition of all or substantially all of the assets of the Company in complete liquidation or dissolution of the Company; or
- (c) any reverse merger in which the Company is the surviving entity but in which securities possessing more than 50% of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such merger.

1.8 "**Date of Grant**" means the date specified by the Board or the Committee or a Designated Officer on which a grant of Options shall become effective.

1.9 "**Designated Officer**" shall mean an Officer designated under section 5.2 (b) herein.

1.10 "**Director**" shall mean a member of the Board.

1.11 "**Effective Date**" shall have the meaning ascribed thereto in Section 7.

1.12 "**Employee**" shall mean any employee or Officer of the Company. For purposes of Section 8 hereof, the term Employee shall also include Directors, Consultants and Advisors.

1.13 "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

1.14 "**Fair Market Value** per share shall mean:

(a) If the Shares is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system, on the date of determination or, if the date of determination is not a trading day, the immediately preceding trading day, as reported in *The Wall Street Journal* or such other source as the Designated Officer deems reliable;

(b) If the Shares is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination or, if there are no quoted prices on the date of determination, on the last

day on which there are quoted prices prior to the date of determination, as reported in *The Wall Street Journal* or such other source as the Designated Officer deems reliable; or

(c) In the absence of an established market for the Shares, the Fair Market Value shall be determined in good faith by the Designated Officer.

- 1.15 "**Agreement**" shall mean the written agreement between the Company and the Participant relating to Options or Restricted Shares granted under the Plan.
- 1.16 "**Officer**" shall mean any officer of the Company.
- 1.17 "**Non-qualified Stock Option**" means an Option that is not intended to qualify as a Tax- Qualified Option (as defined in the Code).
- 1.18 "**Option**" means the right to purchase Shares from the Company upon the exercise of a Non-qualified Stock Option granted pursuant to Section 8 of this Plan.
- 1.19 "**Option Price**" means the purchase price payable upon the exercise of an Option.
- 1.20 "**Optioned Stock**" shall mean the Shares subject to an Option.
- 1.21 "**Option Term**" shall have the meaning ascribed to it in Section 8.3.
- 1.22 "**Optionee**" shall mean an Employee, Officer, Director, Consultant or Advisor of the Company who has been granted one or more Options.
- 1.23 "**Parent**" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.
- 1.24 "**Participant**" means a person who is selected by the Board or the Committee or a Designated Officer to receive benefits under this Plan and (i) is at that time an Employee, Officer, Director, or a Consultant or Advisor, to the Company, or (ii) has agreed to commence serving in any such capacity.
- 1.25 "**Plan**" shall mean this 2007 Stock Option Plan, as amended from time to time in accordance with the terms hereof.
- 1.26 "**Restricted Shares**" means Common Shares granted or sold pursuant to section 8 of this Plan as to which neither the substantial risk of forfeiture nor the restrictions on transfer referred to in Section 8 hereof has expired.
- 1.27 "**Rule 16b-3**" means Rule 16b-3, as promulgated and amended from time to time by the Securities and Exchange Commission under the Exchange Act, or any successor rule to the same effect.
- 1.28 "**Shares**" shall mean (i) shares of the Common Stock, no par value, of the Company described in the Company's Articles of Incorporation, as amended, and (ii) any security into which Common Shares may be converted by reason of any transaction or event of the type referred to in Section 9 of this Plan, in each case as the same may be adjusted pursuant to Section 9 of this Plan.

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1.29 "**Subsidiary**" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

1.30 "**Tax Date**" shall mean the date an Optionee is required to pay the Company an amount with respect to tax withholding obligations in connection with the exercise of an Option.

1.31 "**Termination Date**" shall have the meaning ascribed thereto in Section 12.

