

PROSPECT CAPITAL CORP

Form 10-Q

November 06, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 814-00659

PROSPECT CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

Maryland 43-2048643

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

10 East 40th Street, 42nd Floor

New York, New York 10016

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212)

448-0702

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock Outstanding at November 6, 2018

\$0.001 par value 365,480,989

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FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results—are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when 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, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended June 30, 2018, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

PART I

Item 1. Financial Statements

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

	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
Assets		
Investments at fair value:		
Control investments (amortized cost of \$2,331,620 and \$2,300,526, respectively)	\$ 2,487,337	\$2,404,326
Affiliate investments (amortized cost of \$175,235 and \$55,637, respectively)	95,993	58,436
Non-control/non-affiliate investments (amortized cost of \$3,532,959 and \$3,475,295, respectively)	3,353,353	3,264,517
Total investments at fair value (amortized cost of \$6,039,814 and \$5,831,458, respectively)	5,936,683	5,727,279
Cash	120,052	83,758
Receivables for:		
Interest, net	23,516	19,783
Other	1,359	1,867
Due from broker (Note 6)	102,834	3,029
Deferred financing costs on Revolving Credit Facility (Note 4)	8,202	2,032
Due from Affiliate (Note 13)	5,888	88
Prepaid expenses	948	984
Total Assets	6,199,482	5,838,820
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	404,000	37,000
Convertible Notes (less unamortized debt issuance costs of \$12,009 and \$13,074, respectively) (Notes 5 and 8)	810,138	809,073
Prospect Capital InterNotes® (less unamortized debt issuance costs of \$11,875 and \$11,998, respectively) (Notes 7 and 8)	757,012	748,926
Public Notes (less unamortized discount and debt issuance costs of \$12,219 and \$11,007, respectively) (Notes 6 and 8)	687,706	716,810
Due to Prospect Capital Management (Note 13)	51,327	49,045
Interest payable	27,365	33,741
Dividends payable	21,914	21,865
Due to broker	—	6,159
Accrued expenses	4,535	5,426
Due to Prospect Administration (Note 13)	2,396	2,212
Other liabilities	2,145	1,516
Total Liabilities	2,768,538	2,431,773
Commitments and Contingencies (Note 3)	—	—
Net Assets	\$ 3,430,944	\$3,407,047
Components of Net Assets		
Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 365,225,139 and 364,409,938 issued and outstanding, respectively) (Note 9)	\$ 365	\$364
Paid-in capital in excess of par (Note 9)	4,027,305	4,021,541

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Accumulated overdistributed net investment income	(25,689) (45,186)
Accumulated net realized loss	(467,906) (465,493)
Net unrealized loss	(103,131	) (104,179)
Net Assets	\$ 3,430,944	\$ 3,407,047	
Net Asset Value Per Share (Note 16)	\$ 9.39	\$ 9.35	

See notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2018	2017
Investment Income		
Interest income:		
Control investments	\$56,454	\$46,030
Affiliate investments	227	205
Non-control/non-affiliate investments	68,609	72,430
Structured credit securities	34,152	29,420
Total interest income	159,442	148,085
Dividend income:		
Control investments	14,665	—
Non-control/non-affiliate investments	262	544
Total dividend income	14,927	544
Other income:		
Control investments	2,791	2,091
Non-control/non-affiliate investments	3,262	7,859
Total other income (Note 10)	6,053	9,950
Total Investment Income	180,422	158,579
Operating Expenses		
Base management fee (Note 13)	29,957	30,163
Income incentive fee (Note 13)	21,290	15,933
Interest and credit facility expenses	37,908	41,035
Allocation of overhead from Prospect Administration (Note 13)	3,365	3,528
Audit, compliance and tax related fees	393	1,088
Directors' fees	79	113
Other general and administrative expenses	2,271	2,987
Total Operating Expenses	95,263	94,847
Net Investment Income	85,159	63,732
Net Realized and Net Change in Unrealized Gains (Losses) from Investments		
Net realized gains		
Control investments	1	9
Affiliate investments	—	846
Non-control/non-affiliate investments	1,040	582
Net realized gains	1,041	1,437
Net change in unrealized gains (losses)		
Control investments	51,918	1,093
Affiliate investments	(13,755)	5,193
Non-control/non-affiliate investments	(37,114)	(59,037)
Net change in unrealized gains (losses)	1,049	(52,751)
Net Realized and Net Change in Unrealized Gains (Losses) from Investments	2,090	(51,314)
Net realized losses on extinguishment of debt	(3,454)	(445)
Net Increase in Net Assets Resulting from Operations	\$83,795	\$11,973
Net increase in net assets resulting from operations per share	\$0.23	\$0.03
Dividends declared per share	\$(0.18)	\$(0.23)

