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## Section 1: 8-K (8-K)

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**Date of Report (Date of earliest event reported): February 12, 2020 (February 10, 2020)**

**Prospect Capital Corporation**

(Exact name of registrant as specified in its charter)

**MARYLAND**  
(State or other jurisdiction  
of incorporation)

**814-00659**  
(Commission File Number)

**43-2048643**  
(IRS Employer  
Identification No.)

**10 East 40th Street, 42nd Floor, New York, New York 10016**  
(Address of principal executive offices, including zip code)

**(212) 448-0702**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.



Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u>            | <u>Trading symbol</u> | <u>Name of each exchange on which registered</u> |
|---------------------------------------|-----------------------|--|
| Common Stock, \$0.001 par value       | PSEC                  | NASDAQ Global Select Market                      |
| 6.25% Notes due 2024, par value \$25  | PBB                   | New York Stock Exchange                          |
| 6.25% Notes due 2028, par value \$25  | PBY                   | New York Stock Exchange                          |
| 6.875% Notes due 2029, par value \$25 | PBC                   | New York Stock Exchange                          |

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**Item 2.02. Results of Operations and Financial Condition.**

On February 10, 2020, the registrant issued a press release announcing its financial results for its second fiscal quarter ended December 31, 2019. The text of the press release is included as Exhibit 99.1 to this Form 8-K.

The information disclosed under this Item 2.02, including Exhibit 99.1 hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

**Item 7.01. Regulation FD Disclosure.**

On February 10, 2020, the registrant issued a press release, included herewith as Exhibit 99.1, and by this reference incorporated herein, announcing the declaration of monthly cash distributions to shareholders in the following amounts and with the following record and payment dates:

- \$0.06 per share for February 2020 to February 28, 2020 record holders with March 19, 2020 payment date;
- \$0.06 per share for March 2020 to March 31, 2020 record holders with April 23, 2020 payment date; and
- \$0.06 per share for April 2020 to April 30, 2020 record holders with May 21, 2020 payment date.

The information disclosed under this Item 7.01, including Exhibit 99.1 hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

99.1 Press Release, dated February 10, 2020

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

Prospect Capital Corporation

By: /s/ M. Grier Eliasek

Name: M. Grier Eliasek

Title: Chief Operating Officer

Date: February 12, 2020

Index to Exhibits

| Exhibit Number       | Description  |
|----------------------|--|
| <a href="#">99.1</a> | <a href="#">Press Release, dated February 10, 2020</a> |

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## Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

### Prospect Capital Reports December 2019 Quarterly Results and Declares Additional Monthly Distributions

NEW YORK - (GLOBE NEWSWIRE) - February 10, 2020 - Prospect Capital Corporation (NASDAQ: PSEC) (“Prospect”, “our”, or “we”) today announced financial results for our second fiscal quarter ended December 31, 2019.

| <i>All amounts in \$000's except<br/>per share amounts (on weighted average<br/>basis for period numbers)</i> | <b>Quarter Ended<br/>December 31, 2019</b> | <b>Quarter Ended<br/>September 30, 2019</b> | <b>Quarter Ended<br/>December 31, 2018</b> |
|---|--|---|--|
| Net Investment Income (“NII”)   | \$67,885                                   | \$71,060                                    | \$80,811                                   |
| Interest as % of Total Investment Income  | 86.9%                                      | 90.2%                                       | 84.1%                                      |
| NII per Share   | \$0.18                                     | \$0.19                                      | \$0.22                                     |
| Net Income  | \$(11,203)                                 | \$18,065                                    | \$(67,389)                                 |
| Net Income per Share  | \$(0.03)                                   | \$0.05                                      | \$(0.18)                                   |
| Distributions to Shareholders   | \$66,152                                   | \$66,111                                    | \$65,837                                   |
| Distributions per Share   | \$0.18                                     | \$0.18                                      | \$0.18                                     |
| NII / Distributions to Shareholders   | 103%                                       | 107%  | 123%                                       |
| NAV per Share at Period End   | \$8.66                                     | \$8.87                                      | \$9.02                                     |
| Net of Cash Debt to Equity Ratio  | 64.1%                                      | 66.3%                                       | 75%  |

For the December 2019 quarter, we earned net investment income (“NII”) of \$67.9 million, or \$0.18 per weighted average share, down from the September 2019 quarter by \$0.01 per share. Our ratio of NII to distributions was 103% in the December 2019 quarter.

