

PROSPECT CAPITAL CORP
Form 497
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PROSPECTUS SUPPLEMENT
(To Prospectus dated November 3, 2015)

Up to \$100,000,000

Prospect Capital Corporation
6.25% Notes due 2024

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 L.P. manages our investments and Prospect Administration LLC provides the administrative services necessary for us to operate.

We have entered into a Debt Distribution Agreement, dated June 22, 2016, pursuant to which we may offer for sale, from time to time, up to \$100,000,000 in aggregate principal amount of our 6.25% Notes due 2024, which we refer to as the “Notes,” through FBR Capital Markets & Co., acting as our sales agent or the “Agent.” Sales of the Notes, if any, may be made in negotiated transactions or transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act of 1933, as amended, or the “Securities Act”, including sales made directly on the New York Stock Exchange, or “NYSE,” or similar securities exchange or sales made to or through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices. If any of the Notes are sold at prices above the par value of \$25 per Note, the effective yield on such Notes to the purchasers may be less than 6.25%.

The Agent will receive a commission from us equal to up to 2.0% of the gross sales price of any Notes sold through the Agent under the Debt Distribution Agreement. The Agent is not required to sell any specific principal amount of Notes, but will use its commercially reasonable efforts consistent with its sales and trading practices to sell the Notes offered by this prospectus supplement and the accompanying prospectus. See “Plan of Distribution” beginning on page S-71 of this prospectus supplement.

The Notes will mature on June 15, 2024. We will pay interest on the Notes on March 15, June 15, September 15 and December 15 of each year, beginning September 15, 2016. Interest on the Notes will accrue from the most recent interest payment date immediately preceding the date of issuance of the Notes from time to time, except that, if you purchase Notes after the record dates noted below (or your settlement of a purchase of Notes otherwise occurs after such record date), your Notes will not accrue interest for the period from such purchase date to the interest payment date immediately following such record date. The interest payable on each interest payment date will be paid only to holders of record of the Notes at the close of business on March 1, June 1, September 1 and December 1 of each year, as the case may be, immediately preceding the applicable interest payment date. As a general matter, holders of the Notes will not be entitled to receive any payments of principal on the Notes prior to the stated maturity date. We may redeem the Notes in whole or in part at any time or from time to time on or after December 15, 2018, at the redemption price discussed under the caption “Specific Terms of the Notes and the Offering-Optional redemption” in this prospectus supplement. The Notes will be issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof. We may offer other debt securities from time to time other than the Notes under our Registration Statement or in private placements.

The Notes offered hereby will be a further issuance of, are fungible with, rank equally in right of payment with, and form a single series for all purposes under the indenture including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with \$160,000,000 in aggregate principal amount of 6.25% Notes due 2024, initially issued by us in December 2015, or the “Existing Notes.” The Existing Notes, as well as any newly issued Notes, will mature on June 15, 2024, and may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after December 15, 2018. The Notes will have terms identical to the Existing Notes and will have the same CUSIP number as, and will be fungible and vote together with, the Existing Notes immediately upon issuance.

The Existing Notes are listed on the NYSE and trade on the NYSE under the symbol “PBB.” We intend to list the Notes offered hereby on the NYSE under the same trading symbol. The Notes are expected to trade “flat,” which means that purchasers in

the secondary market will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not reflected in the trading price.

On June 21, 2016, there were 6,400,000 Existing Notes issued and outstanding and, as of June 21, 2016, the last reported sales price on the NYSE was \$24.75 per Note.

The Notes will be our direct unsecured obligations and rank pari passu, or equal in right of payment, with all outstanding and future unsecured unsubordinated indebtedness issued by us. We currently do not have any indebtedness outstanding that is subordinated to the Notes and have no intention of issuing any such subordinated indebtedness. The Notes will be effectively subordinated, or junior in right of payment, to our future secured indebtedness and structurally subordinated, or junior in right of payment, to all existing and future indebtedness and other obligations of any of our subsidiaries. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and any indebtedness of any future subsidiaries may assert rights of payment prior to the holders of the Notes. See the related disclosure in "Risk Factors" beginning on page S-10 of this prospectus supplement.

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

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about the third trading date following the date of the purchase.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read this prospectus supplement and the accompanying prospectus 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, 42nd 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 or the accompanying prospectus. Any representation to the contrary is a criminal offense.

FBR

Prospectus Supplement dated June 22, 2016.