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except share data)

(Unaudited)

	Three Months Ended September 30,	
	2018	2017
Operations		
Net investment income	\$85,159	\$63,732
Net realized (losses) gains	(2,413	) 992
Net change in net unrealized gains (losses)	1,049	(52,751)
Net Increase in Net Assets Resulting from Operations	83,795	11,973
Distributions to Shareholders		
Distribution from net investment income	(65,693	) (81,647)
Net Decrease in Net Assets Resulting from Distributions to Shareholders	(65,693	) (81,647)
Common Stock Transactions		
Value of shares issued through reinvestment of dividends	5,795	1,713
Net Increase in Net Assets Resulting from Common Stock Transactions	5,795	1,713
Total Increase (Decrease) in Net Assets	23,897	(67,961)
Net assets at beginning of period	3,407,047	3,354,952
Net Assets at End of Period (Accumulated Overdistributed Net Investment Income of \$25,689 and \$72,726, respectively)	\$3,430,944	\$3,286,991
Common Stock Activity		
Shares issued through reinvestment of dividends	815,201	233,489
Shares issued and outstanding at beginning of period	364,409,938	360,076,933
Shares Issued and Outstanding at End of Period	365,225,139	360,310,422

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data)
(Unaudited)

	Three Months Ended September 30,	
	2018	2017
Operating Activities		
Net increase in net assets resulting from operations	\$83,795	\$11,973
Net realized losses on extinguishment of debt	3,454	445
Net realized gains on investments	(1,041)	(1,437)
Net change in net unrealized (gains) losses on investments	(1,049)	52,751
Amortization of discounts and (accretion of premiums), net	(7,839)	11,133
Accretion of discount on Public Notes (Note 6)	131	69
Amortization of deferred financing costs	2,716	3,166
Payment-in-kind interest	(9,325)	(1,980)
Structuring fees	(2,854)	(2,285)
Change in operating assets and liabilities:		
Payments for purchases of investments	(242,463)	(217,886)
Proceeds from sale of investments and collection of investment principal	55,166	310,894
Decrease in due to broker	(6,159)	(47,416)
Increase (Decrease) in due to Prospect Capital Management	2,282	(1,936)
Increase in interest receivable, net	(3,733)	(11,714)
Decrease in interest payable	(6,376)	(5,306)
Decrease in accrued expenses	(891)	(1,093)
Increase in due from broker	(99,805)	—
Increase in other liabilities	629	614
Decrease (Increase) in other receivables	508	(174)
Increase in due from Prospect Administration	—	(12)
Increase in due from affiliate	(5,800)	(4)
Decrease in prepaid expenses	36	144
Increase in due to Prospect Administration	184	—
Net Cash (Used in) Provided by Operating Activities	(238,434)	99,946
Financing Activities		
Borrowings under Revolving Credit Facility (Note 4)	436,000	—
Principal payments under Revolving Credit Facility (Note 4)	(69,000)	—
Issuances of Public Notes, net of original issue discount (Note 6)	125,644	—
Redemptions of Public Notes (Note 6)	(153,536)	—
Issuances of Prospect Capital InterNotes® (Note 7)	39,757	27,402
Redemptions of Prospect Capital InterNotes®, net (Note 7)	(31,794)	(91,864)
Financing costs paid and deferred	(12,494)	(729)
Dividends paid	(59,849)	(88,321)
Net Cash Provided by (Used in) Financing Activities	274,728	(153,512)
Net Increase (Decrease) in Cash	36,294	(53,566)
Cash at beginning of period	83,758	318,083
Cash at End of Period	\$120,052	\$264,517
Supplemental Disclosures		
Cash paid for interest	\$41,437	\$43,106
Non-Cash Financing Activities		