In the December 2019 quarter, our net of cash debt to equity ratio was 64.1%, down 10.9% from December 2018.

For the December 2019 quarter, our net loss was \$11.2 million, or \$0.03 per weighted average share.

Our net asset value (“NAV”) per share decreased by \$0.21 to \$8.66 during the December 2019 quarter.



| All amounts in \$000's except<br>per share amounts | <b>Six Months Ended<br/>December 31, 2019</b> | <b>Six Months Ended<br/>December 31, 2018</b> |
|--|---|---|
|  |   |   |
| NII  | \$138,945                                     | \$165,970                                     |
| NII per Share                                      | \$0.37  | \$0.45  |
|  |   |   |
| Net Income ("NI")                                  | \$6,862                                       | \$16,406                                      |
| NI per Share                                       | \$0.02  | \$0.04  |
|  |   |   |
| Distributions to Shareholders                      | \$132,263                                     | \$131,531                                     |
| Distributions per Share                            | \$0.36  | \$0.36  |

For the six months ended December 31, 2019, we earned NII of \$138.9 million, or \$0.37 per weighted average share, down \$0.08 from the prior year.

For the six months ended December 31, 2019, we earned NI of \$6.9 million, or \$0.02 per weighted average share, down \$0.02 from the prior year.

## **DISTRIBUTION DECLARATION**

Prospect is declaring distributions as follows:

- \$0.06 per share for February 2020 to February 28, 2020 record holders with March 19, 2020 payment date;
- \$0.06 per share for March 2020 to March 31, 2020 record holders with April 23, 2020 payment date; and
- \$0.06 per share for April 2020 to April 30, 2020 record holders with May 21, 2020 payment date.

These distributions are Prospect's 139<sup>th</sup>, 140<sup>th</sup>, and 141<sup>st</sup> consecutive cash distributions to shareholders.

Based on the declarations above, Prospect's closing stock price of \$6.56 at February 7, 2020 delivers to shareholders a distribution yield of 11.0%.

Based on past distributions and our current share count for declared distributions, Prospect since inception through our April 2020 distribution will have distributed \$17.88 per share to original shareholders, aggregating \$3.0 billion in cumulative distributions to all shareholders.

Prospect expects to declare May 2020, June 2020, July 2020, and August 2020 distributions in May 2020.

**PORTFOLIO AND INVESTMENT ACTIVITY**

| All amounts in \$000's except<br>per unit amounts                  | <b>As of<br/>December 31, 2019</b> | <b>As of<br/>September 30, 2019</b> | <b>As of<br/>June 30, 2019</b> |
|--|------------------------------------|-------------------------------------|--------------------------------|
| Total Investments (at fair value)                                  | \$5,268,545                        | \$5,450,560                         | \$5,653,553                    |
| Number of Portfolio Companies                                      | 120                                | 125                                 | 135                            |
| % Controlled Investments (at fair value)                           | 45.8%                              | 44.0%                               | 43.8%                          |
| Secured First Lien   | 41.5%                              | 43.3%                               | 43.9%                          |
| Secured Second Lien  | 24.7%                              | 23.1%                               | 23.5%                          |
| Subordinated Structured Notes                                      | 15.0%                              | 15.0%                               | 15.1%                          |
| Unsecured and Other Debt   | 0.9%                               | 1.8%                                | 1.4%                           |
| Equity Investments   | 17.9%                              | 16.8%                               | 16.1%                          |
| Annualized Current Yield - All Investments                         | 10.3%                              | 10.2%                               | 10.6%                          |
| Annualized Current Yield - Performing Interest Bearing Investments | 12.8%                              | 12.7%                               | 13.1%                          |
| Top Industry Concentration <sup>(1)</sup>                          | 16.8%                              | 15.7%                               | 14.6%                          |
| Energy Industry Concentration <sup>(1)</sup>                       | 2.2%                               | 2.7%                                | 2.7%                           |
| Non-Accrual Loans as % of Total Assets <sup>(2)</sup>              | 1.6%                               | 2.4%                                | 2.9%                           |
| Weighted Average Portfolio Net Leverage <sup>(3)</sup>             | 4.75x                              | 4.69x                               | 4.67x                          |
| Weighted Average Portfolio EBITDA <sup>(3)</sup>                   | \$69,541                           | \$62,006                            | \$60,669                       |

(1) Excluding our underlying industry-diversified structured credit portfolio.