2. Purposes of the Plan.

The purposes of this Plan are the following:

- (i) To attract and retain the best available personnel for positions of responsibility within the Company;
- (ii) to provide additional incentives to Employees, Officers, Directors and Consultants of the Company;
- (iii) provide Employees, Directors and Consultants of the Company with an opportunity to acquire a proprietary interest in the Company to encourage their continued provision of services to the Company;
- (iv) to provide such persons with incentives and rewards for superior performance more directly linked to the profitability of the Company's business and increases in shareholder value; and
- (v) aligning the interests of such persons with the interests of the Company's shareholders generally.

Incentive benefits granted hereunder are Non-qualified Stock Options or Restricted Shares, as those terms are hereinafter defined. The Options granted shall be reflected in the terms of a written Agreement. No Option granted hereunder shall be effective until an Agreement with respect to such Option is executed by both the Company and the Participant. Execution of the Agreement shall not effect the Grant Date.

3. The Plan

The Plan is not effective until all approvals of the Plan pursuant to Section 14.8 hereof are obtained.

4. Shares Subject to the Plan.

Subject to the provisions of Section 9 of the Plan, the maximum aggregate number of Shares which may be optioned and sold or otherwise awarded under the Plan is Three Million Three Hundred Thousand (3,300,000) Shares. Any Shares available for grants and awards at the end of any calendar year shall be carried over and shall be available for grants and awards in the subsequent calendar year.

For the purposes of this Section 4:

- (a) Upon expiration or cancellation of any award granted under this Plan, any Shares that were covered by such award shall again be available for issuance or transfer hereunder.
- (b) Shares covered by any award granted under this Plan shall be deemed to have been issued, and shall cease to be available for future issuance in respect of any other award granted hereunder, at the earlier of the time when they are actually issued or the time when dividends or dividend equivalents are paid thereon.

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5. Administration of the Plan.

5.1 Procedure.

(a) The Board shall administer the Plan; provided, however, that the Board may appoint a Committee consisting solely of two (2) or more "Non-Employee Directors" to administer the Plan on behalf of the Board, in accordance with Rule 16b-3.

(b) Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause), appoint new members in substitution therefor, and fill vacancies however caused; provided, however, that at no time may any person serve on the Committee if that person's membership would cause the committee not to satisfy the requirements of Rule 16b-3.

(c) A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee.

(d) Any reference herein to the Board shall, where appropriate, encompass a Committee appointed to administer the Plan in accordance with this Section 5.

5.2 Power of the Board or the Committee or a Designated Officer

(a) Subject to the provisions of the Plan and subject to any applicable stock exchange, where required, the Board, the Committee or a Designated Officer shall have the authority, in its discretion:

- (i) to grant Options or shares to Participants;
- (ii) to determine, upon review of relevant information and in accordance with Section 1.14 of the Plan, the Fair Market Value of the Shares;
- (iii) to determine the Option price per share of Options to be granted, which Option Price shall be determined in accordance with Section 8.4 of the Plan;
- (iv) to determine the number of Shares to be represented by each Option;
- (v) to determine the Participants to whom, and the time or times at which, Options or shares shall be granted;
- (vi) to interpret the Plan;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Plan;
- (viii) to determine the terms and provisions of each Option granted (which need not be identical) and, with the consent of the Optionee thereof, modify or amend such Option;
- (ix) to accelerate or defer (with the consent of the Optionee) the exercise date of any Option;
- (x) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Board;
- (xi) to accept or reject the election made by an Optionee pursuant to Section 8.7 of the Plan;

(xii) to impose such additional conditions, as it deems advisable, as to the vesting and exercise of any Options granted pursuant to the Plan, including, but not limited to performance criteria; and
(xiii) to make all other determinations deemed necessary or advisable for the administration of the Plan.

- (b) The Board or a Committee may delegate to an Officer of the Company the authority to make decisions pursuant to this Plan, provided that no such delegation may be made that would cause any award or other transaction under the Plan to cease to be exempt from Section 16(b) of the Exchange Act. A Committee may authorize any one or more of its members or any Officer of the Company to execute and deliver documents on behalf of the Committee.