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,” “projects,” “seeks,” “anticipates,” “anticipated,” “should,” “could,” “may,” “will,” “designed to,” “foreseeable future,” “believe,” “believe in,” “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,
- 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, the NASDAQ Global Select Market, the New York Stock Exchange 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

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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 and the accompanying prospectus. We have not, and the Agent has not, authorized any other person to provide you with information that is different from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Agent is 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 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 may 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 supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in the prospectus.

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PROSPECTUS SUMMARY

This summary highlights some of the information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under “Risk Factors” in this prospectus supplement and in the

accompanying prospectus and the other information included in this prospectus supplement and the accompanying prospectus.

On December 10, 2015, we and U.S. Bank National Association, as trustee, entered into a supplemental indenture, or the “Existing Notes Supplemental Indenture” to the Indenture referred to in the accompanying prospectus between us and U.S. Bank National Association, or the “base indenture,” relating to our issuance, offer and sale of \$160,000,000 aggregate principal amount of 6.25% Notes due 2024, or the “Existing Notes.” We will issue the Notes offered hereby under the base indenture and an additional supplemental indenture that will contain the same terms and conditions as the Existing Notes Supplemental Indenture. We refer to the base indenture, the Existing Notes Supplemental Indenture and the additional supplemental indenture collectively as the “Indenture.” The Notes offered hereby will be a further issuance of, are fungible with, rank equally in right of payment with, and form a single series for all purposes under the Indenture including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with the Existing Notes.

The terms “we,” “us,” “our” and “Company” refer to Prospect Capital Corporation; “Prospect Capital Management,” “Investment Adviser” and “PCM” refer to Prospect Capital Management L.P., formerly Prospect Capital Management LLC; and “Prospect Administration” and the “Administrator” refer to Prospect Administration LLC.

The Company

Prospect Capital Corporation is a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As a BDC, we have elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986 (the “Code”). We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004. We are one of the largest BDCs with approximately \$6.2 billion of total assets as of March 31, 2016.

We are externally managed by our investment adviser, Prospect Capital Management. Prospect Administration provides administrative services and facilities necessary for us to operate.

On May 15, 2007, we formed a wholly-owned subsidiary Prospect Capital Funding LLC (“PCF”), a Delaware limited liability company and a bankruptcy remote special purpose entity, which holds certain of our portfolio loan investments that are used as collateral for the revolving credit facility at PCF. Our wholly-owned subsidiary Prospect Small Business Lending, LLC (“PSBL”) was formed on January 27, 2014 and purchases small business whole loans on a recurring basis from online small business loan originators, including On Deck Capital, Inc. (“OnDeck”). On September 30, 2014, we formed a wholly-owned subsidiary Prospect Yield Corporation, LLC (“PYC”) and effective October 23, 2014, PYC holds our investments in collateralized loan obligations (“CLOs”). Each of these subsidiaries have been consolidated since operations commenced.

We currently have nine origination strategies in which we make investments: (1) lending in private equity sponsored transactions, (2) lending directly to companies not owned by private equity firms, (3) control investments in corporate operating companies, (4) control investments in financial companies, (5) investments in structured credit, (6) real estate investments, (7) investments in syndicated debt, (8) aircraft leasing and (9) online lending. We continue to evaluate other origination strategies in the ordinary course of business with no specific tops-down allocation to any single origination strategy.

Lending in Private Equity Sponsored Transactions – We make loans to companies which are controlled by leading private equity firms. This debt can take the form of first lien, second lien, unitranche or unsecured loans. In making these investments, we look for a diversified customer base, recurring demand for the product or service, barriers to entry, strong historical cash flow and experienced management teams. These loans typically have significant equity subordinate to our loan position. Historically, this strategy has comprised approximately 50%-60% of our business, but more recently it is less than 50% of our business.

Lending Directly to Companies – We provide debt financing to companies owned by non-private equity firms, the company founder, a management team or a family. Here, in addition to the strengths we look for in a sponsored transaction, we also look for the alignment with the management team with significant invested capital. This strategy often has less competition than the private equity sponsor strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. Direct lending can result in higher returns and lower leverage than sponsor transactions and may include warrants or equity to us. Historically, this strategy has comprised approximately 5%-15% of our business, but more recently it is less than 5% of our business.