(2) Calculated at fair value.

(3) For additional disclosure see “Weighted Average Portfolio EBITDA and Net Leverage” at the end of this release.

During the December 31, 2019 and September 30, 2019 quarters, our investment origination and repayment activity was as follows:

| <i>All amounts in \$000's</i>   | <b>Quarter Ended<br/>December 31, 2019</b> | <b>Quarter Ended<br/>September 30, 2019</b> |
|---------------------------------|--|---|
|                                 |  |   |
| Total Originations              | \$326,636                                  | \$94,540                                    |
|                                 |  |   |
| Non-Agented Debt                | 43.7%                                      | 6.3%  |
| Corporate Yield Buyouts         | 31.7%                                      | 79%   |
| Rated Secured Structured Notes  | 19.9%                                      | 7%  |
| Agented Sponsor Debt            | 4.7%                                       | 7.7%  |
| Total Repayments                | \$431,514                                  | \$245,173                                   |
|                                 |  |   |
| Originations, Net of Repayments | \$(104,878)                                | \$(150,633)                                 |

We have invested in structured credit investments benefiting from individual standalone financings non-recourse to Prospect and with our risk limited in each case to our net investment amount. At December 31, 2019 and September 30, 2019, our subordinated structured note portfolio at fair value consisted of the following:

| <i>All amounts in \$000's except<br/>per unit amounts</i> | <b>As of<br/>December 31, 2019</b> | <b>As of<br/>September 30, 2019</b> |
|---|------------------------------------|-------------------------------------|
| Total Subordinated Structured Notes                       | \$791,459                          | \$818,268                           |
| # of Investments  | 39                                 | 39                                  |
| TTM Average Cash Yield <sup>(1)(2)</sup>                  | 16.4%                              | 17.6%                               |
| Annualized Cash Yield <sup>(1)(2)</sup>                   | 16.6%                              | 17.4%                               |
| Annualized GAAP Yield on Fair Value <sup>(1)(2)</sup>     | 14.6%                              | 15.5%                               |
| Annualized GAAP Yield on Amortized Cost <sup>(2)(3)</sup> | 10.5%                              | 11.6%                               |
| Cumulative Cash Distributions <sup>(4)</sup>              | \$1,156,422                        | \$1,123,631                         |
| % of Original Investment                                  | 82.8%                              | 80.5%                               |
| # of Underlying Collateral Loans                          | 1,707                              | 1,738                               |
| Total Asset Base of Underlying Portfolio                  | \$17,954,503                       | \$18,133,692                        |
| Prospect TTM Default Rate                                 | 0.51%                              | 0.4%                                |
| Broadly Syndicated Market TTM Default Rate                | 1.39%                              | 1.29%                               |
| Prospect Default Rate Outperformance vs. Market           | 0.88%                              | 0.89%                               |

- (1) Calculation based on fair value.
- (2) Excludes deals being redeemed.
- (3) Calculation based on amortized cost.

To date, including called deals being liquidated, we have exited nine subordinated structured notes totaling \$263.4 million with an expected pooled average realized IRR of 16.7% and cash on cash multiple of 1.48 times.

Since December 31, 2017 through today, 26 of our structured credit investments have completed multi-year extensions of their reinvestment periods (typically at reduced liability spreads). We believe further optionality upside exists in our structured credit portfolio through additional refinancings and reinvestment period extensions.