5.3 Effect of Board or Committee or Designated Officer Decisions.

All decisions and determinations and the interpretation and construction by the Board or the committee or a Designated Officer of any provision of this Plan or any agreement, notification or document evidencing the grant of Options and any determination by the Board or the Committee or a Designated Officer pursuant to any provision of this Plan or any such agreement, notification or document, shall be final, binding and conclusive with respect to all Participants and/or Optionees and any other holders of any Option granted under the Plan. No member of the Board or the Committee or a Designated Officer shall be liable for any such action taken or determination made in good faith.

6. Eligibility.

- 6.1 Consistent with the Plan's purposes, Options or Shares may be granted only to such Directors, Officers, Employees, Consultants and Advisors of the Company as determined by the Board or the Committee or a Designated Officer. Subject to the terms of the Plan, a Director, Officer, Employee, Consultant or Advisor who has been granted an Option or Shares may, if he or she is otherwise eligible, be granted an additional Option or Shares. It is required under the Plan that where Options are granted to Directors, Officers, Employees, Consultants and Advisors of the Company, the Company represents that the Optionee is a bona fide Director, Officer, Employee, Consultant or Advisor as the case may be.
- 6.2 At no time, however, may Options under the Plan, together with all of the Company's previously established or proposed share compensation arrangements, result, at any time, in:

- (a) more than 5% of the outstanding shares of common stock of the Company being granted to any one Participant in any 12 month period (unless the Company is classified as a Tier 1 Issuer, in accordance with the TSX Venture Exchange Corporate Finance Manual, and has obtained disinterested shareholder approval);
- (b) more than 2% of the outstanding shares of common stock of the Company being granted to any one Consultant in any 12 month period;
or
- (c) more than an aggregate of 2% of the outstanding shares of the common stock of the Company being granted to all employees conducting investor relations activities, in any 12 month period.

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- 6.3 The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

7. Board Approval; Effective Date.

Pursuant to Section 3 hereof, the Plan shall take effect on June 1, 2007 (the "Effective Date"). No Option may be granted after the Termination Date as hereinafter defined.

8. Options or Shares.

The Board or the Committee or a Designated Officer may from time to time authorize grants to Participants of Options to purchase Shares, or the grant of shares upon such terms and conditions as the Board or the Committee or a Designated Officer may determine in accordance with the following provisions:

8.1 Options or Shares to be Granted; Terms.

(a) Options granted pursuant to this Section 8 would be Non-qualified Stock Options. The Board or the Committee or a Designated Officer shall determine the specific terms of Options.

(b) Each grant shall specify the period or periods of continuous employment, or continuous engagement of the consulting or advisory services, of the Optionee by the Company or any Subsidiary, or such other conditions as the Board or the Committee or a Designated Officer may provide, that are necessary before the Options or installments thereof shall become exercisable.

(c) All Options issued under the Plan shall vest over a period of at least one year and not greater than thirty-four percent (34%) of the Options may vest in any one year.

(d) All Options issued under the Plan are non-transferable and non-assignable.

8.2 Number of Shares Subject to Options.

Each grant shall specify the number of Shares to which it pertains. Subject to Section 6, successive grants may be made to the same Optionee regardless of whether any Options previously granted to the Optionee remain unexercised.

8.3 Term of Option; Earlier Termination.

Subject to further provisions of this Section 8, unless otherwise provided in the Agreement, the term (the "Option Term") of each Option shall be five (5) years from the Date of Grant, provided that no grant shall be effective until the Company and the Participant have executed and delivered an Agreement. In no case shall the Option Term exceed five (5) years unless the Options expire during a Company imposed black-out period. If an Optionee's Options terminate due to the expiration of the Option Term, during a Company imposed black-out period, the Directors of the Company, by a majority vote, may, at their discretion, extend the Option Term.