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Control Investments in Corporate Operating Companies – This strategy involves acquiring controlling stakes in non-financial operating companies. Our investments in these companies are generally structured as a combination of yield-producing debt and equity. We provide enhanced certainty of closure to our counterparties, give the seller personal liquidity and generally look for management to continue on in their current roles. This strategy has comprised approximately 10%-15% of our business.

Control Investments in Financial Companies – This strategy involves acquiring controlling stakes in financial companies, including consumer direct lending, sub-prime auto lending and other strategies. Our investments in these companies are generally structured as a combination of yield-producing debt and equity. These investments are often structured in a tax-efficient RIC-compliant partnership, enhancing returns. This strategy has comprised approximately 5%-15% of our business.

Investments in Structured Credit – We make investments in CLOs, generally taking a significant position in the subordinated interests (equity) of the CLOs. The CLOs include a diversified portfolio of broadly syndicated loans and do not have direct exposure to real estate, mortgages, debt or consumer based debt. The CLOs in which we invest are managed by top-tier collateral managers that have been thoroughly diligenced prior to investment. This strategy has comprised approximately 10%-20% of our business.

Real Estate Investments – We make investments in real estate through our three wholly-owned tax-efficient real estate investment trusts (“REITs”), American Property REIT Corp. (“APRC”), National Property REIT Corp. (“NPRC”) and United Property REIT Corp. (“UPRC” and collectively with APRC and NPRC, “our REITs”). Our real estate investments are in various classes of fully developed and occupied real estate properties that generate current yields. We seek to identify properties that have historically high occupancy and steady cash flow generation. Our REITs co-invest with established and experienced property managers that manage such properties after acquisition. This investment strategy has comprised approximately 5%-10% of our business.

Investments in Syndicated Debt – On an opportunistic basis, we make investments in loans and high yield bonds that have been sold to a syndicate of buyers. Here we look for investments with attractive risk-adjusted returns after we have completed a fundamental credit analysis. These investments are purchased with a long term, buy-and-hold outlook and we look to provide significant structuring input by providing anchoring orders. This strategy has comprised approximately 5%-10% of our business.

Aircraft Leasing – We invest debt as well as equity in aircraft assets subject to commercial leases to credit-worthy airlines across the globe. These investments present attractive return opportunities due to cash flow consistency from long-lived assets coupled with hard asset collateral. We seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across the spectrum of aircraft types of all vintages. Our target portfolio includes both in-production and out-of-production jet and turboprop aircraft and engines, operated by airlines across the globe. This strategy comprised approximately 1% of our business in the fiscal year ended June 30, 2015 and approximately 1% as of March 31, 2016.

Online Lending – We make investments in loans originated by certain consumer loan and small and medium sized business (“SME”) aggregators. We purchase each loan in its entirety (i.e., a “whole loan”). The borrowers are consumers and SMEs. The loans are typically serviced by the aggregators of the loans. This strategy comprised approximately 5% of our business in the fiscal year ended June 30, 2015 and approximately 5% as of March 31, 2016.

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

We hold many of our control investments in a two-tier structure consisting of a holding company and one or more related operating companies for tax purposes. These holding companies serve various business purposes including concentration of management teams, optimization of third party borrowing costs, improvement of supplier, customer, and insurance terms, and enhancement of co-investments by the management teams. In these cases, our investment in the holding company, generally as equity, its equity investment in the operating company and along with any debt from us directly to the operating company structure represents our total exposure for the investment. As of March 31, 2016, as shown in our Consolidated Schedule of Investments, each of the cost basis and fair value of our investments in controlled companies was approximately \$2.0 billion. This structure gives rise to several of the risks described in our public documents and highlighted elsewhere in this prospectus supplement and the accompanying prospectus. On July 1, 2014, we began consolidating all wholly-owned and substantially wholly-owned holding companies formed by us for the purpose of holding our controlled investments in operating companies. There were no significant effects of consolidating these holding companies as they hold minimal assets other than their investments in the controlled operating companies. Investment company accounting prohibits the consolidation of any operating companies. As of March 31, 2016, we had investments in 125 portfolio companies. The aggregate fair value as of March 31, 2016 of investments in these portfolio companies held on that date is approximately \$6.0 billion. Our portfolio across all our performing interest-bearing investments had an annualized current yield of 13.4% as of March 31, 2016.