To date during the December 2019 quarter, we have completed new and follow-on investments as follows:

|                                 | <b>Quarter Ended<br/>March 31, 2020</b> |
|---------------------------------|---|
| <i>All amounts in \$000's</i>   |   |
| Total Originations              | \$322,342                               |
| Real Estate                     | 77.4%                                   |
| Non-Agented Debt                | 15.5%                                   |
| Agented Sponsor Debt            | 7.1%                                    |
| Total Repayments                | \$77,818                                |
| Originations, Net of Repayments | \$244,524                               |

## LIQUIDITY AND FINANCIAL RESULTS

| <i>All amounts in \$000's</i>    | <b>As of<br/>December 31, 2019</b> | <b>As of<br/>September 30, 2019</b> | <b>As of<br/>December 31, 2018</b> |
|----------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| Net of Cash Debt to Equity Ratio | 64.1%                              | 66.3%                               | 75.0%                              |
| % of Assets at Floating Rates    | 86.3%                              | 86.9%                               | 88.2%                              |
| % of Liabilities at Fixed Rates  | 95.8%                              | 95.2%                               | 88.5%                              |
| Unencumbered Assets              | \$3,943,616                        | \$4,019,805                         | \$4,322,091                        |
| % of Total Assets                | 72.6%                              | 72.0%                               | 72.4%                              |

The below table summarizes our December 2019 quarter issuance and repurchase activity:

| <i>All amounts in \$000's</i> | <b>Principal</b> | <b>Rate</b>   | <b>Maturity</b>           |
|-------------------------------|------------------|---------------|---------------------------|
| <b>Debt Issuances</b>         |                  |               |                           |
| Prospect Capital InterNotes®  | \$62,943         | 3.75% -4.50%  | October 2024-January 2030 |
| <b>Repurchases</b>            |                  |               |                           |
| 2020 Notes                    | \$2,532          | 4.75%         | April 2020                |
| 2022 Notes                    | \$36,373         | 4.95%         | July 2022                 |
| Prospect Capital InterNotes®  | \$96,208         | 4.00% - 6.85% | April 2022-August 2023    |

On September 9, 2019, we completed an amendment of our existing revolving credit facility (the "Facility") for Prospect Capital Funding, extending the term 5.0 years from such date. Pricing for amounts drawn under the Facility is one-month Libor plus 2.20%.

\$1.0775 billion of Facility commitments have closed to date with 30 institutional lenders (representing one of the largest and most diversified bank groups in our industry). An accordion feature allows the Facility, at Prospect's discretion, to accept up to \$1.5 billion of commitments. The Facility matures September 9, 2024. The Facility includes a revolving period that extends through September 9, 2023, followed by an additional one-year amortization period, with distributions allowed to Prospect after the completion of the revolving period.

On June 28, 2019, we commenced a tender offer to purchase \$224.1 million of our convertible notes that mature in April 2020 (“2020 Notes”). On July 27, 2019, \$32.9 million was validly tendered and accepted, representing 14.7% of the outstanding notes. On August 12, 2019, we commenced a tender offer to purchase up to \$60.0 million of the 2020 Notes. On September 10, 2019, \$13.6 million was validly tendered and accepted, representing 7.1% of the outstanding notes. On September 24, 2019, we commenced a tender offer to purchase up to \$40.0 million of the 2020 Notes. On October 23, 2019, \$2.1 million was validly tendered and accepted, representing 1.2% of the outstanding notes.

On November 7, 2019, we commenced a tender offer to purchase up to \$10.0 million of the 2020 Notes. On December 7, 2019, \$0.4 million was validly tendered and accepted, representing 0.2% of the outstanding notes. On December 23, 2019, we commenced a tender offer to purchase up to \$10.0 million of the 2020 Notes. On January 23, 2020, \$2.2 million was validly tendered and accepted, representing 1.3% of the outstanding notes.

On November 7, 2019, we commenced a tender offer to purchase up to \$50.0 million of our convertible notes that mature in July 2022 (“2022 Notes”). On December 6, 2019, \$13.4 million was validly tendered and accepted, representing 4.4% of the outstanding notes. On December 23, 2019, we commenced a tender offer to purchase up to \$25.0 million of the 2022 Notes. On January 23, 2020, \$1.3 million was validly tendered and accepted, representing 0.5% of the outstanding notes.