8.4 Exercise Price.

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Each grant shall specify an Option Price per Share for the Shares to be issued pursuant to exercise of an Option, which shall be determined by the Board or the Committee or a Designated Officer; provided, however, that any such exercise price shall not be less than that, from time to time, permitted under the rules and policies of any exchange or over-the-counter market which is applicable to the Company. In the case of options granted to consultants, the exercise price shall be no less than the Fair Market Value per share on the Date of Grant. Any reduction in exercise price for the Option of an Insider of the Company will be subject to disinterested shareholder approval.

8.5 Payment for Shares.

The Option Price of an exercised Option and any taxes attributable to the delivery of Shares under the Plan or portion thereof, shall be paid in cash in the form of United States currency or check or other cash equivalent acceptable to the Company.

8.6 Rights as a Stockholder.

Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of an Option.

8.7 Exercise of Option.

(a) Procedure for Exercise.

(i) Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Board or the Committee or a Designated Officer, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan. Unless otherwise determined by the Board or the Committee or a Designated Officer at the time of grant, an Option may be exercised in whole or in part.

(ii) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Board or the Committee or a Designated Officer, consist of any consideration and method of payment allowable under Section 8.5 of the Plan.

(iii) Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Status as an Employee, Director, Officer, Consultant or Advisor. Unless otherwise provided in an Agreement, if an Employee's employment by the Company is terminated, except if such termination is voluntary or occurs due to retirement with the consent of the Board or the Committee or a Designated Officer or due to death or disability, then the Option, to the extent not exercised, shall terminate on the date on which the Employee receives notice that the Employee's employment by the Company is terminated. In no case shall options issued to a Director, Officer, Employee, Consultant or Advisor be exercisable for more than sixty (60)

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calendar days after the Optionee ceases to be in one of those categories. If an Employee's termination is voluntary or occurs due to retirement with the consent of the Board or the Committee or a Designated Officer, then the Employee may after the date such Employee ceases to be an employee of the Company, exercise his or her Option at any time within sixty (60) calendar days after the date he or she ceases to be an Employee of the Company, but only to the extent that he was entitled to exercise it on the date of such termination. To the extent that the Employee was not entitled to exercise the Option at the date of such termination, or if the Employee does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate. Options granted to an Optionee who is engaged in Investor Relations Activities shall expire within thirty (30) days after the Optionee ceases to be employed to provide investor relations activities.

(c) Death. Unless otherwise provided in the Agreement, if an Optionee dies during the term of the Option and is at the time of his death an Employee, the Option may be exercised at any time within twelve (12) months following the date of death by the Optionee's executor or other legal representative or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option on the date of death, or if the Optionee's estate, or person who acquired the right to exercise the Option by bequest or inheritance, does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) Disability of Optionee. In the event of termination of an Optionee's consulting relationship or continuous status as an Employee as a result of his or her disability, an Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that an Optionee is not entitled to exercise the Option at the date of termination, or if an Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Leave of Absence. Excluding an approved maternity or paternity leave, in the event of a management approved leave of absence, any unvested Options shall cease to vest and shall not be exercisable as if you were an active employee of the Company, subject to the terms of this Plan. If you return to active status, your Options will continue to vest and be exercisable in accordance with their terms. If you do not return to active status within 30 calendar days, your unvested Options will be canceled immediately and your vested Options will be canceled on the 31st day following your last day of active employment.

(f) Rule 16b-3. Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(g) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

8.8 Agreement.

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Each grant of an Option or Restricted Share award shall be evidenced by an Agreement, which shall be executed on behalf of the Company by any Officer thereof and delivered to and accepted by the Optionee and shall contain such terms and provisions as the Board or the Committee or a Designated Officer may determine consistent with this Plan.

9. Adjustments Upon Changes in Capitalization or Merger.

Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Option, and the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as Shares covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board or the Committee or a Designated Officer, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof, shall be made with respect to the number of Shares subject to an Option or the Option Price thereof.