Recent Developments

Investment Transactions

During the period from April 1, 2016 through June 22, 2016, we made seven follow-on investments in NPRC totaling \$62.8 million to support our online consumer lending initiative. We invested \$9.4 million of equity through NPH Property Holdings, LLC (“NPH”) and \$53.4 million of debt directly to ACL Loan Holdings, Inc. (“ACL”), a wholly-owned subsidiary of NPRC. In addition, during this period, we received a partial repayment of \$11.8 million ACL loan previously outstanding.

On April 6, 2016, we received partial repayments from APRC of \$3.0 million for our loans previously outstanding. On April 6, 2016, we received partial repayments from UPRC of \$7.6 million for our loans previously outstanding. On April 11, 2016, we announced the then current conversion rate on the 2020 Notes as 80.6670 shares of common stock per \$1 principal amount of the 2020 Notes converted, which is equivalent to a conversion price of approximately \$12.40.

On April 16, 2016, we announced the then current conversion rate on the 2017 Notes as 87.7516 shares of common stock per \$1 principal amount of the 2017 Notes converted, which is equivalent to a conversion price of approximately \$11.40.

On April 29, 2016, we invested an additional \$25.0 million of Senior Secured Term Loan A and an additional \$25.0 million of Senior Secured Term Loan B debt investments in Trinity Services Group, Inc. (“Trinity”).

On April 29, 2016, through our delayed draw term loan commitment with Instant Web, LLC (“IWCO”), we funded \$8.0 million of Senior Secured Term Loan A and \$8.0 million of Senior Secured Term Loan B.

During the period from May 3, 2016 through May 10, 2016, we collectively sold 72.10% of the outstanding principal balance of the Senior Secured Term Loan A investment in Trinity for \$25.0 million. There was no gain or loss realized on the sale.

During the period from May 18, 2016 through June 22, 2016, we made a \$34.7 million follow-on first lien senior secured debt investment in Empire Today, LLC.

On May 31, 2016, we sold our investment in Harbortouch Payments, LLC (“Harbortouch”). We expect to receive \$328.0 million in proceeds and fees from the sale (including escrowed amounts), and we have reinvested \$27.5 million in senior secured second-lien debt into Harbortouch.

On June 7, 2016, we made a \$19.0 million second lien secured investment in Generation Brands Holdings, Inc., a leading designer and provider of lighting fixtures for commercial and residential applications.

On June 8, 2016, we made a \$17.0 million first lien senior secured investment in Inpatient Care Management Company, LLC, a company providing general surgery services to hospitals with a focus on emergency care.

On June 17, 2016, we made a \$25.0 million follow-on second lien secured debt investment in IWCO.

During the period from June 10, 2016 through June 16, 2016, we collectively invested an additional \$10.1 million of second lien senior secured debt in NCP Finance Limited Partnership.

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During the period from April 1, 2016 through June 22, 2016, our wholly-owned subsidiary PSBL purchased \$7.6 million of small business whole loans from OnDeck.

Debt and Equity

During the period from April 1, 2016 through June 22, 2016, we issued \$10.4 million aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$10.3 million. In addition, we sold \$1.6 million in aggregate principal amount of Prospect Capital InterNotes® for net proceeds of \$1.6 million with expected closing on June 23, 2016.

During the period from April 1, 2016 through June 22, 2016, we repaid \$3.3 million aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus.

Dividends

On May 9, 2016, we announced the declaration of monthly dividends in the following amounts and with the following dates:

\$0.08333 per share for May 2016 to holders of record on May 31, 2016 with a payment date of June 23, 2016;

\$0.08333 per share for June 2016 to holders of record on June 30, 2016 with a payment date of July 21, 2016;

\$0.08333 per share for July 2016 to holders of record on July 29, 2016 with a payment date of August 18, 2016; and

\$0.08333 per share for August 2016 to holders of record on August 31, 2016 with a payment date of September 22, 2016.

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SPECIFIC TERMS OF THE NOTES AND THE OFFERING

This prospectus supplement sets forth certain terms of the Notes that Prospect Capital Corporation is offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. The Notes offered hereby will be a further issuance of, are fungible with, rank equally in right of payment with, and form a single series for all purposes under the Indenture including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with \$160,000,000 in aggregate principal amount of 6.25% Notes due 2024, initially issued by us in December 2015, or the “Existing Notes.” Unless otherwise indicated, the Notes offered hereby and the Existing Notes are collectively referred to herein as the “Notes.” This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes under the heading “Description of the Notes” in this prospectus supplement and in the accompanying prospectus under the heading “Description of Our Debt Securities” before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the Indenture.