We currently have eight separate unsecured debt issuances aggregating \$1.5 billion outstanding, not including our program notes, with laddered maturities extending to June 2029. At December 31, 2019, \$622.4 million of program notes were outstanding with laddered maturities through October 2043.

#### **EARNINGS CONFERENCE CALL**

Prospect will host an earnings call on **Thursday February 11, 2020 at 11:00 am**. Eastern Time. Dial **888-338-7333**. For a replay prior to March 13, 2020 visit [www.prospectstreet.com](http://www.prospectstreet.com) or call 877-344-7529 with passcode 10139220.

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**  
(in thousands, except share and per share data)

|  | <b>December 31, 2019</b> | <b>June 30, 2019</b> |
|--|--------------------------|----------------------|
|  | (Unaudited)              | (Audited)            |
| <b>Assets</b>  |                          |                      |
| Investments at fair value:   |                          |                      |
| Control investments (amortized cost of \$2,397,025 and \$2,385,806, respectively)  | \$ 2,412,260             | \$ 2,475,924         |
| Affiliate investments (amortized cost of \$158,295 and \$177,616, respectively)  | 87,623                   | 76,682               |
| Non-control/non-affiliate investments (amortized cost of \$3,118,324 and \$3,368,880, respectively)  | 2,768,662                | 3,100,947            |
| Total investments at fair value (amortized cost of \$5,673,644 and \$5,932,302, respectively)  | 5,268,545                | 5,653,553            |
| Cash   | 137,867                  | 107,098              |
| Receivables for:   |                          |                      |
| Interest, net  | 11,872                   | 26,504               |
| Other  | 159                      | 3,326                |
| Deferred financing costs on Revolving Credit Facility  | 10,232                   | 8,529                |
| Due from broker  | 3,140                    | —                    |
| Prepaid expenses   | 478                      | 1,053                |
| <b>Total Assets</b>  | <b>5,432,293</b>         | <b>5,800,063</b>     |
| <b>Liabilities</b>   |                          |                      |
| Revolving Credit Facility  | 92,000                   | 167,000              |
| Public Notes (less unamortized discount and debt issuance costs of \$12,796 and \$13,826, respectively)  | 781,578                  | 780,548              |
| Convertible Notes (less unamortized debt issuance costs of \$11,310 and \$13,867, respectively)  | 657,104                  | 739,997              |
| Prospect Capital InterNotes® (less unamortized debt issuance costs of \$12,457 and \$12,349, respectively)   | 609,952                  | 695,350              |
| Due to Prospect Capital Management   | 44,515                   | 46,525               |
| Interest payable   | 30,837                   | 34,104               |
| Dividends payable  | 22,055                   | 22,028               |
| Accrued expenses   | 6,213                    | 5,414                |
| Due to Prospect Administration   | 2,929                    | 1,885                |
| Other liabilities  | 1,245                    | 937                  |
| <b>Total Liabilities</b>   | <b>2,248,428</b>         | <b>2,493,788</b>     |
| Commitments and Contingencies  |                          |                      |
| <b>Net Assets</b>  | <b>\$ 3,183,865</b>      | <b>\$ 3,306,275</b>  |
| <b>Components of Net Assets</b>  |                          |                      |
| Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 367,584,244 and 367,131,025 issued and outstanding, respectively) | \$ 367                   | \$ 367               |
| Paid-in capital in excess of par   | 4,042,785                | 4,039,872            |
| Total distributable earnings (loss)  | (859,287)                | (733,964)            |
| <b>Net Assets</b>  | <b>\$ 3,183,865</b>      | <b>\$ 3,306,275</b>  |
| <b>Net Asset Value Per Share</b>   | <b>\$ 8.66</b>           | <b>\$ 9.01</b>       |