In the event of the proposed dissolution or liquidation of the Company, and subject to TSX Venture Exchange approval as required, all Options will terminate immediately prior to the consummation of such proposed action unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each holder the right to exercise his or her Option as to all or any part thereof, including Shares as to which the Option would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Option shall be assumed or an equivalent Option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the holder shall have the right to exercise the Option as to all of the Shares, including Shares as to which the Option would not otherwise be exercisable. If the Board makes an Option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the holder that the Option shall be fully exercisable for a period of sixty (60) days from the date of such notice (but not later than the expiration of the term of the Option), and the Option will terminate upon the expiration of such period.

10. Transferability.

Except to the extent otherwise expressly provided in the Plan, the right to acquire Shares or other assets under the Plan may not be assigned, encumbered or otherwise transferred by an Optionee and any attempt by an Optionee to do so will be null and void. No Option granted under this Plan may be transferred by an Optionee except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, as amended, or the rules thereunder or equivalent laws of the Optionees jurisdiction of residence. Options granted under this Plan may not be exercised during a Participant's lifetime except by the Optionee or, in the event of the Optionee's legal incapacity, by his or her guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under applicable law and court supervision.

11. Time of Granting of Options.

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The Date of Grant of an Option shall, for all purposes, be the date on which the Board or the Committee or a Designated Officer makes the determination granting such Option. Notice of the determination shall be given to each Participant to whom an Option is so granted within a reasonable time after the date of such grant. The date the Optionee executes the Agreement shall have no effect on the Grant Date.

12. Amendment and Termination of the Plan.

- 12.1 The Board may amend Plan from time to time in such respects as the Board may deem advisable or otherwise terminate the Plan.
- 12.2 Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board or the Committee or a Designated Officer, which agreement must be in writing and signed by the Optionee and the Company.
- 12.3 Notwithstanding the foregoing, this Plan shall terminate upon the earlier of the date on which all awards available for issuance in the last year of the Plan shall have been issued and fully exercised (the Termination Date). Upon termination of the Plan, no further Options may be granted pursuant to the Plan, but all Options granted prior thereto and still outstanding on such date shall thereafter continue to have force and effect in accordance with the provisions of the Agreements evidencing such Options.

The Company is authorized to withhold income taxes as required under applicable laws or regulations. To the extent that the Company is required to withhold any amounts due to federal, state, local or foreign laws and/or regulations in connection with any payment made or benefit realized by an Optionee or other person under this Plan, and the amounts available to the Company for the withholding are insufficient, it shall be a condition to the receipt of any such payment or the realization of any such benefit that the Optionee or such other person make arrangements satisfactory to the Company for payment of the balance of any taxes or other amounts required to be withheld. At the discretion of the Board or the Committee or a Designated Officer, any such arrangements may without limitation include relinquishment of a portion of any such payment or benefit or the surrender of outstanding Shares. The Company and any Optionee or such other person may also make similar arrangements with respect to the payment of any taxes with respect to which withholding is not required.

14. Miscellaneous Provisions.

14.1 Plan Expense.

Any expenses of administering this Plan shall be borne by the Company.

14.2 Construction of Plan.

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the laws of Canada applicable therein without regard to conflict of law principles and, where applicable, in accordance with the Code.

14.3 Other Compensation.

The Board or the Committee or a Designated Officer may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.

14.4 Continuation of Employment or Services.

This Plan shall not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary and shall not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any Participant's employment or other service at any time. Nothing contained in the Plan shall prevent the Company or any Subsidiary from adopting other or additional compensation arrangements for its Employees.

14.5 Certain Terminations of Employment or Consulting Services, Hardship and Approved Leaves of Absence.

Notwithstanding any other provision of this Plan to the contrary, and subject to TSX Venture Exchange Approval, in the event of termination of employment or consulting services by reason of death, disability, normal retirement, early retirement with the consent of the Company, termination of employment or consulting services to enter public or military service with the consent of the Company or leave of absence approved by the Company, or in the event of hardship or other special circumstances, of an Optionee who holds an Option that is not immediately and fully exercisable, the Board or the Committee or a Designated Officer may take any action that it deems to be equitable under the circumstances or in the best interest of the Company, including without limitation waiving or modifying any limitation or requirement with respect to any award under this Plan.