Issuer Prospect Capital Corporation

Title of securities 6.25% Notes due 2024

Initial aggregate principal amount being offered Up to \$100,000,000

Manner of offering “At the market” offering that may be made from time to time through the Agent, as sales agent, using commercially reasonable efforts. See “Plan of Distribution.”

Principal payable at maturity 100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in The City of New York as we may designate.

Type of Note Fixed rate note

Listing The Existing Notes are traded on the New York Stock Exchange, or the “NYSE,” under the trading symbol “PBB.” We intend to list the Notes offered hereby on the NYSE under the same trading symbol.

Interest rate 6.25% per year. However, if any of the Notes are sold at prices above the par value of \$25 per Note, the effective yield on such Notes to the purchasers may be less than 6.25%.

Day count basis 360-day year of twelve 30-day months

Issuance date The third trading date following the date of the “at the market” purchase of the Notes.

Stated maturity date June 15, 2024

Date interest starts accruing on December 10, 2015

Existing
Notes

Interest
payment
dates

March 15, June 15, September 15 and December 15, commencing on the first applicable interest payment date following a given purchase of the Notes under this prospectus supplement. The interest payable on each interest payment date will be paid only to holders of record of the Notes at the close of business on the record date immediately preceding the applicable interest payment date. If Notes are purchased after a record date but before the interest payment date immediately following such record date, the applicable interest payment date for such Notes will be the interest payment date after the interest payment date immediately following such record date. Interest payments on the Existing Notes commenced on March 15, 2016. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.

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Interest periods	Interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be. Interest on the Notes will accrue from the most recent interest payment date immediately preceding the date of issuance of the Notes from time to time, except that, if you purchase Notes after a record date (or your settlement of a purchase of Notes otherwise occurs after such record date), your Notes will not accrue interest for the period from such purchase date to the interest payment date immediately following such record date.
Regular record dates for interest	March 1, June 1, September 1 and December 1 of each year, commencing with the first such date to follow a given purchase of the Notes under this prospectus supplement.
Specified currency	U.S. Dollars
Place of payment	New York City
Ranking of Notes	<p>The Notes will be our general, unsecured obligations and will rank equal in right of payment with all of our existing and future, unsecured indebtedness (including, but not limited to, the Existing Notes, our \$167.5 million in aggregate principal amount of 5.5% Convertible Notes due 2016 (the “2016 Notes”), our \$130 million in aggregate principal amount of 5.375% Convertible Notes due 2017 (the “2017 Notes”), our \$200 million aggregate principal amount of 5.75% Convertible Notes due 2018 (the “2018 Notes”), our \$200 million aggregate principal amount of 5.875% Convertible Notes due 2019 (the “2019 Notes”), our \$300 million aggregate principal amount of 5.00% Unsecured Notes due 2019 (the “5.00% 2019 Notes”), our \$392 million aggregate principal amount of 4.75% Convertible Notes due 2020 (the “2020 Notes”), our \$250 million aggregate principal amount of 5.875% Unsecured Notes due 2023 (the “2023 Notes”) and our Prospect Capital InterNot[®] and senior in right of payment to any of our subordinated indebtedness. As a result, the Notes will be effectively subordinated to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries.</p> <p>As of June 22, 2016, together with our subsidiaries, we had approximately \$2.7 billion of unsecured senior indebtedness outstanding and as our credit facility was undrawn, no secured indebtedness outstanding.</p>
Denominations	We will issue the Notes in denominations of \$25 and integral multiples of \$25 in excess thereof.
Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are authorized or required by law or executive order to close.

The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after December 15, 2018 upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of \$25 per Note plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to, but excluding, the date fixed for redemption.

Optional redemption

You may be prevented from exchanging or transferring the Notes when they are subject to a written notice of redemption issued by us even though the Notes are listed for trading on the NYSE. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes.

Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act, to the extent applicable.

If we redeem only some of the Notes, the Trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the 1940 Act, to the extent applicable, and the rules of the NYSE, and any unredeemed Notes will have the same rights and be entitled to the same benefits that the Notes had prior to any such redemption. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

Sinking fund

The Notes will not be subject to any sinking fund (i.e., no amounts will be set aside by us to ensure repayment of the Notes at maturity). As a result, our ability to repay the Notes at maturity will depend on our financial condition on the date that we are required to repay the Notes.