**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share data)

|  | Three Months Ended<br>December 31, |             | Six Months Ended December<br>31, |            |
|--|------------------------------------|-------------|----------------------------------|------------|
|  | 2019                               | 2018        | 2019                             | 2018       |
| <b>Investment Income</b>   |                                    |             |                                  |            |
| Interest income:   |                                    |             |                                  |            |
| Control investments  | \$ 49,602                          | \$ 53,674   | \$ 100,468                       | \$ 110,128 |
| Affiliate investments  | 2,463                              | 174         | 2,702                            | 401        |
| Non-control/non-affiliate investments  | 59,152                             | 68,679      | 121,102                          | 137,288    |
| Structured credit securities   | 29,442                             | 35,467      | 62,343                           | 69,619     |
| Total interest income  | 140,659                            | 157,994     | 286,615                          | 317,436    |
| Dividend income:   |                                    |             |                                  |            |
| Control investments  | 3,268                              | 13,000      | 7,068                            | 27,665     |
| Non-control/non-affiliate investments  | 241                                | 266         | 695                              | 528        |
| Total dividend income  | 3,509                              | 13,266      | 7,763                            | 28,193     |
| Other income:  |                                    |             |                                  |            |
| Control investments  | 13,189                             | 15,741      | 24,572                           | 18,532     |
| Non-control/non-affiliate investments  | 4,560                              | 882         | 4,850                            | 4,144      |
| Total other income   | 17,749                             | 16,623      | 29,422                           | 22,676     |
| <b>Total Investment Income</b>   | 161,917                            | 187,883     | 323,800                          | 368,305    |
| <b>Operating Expenses</b>  |                                    |             |                                  |            |
| Base management fee  | 27,543                             | 33,187      | 56,006                           | 63,144     |
| Income incentive fee   | 16,971                             | 20,203      | 34,736                           | 41,493     |
| Interest and credit facility expenses  | 37,059                             | 40,656      | 75,957                           | 78,564     |
| Allocation of overhead from Prospect Administration                              | 6,011                              | 5,642       | 9,505                            | 9,007      |
| Audit, compliance and tax related fees   | 1,933                              | 2,389       | 2,308                            | 2,782      |
| Directors' fees  | 113                                | 150         | 226                              | 229        |
| Other general and administrative expenses  | 4,402                              | 4,845       | 6,117                            | 7,116      |
| <b>Total Operating Expenses</b>  | 94,032                             | 107,072     | 184,855                          | 202,335    |
| <b>Net Investment Income</b>   | 67,885                             | 80,811      | 138,945                          | 165,970    |
| <b>Net Realized and Net Change in Unrealized Gains (Losses) from Investments</b> |                                    |             |                                  |            |
| Net realized gains (losses)  |                                    |             |                                  |            |
| Control investments  | —                                  | 2,801       | —                                | 2,802      |
| Non-control/non-affiliate investments  | 1,909                              | 192         | (289)                            | 1,232      |
| Net realized gains (losses)  | 1,909                              | 2,993       | (289)                            | 4,034      |
| Net change in unrealized (losses) gains  |                                    |             |                                  |            |
| Control investments  | (35,863)                           | (85,733)    | (74,884)                         | (33,815)   |
| Affiliate investments  | 12,242                             | (5,894)     | 30,262                           | (19,649)   |
| Non-control/non-affiliate investments  | (54,271)                           | (59,069)    | (81,729)                         | (96,183)   |
| Net change in unrealized (losses) gains  | (77,892)                           | (150,696)   | (126,351)                        | (149,647)  |
| <b>Net Realized and Net Change in Unrealized (Losses) Gains from Investments</b> | (75,983)                           | (147,703)   | (126,640)                        | (145,613)  |
| Net realized losses on extinguishment of debt                                    | (3,105)                            | (497)       | (5,443)                          | (3,951)    |
| <b>Net (Decrease) Increase in Net Assets Resulting from Operations</b>           | \$ (11,203)                        | \$ (67,389) | \$ 6,862                         | \$ 16,406  |
| Net (decrease) increase in net assets resulting from operations per share        | \$ (0.03)                          | \$ (0.18)   | \$ 0.02                          | \$ 0.04    |
| Dividends declared per share   | \$ (0.18)                          | \$ (0.18)   | \$ (0.36)                        | \$ (0.36)  |

**PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES**  
**ROLLFORWARD OF NET ASSET VALUE PER SHARE**  
(in actual dollars)

|   | Three Months Ended |                | Six Months Ended |                |
|---|--------------------|----------------|------------------|----------------|
|   | December 31,       |                | December 31,     |                |
|   | 2019               | 2018           | 2019             | 2018           |
| <b>Per Share Data</b>                                   |                    |                |                  |                |
| Net asset value at beginning of period                  | \$ 8.87            | \$ 9.39        | \$ 9.01          | \$ 9.35        |
| Net investment income(1)                                | 0.18               | 0.22           | 0.37             | 0.45           |
| Net realized and change in unrealized (losses) gains(1) | (0.21)             | (0.40)         | (0.35)           | (0.41)         |
| Distributions of net investment income                  | (0.18)             | (0.18)         | (0.36)           | (0.36)         |
| Common stock transactions(2)(3)                         | —                  | (0.01)         | (0.01)           | (0.01)         |
| Net asset value at end of period                        | <u>\$ 8.66</u>     | <u>\$ 9.02</u> | <u>\$ 8.66</u>   | <u>\$ 9.02</u> |

- (1) Per share data amount is based on the weighted average number of common shares outstanding for the period presented (except for dividends to shareholders which is based on actual rate per share).
- (2) Common stock transactions include the effect of issuances and repurchases of common stock, if any.
- (3) Amount is less than \$0.01.

**WEIGHTED AVERAGE PORTFOLIO EBITDA AND NET LEVERAGE**

Weighted Average Portfolio Net Leverage (“Portfolio Net Leverage”) and Weighted Average Portfolio EBITDA (“Portfolio EBITDA”) provide clarity into the underlying capital structure of our portfolio debt investments and the likelihood that our overall portfolio will make interest payments and repay principal.

Portfolio Net Leverage reflects the net leverage of each of our portfolio company debt investments, weighted based on the current debt principal outstanding of such investments. The net leverage for each portfolio company is calculated based on our investment in the capital structure of such portfolio company, with a maximum limit of 10.0x adjusted EBITDA. This calculation excludes debt subordinate to our position within the capital structure because our exposure to interest payment and principal repayment risk is limited beyond that point. Additionally, structured credit residual interests and equity investments, for which principal repayment is not fixed, are also not included in the calculation. The calculation does not exceed 10.0x adjusted EBITDA for any individual investment because 10.0x captures the highest level of risk to us. Portfolio Net Leverage provides us with some guidance as to our exposure to the interest payment and principal repayment risk of our overall debt portfolio. We monitor our Portfolio Net Leverage on a quarterly basis.

Portfolio EBITDA is used by Prospect to supplement Portfolio Net Leverage and generally indicates a portfolio company’s ability to make interest payments and repay principal. Portfolio EBITDA is calculated using the weighted average dollar amount EBITDA of each of our portfolio company debt investments. The calculation provides us with insight into profitability and scale of the portfolio companies within our overall debt investments.

These calculations include addbacks that are typically negotiated and documented in the applicable investment documents, including but not limited to transaction costs, share-based compensation, management fees, foreign currency translation adjustments and other nonrecurring transaction expenses.

Together, Portfolio Net Leverage and Portfolio EBITDA assist us in assessing the likelihood that we will timely receive interest and principal payments. However, these calculations are not meant to substitute for an analysis of our underlying portfolio company debt investments, but to supplement such analysis.

## ABOUT PROSPECT CAPITAL CORPORATION

Prospect Capital Corporation ([www.prospectstreet.com](http://www.prospectstreet.com)) is a business development company that focuses on lending to and investing in private businesses. Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments.

We have elected to be treated as a business development company under the Investment Company Act of 1940 (“1940 Act”). We are required to comply with regulatory requirements under the 1940 Act as well as applicable NASDAQ, federal and state rules and regulations. We have elected to be treated as a regulated investment company under the Internal Revenue Code of 1986.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, whose safe harbor for forward-looking statements does not apply to business development companies. Any such statements, other than statements of historical fact, are highly likely to be affected by other unknowable future events and conditions, including elements of the future that are or are not under our control, and that we may or may not have considered; accordingly, such statements cannot be guarantees or assurances of any aspect of future performance. Actual developments and results are highly likely to vary materially from any forward-looking statements. Such statements speak only as of the time when made. We undertake no obligation to update any such statement now or in the future.

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