14.6 Binding Effect.

The provisions of the Plan and the applicable Agreements shall inure to the benefit of, and be binding upon, the Company and its successors or assigns, and the Participants, their legal representatives, their heirs or legacies and their permitted assignees.

14.7 Exchange Act Compliance.

With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provisions of the Plan or action by the Board or the Committee or a Designated Officer fails to so comply, they shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board or the Committee or a Designated Officer.

14.8 Conditions upon Issuance of Shares.

(a) Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all

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relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, the British Columbia Securities Act, applicable securities legislation in any other jurisdiction, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased or otherwise acquired only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company such a representation is required by any of the aforementioned relevant provisions of law.

(c) Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Share hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14.9 Fractional Shares.

The Company shall not be required to issue any fractional Shares pursuant to this Plan. The Board or the Committee or a Designated Officer may provide for the elimination of fractions or for the settlement thereof in cash.

14.10 Reservation of Shares.

The Company will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

14.11 Indemnification.

In addition to such other rights of indemnification as they may have as members of the Board, the members of the Board and of the Committee and any Designated Officer shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Option, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Board member or Committee member or a Designated Officer shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before such Board member or Committee member or a Designated Officer undertakes to handle and defend it on his own behalf.

14.12 Use of Proceeds.

Any cash proceeds received by the Company from the sale of Shares under the Plan shall be used for general corporate purposes.

14.13 Regulatory Approvals.

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(a) The implementation of the Plan, the granting of any awards under the Plan and the issuance of any Shares shall be subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the awards granted under it and the Shares issued pursuant to it.

(b) No Shares or other assets shall be issued or delivered under this Plan unless and until there shall have been compliance with all applicable requirements of federal, provincial and applicable foreign securities laws,

14.14 Other Tax Matters.

Reference herein to the Code and any described tax consequences related to the Plan or the granting or exercise of an award hereunder pertain only to those persons (including the Company) subject to the tax laws of the United States of America and Canada or any state, province or territory thereof.

Proxy

GENERAL MEETING OF SHAREHOLDERS OF

Stockgroup Information Systems Inc.

**TO BE HELD AT Suite 500 750 West Pender St, Vancouver, British Columbia ON Tuesday, May 29, 2006,
AT 1:30 PM PDT**

The undersigned member (Registered Shareholder) of the Company hereby appoints, Marcus New, a director of the Company, or failing this person, Leslie Landes, a director of the Company, or in the place of the foregoing, _____ (*print the name*), as proxyholder for and on behalf of the Registered Shareholder with the power of substitution to attend, act and vote for and on behalf of the Registered Shareholder in respect of all matters that may properly come before the aforesaid meeting of the Registered Shareholders of the Company (the Meeting) and at every adjournment thereof, to the same extent and with the same powers as if the undersigned Registered Shareholder were present at the said Meeting, or any adjournment thereof.

The Registered Shareholder hereby directs the proxyholder to vote the securities of the Company recorded in the name of the Registered Shareholder as specified herein.

The undersigned Registered Shareholder hereby revokes any proxy previously given to attend and vote at said Meeting.

This Proxy is solicited by the Management of the Company.

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Resolutions (For full details of each item, please see the enclosed Notice of Meeting and Proxy Statement)

	For	Against	Withhold
1. To elect as Director, David Caddey			
2. To elect as Director, Lee deBoer			
3. To elect as Director, Leslie Landes			
4. To elect as Director, Marcus New			
5. To elect as Director, Patrick Spain			
6. To elect as Director, Thomas Baker			
7. To elect as Director, Stephen Zacharias			
8. To appoint Deloitte LLP as independent auditors			
9. To ratify and approve the Company's 2007 Stock Option Plan			
10. To grant the proxyholder authority to vote at his/her discretion on any other business or amendment or variation to the previous resolutions			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			

Where no choice is specified, and a shareholder has not appointed a proxyholder other than the two people named on this form of proxy, the proxy will be voted FOR items 1 through 11.