Repayment at option of Holders

Holder will not have the option to have the Notes repaid prior to the stated maturity date unless we undergo a fundamental change (as defined in this prospectus supplement). See “-Fundamental change repurchase right of Holders.”

Defeasance

The Notes are subject to defeasance by us. “Defeasance” means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions noted below, we will be deemed to have been discharged from our obligations under the Notes. We are under no obligation to exercise any such rights of defeasance.

Covenant defeasance

The Notes are subject to covenant defeasance by us. In the event of a “covenant defeasance,” upon depositing such funds and satisfying similar conditions discussed below we would be released from the restrictive covenants under the Indenture relating to the Notes. The consequences to the holders of the Notes is that, while they no longer benefit from the restrictive covenants under the Indenture, and while the Notes may not be accelerated for any reason, the holders of Notes nonetheless are guaranteed to receive the principal and interest owed to them. We are under no obligation to exercise any such rights of covenant defeasance.

Form of Notes

The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company (“DTC”) or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations which are

participants in DTC.

Trustee, Paying
Agent, Registrar
and Transfer Agent U.S. Bank National Association

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Fundamental change repurchase right of Holders	<p>If we undergo a fundamental change (as defined in this prospectus supplement) prior to maturity, you will have the right, at your option, to require us to repurchase for cash some or all of your Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. See “Description of the Notes-Purchase of Notes by Us for Cash at the Option of Holders upon a Fundamental Change.”</p>
Events of default	<p>If an event of default on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the Indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving the Company as defined in the Indenture.</p>
Other covenants	<p>In addition to the covenants described in the prospectus attached to this prospectus supplement, the following covenants shall apply to the Notes:</p> <ul style="list-style-type: none">• We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions.• If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end. All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles.
Global clearance and settlement procedures	<p>Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the Trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.</p>
Governing law	<p>The Notes and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.</p>

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, 2015, 2014, 2013, 2012 and 2011 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 nine month periods ended March 31, 2016 and 2015 has been derived from unaudited financial data. Interim results for the three and nine month periods ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016. 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-14 for more information.

	For the Three Months Ended March 31, 2016		For the Nine Months Ended March 31, 2015		For the Year Ended June 30, 2015				
	2015	2016	2015	2016	2015	2014	2013	2012	2011
(in thousands except data relating to shares, per share and number of portfolio companies)									
Performance Data:									
Interest income	\$ 178,992	\$ 184,993	\$ 556,798	\$ 557,947	\$ 748,974	\$ 613,741	\$ 435,455	\$ 219,536	\$ 134,454
Dividend income	8,301	1,371	25,062	5,607	7,663	26,837	82,705	64,881	15,092
Other income	2,200	4,986	17,075	28,700	34,447	71,713	58,176	36,493	19,930
Total investment income	189,493	191,350	598,935	592,254	791,084	712,291	576,336	320,910	169,476
Interest and credit facility expenses	(41,719)	(42,213)	(125,881)	(127,371)	(170,660)	(130,103)	(76,341)	(38,534)	(17,598)
Investment advisory expense	(52,883)	(55,539)	(165,652)	(169,185)	(225,277)	(198,296)	(151,031)	(82,507)	(46,051)
Other expenses	(7,265)	(6,157)	(27,641)	(22,469)	(32,400)	(26,669)	(24,040)	(13,185)	(11,606)
Total expenses	(101,867)	(103,909)	(319,174)	(319,025)	(428,337)	(355,068)	(251,412)	(134,226)	(75,255)
Net investment income	87,626	87,441	279,761	273,229	362,747	357,223	324,924	186,684	94,221
Realized and unrealized (losses) gains	(12,118)	(5,949)	(271,556)	(21,659)	(16,408)	(38,203)	(104,068)	4,220	24,017
Net (decrease) increase in net assets from operations	\$ 75,508	\$ 81,492	\$ 8,205	\$ 251,570	\$ 346,339	\$ 319,020	\$ 220,856	\$ 190,904	\$ 118,238
Per Share Data:									

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Net increase in net assets from operations(1)	\$0.21	\$0.23	\$0.02	\$0.71	\$0.98	\$1.06	\$1.07	\$1.67	\$1.38
Distributions declared per share	\$(0.25) \$(0.28							