SHAREHOLDER SIGN HERE: _____

DATE SIGNED: _____

THIS FORM MUST BE SIGNED AND DATED.

SEE IMPORTANT INSTRUCTIONS ON REVERSE.

INSTRUCTIONS FOR COMPLETION OF PROXY

1. **This Proxy is solicited by the Management of the Company.**
 2. This form of proxy (Instrument of Proxy) ***must be signed*** by you, the Registered Shareholder, or by your attorney duly authorized by you in writing, or, in the case of a corporation, by a duly authorized officer or representative of the corporation; and ***if executed by an attorney, officer, or other duly appointed representative***, the original or a notarial copy of the instrument so empowering such person, or such other documentation in support as shall be acceptable to the Chairman of the Meeting, must accompany the Instrument of Proxy.
 3. ***If this Instrument of Proxy is not dated*** in the space provided, authority is hereby given by you, the Registered Shareholder, for the proxyholder to date this proxy seven (7) calendar days after the date on which it was mailed to you, the Registered Shareholder, by Pacific Corporate Trust Company.
 4. ***A Registered Shareholder who wishes to attend the Meeting and vote on the resolutions in person***, may simply register with the scrutineers before the Meeting begins.
 5. ***A Registered Shareholder who is not able to attend the Meeting in person but wishes to vote on the resolutions***, may do the following:
 - (a) ***appoint one of the management proxyholders*** named on the Instrument of Proxy, by leaving the wording appointing a nominee as is (i.e. do not strike out the management proxyholders shown and do not complete the blank space provided for the appointment of an alternate proxyholder). Where no choice is specified by a Registered Shareholder with respect to a resolution set out in the Instrument of Proxy, a management appointee acting as a proxyholder will vote the resolution as if the Registered Shareholder had specified an affirmative vote;
- OR**
- (b) ***appoint another proxyholder***, who need not be a Registered Shareholder of the Company, to vote according to the Registered Shareholder's instructions, by striking out the management proxyholder names shown and inserting the name of the person you wish to represent you at the meeting in the space provided for an alternate proxyholder. If no choice is specified, the proxyholder has discretionary authority to vote as the proxyholder sees fit.
6. ***The securities represented by this Instrument of Proxy will be voted or withheld from voting in accordance with the instructions of the Registered Shareholder on any poll*** of a resolution that may be called for and, if the Registered Shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly. Further, if so authorized by this Instrument of Proxy, the securities will be voted by the appointed proxyholder with respect to any amendments or variations of any of the resolutions set out on the Instrument of Proxy or matters which may properly come before the Meeting as the proxyholder in its sole discretion sees fit.
 7. If a Registered Shareholder has submitted an Instrument of Proxy, ***the Registered Shareholder may still attend the Meeting and may vote in person***. To do so, the Registered Shareholder must record his/her attendance with the scrutineers before the commencement of the Meeting and revoke, in writing, the prior votes.

To be represented at the Meeting, voting instructions must be DEPOSITED at the office of "PACIFIC CORPORATE TRUST COMPANY" no later than

forty eight ("48") hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or adjournment thereof.

The mailing address of Pacific Corporate Trust Company is 510 Burrard St, 2nd Floor, Vancouver, British Columbia, V6C 3B9, and its fax number is (604) 689-8144.

IF A SHAREHOLDER I.D. AND SHAREHOLDER CODE APPEAR ON THE FACE OF THIS PROXY IN THE ADDRESS BOX

REGISTERED HOLDERS ARE ABLE TO COMPLETE TELEPHONE VOTING AT 1-888-Tel-Vote (1-888-835-8683)