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Value of shares issued through reinvestment of dividends	\$5,795	\$1,713
Cost basis of investments written off as worthless	\$—	\$310

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	September 30, 2018 (Unaudited)				
			Acquisition Date	Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(47)							
CCPI Inc.(19)	Electronic Equipment, Instruments & Components	Senior Secured Term Loan A (10.00%, due 12/31/2020)(3)	12/13/2012	\$2,825	\$2,825	\$2,825	0.1%
		Senior Secured Term Loan B (12.00% plus 7.00% PIK, due 12/31/2020)(3)(46)	12/13/2012	17,651	17,651	17,651	0.5%
		Common Stock (14,857 shares)(16)	12/13/2012		6,759	14,213	0.4%
					27,235	34,689	1.0%
CP Energy Services Inc.(20)	Energy Equipment & Services	Senior Secured Term Loan (13.34% (LIBOR + 11.00% with 1.00% LIBOR floor), due 12/29/2022)(11)	12/29/2017	35,048	35,048	35,048	1.0%
		Series B Convertible Preferred Stock (16.00%, 790 shares)(16)	10/30/2015		63,225	63,225	1.9%
		Common Stock (102,924 shares)(16)	8/2/2013		81,203	44,367	1.3%
					179,476	142,640	4.2%
Credit Central Loan Company, LLC(21)	Consumer Finance	Subordinated Term Loan (10.00% plus 10.00% PIK, due 6/26/2024)(14)(46)	6/24/2014	51,855	48,345	51,855	1.5%
		Class A Units (10,640,642 units)(14)(16)	6/24/2014		13,731	17,477	0.5%
		Net Revenues Interest (25% of Net Revenues)(14)(16)	1/28/2015		—	1,256	0.1%
					62,076	70,588	2.1%
Echelon Transportation, LLC (f/k/a Echelon Aviation, LLC)	Aerospace & Defense	Senior Secured Term Loan (11.83% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(13)(46)	3/31/2014	32,211	32,211	32,211	0.9%
		Senior Secured Term Loan (11.08% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.00% PIK, due 12/7/2024)(13)(46)	12/9/2016	17,012	17,012	17,012	0.5%
		Membership Interest (100%)(16)	3/31/2014		22,738	38,152	1.1%

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				71,961	87,375	2.5%	
First Tower Finance Company LLC(23)	Consumer Finance	Subordinated Term Loan to First Tower, LLC (10.00% plus 10.00% PIK, due 6/24/2019)(14)(46)	6/24/2014	272,170	272,170	7.9%	
		Class A Units (95,709,910 units)(14)(16)	6/24/2014	81,146	173,571	5.1%	
				353,316	445,741	13.0%	
Freedom Marine Solutions, LLC(24)	Energy Equipment & Services	Membership Interest (100%)(16)	10/1/2009	43,592	14,600	0.4%	
				43,592	14,600	0.4%	
		Senior Secured Term Loan A (7.74% (LIBOR + 5.50% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/3/2012	77,994	77,994	2.3%	
		Senior Secured Term Loan B (16.00% PIK, due 9/5/2020)(13)(46)	8/3/2012	103,090	103,090	3.0%	
InterDent, Inc. (52)	Health Care Providers & Services	Senior Secured Term Loan A/B (2.49% (LIBOR + 0.25% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/1/2018	14,000	14,000	0.4%	
		Senior Secured Term Loan C (18.00% PIK, due 9/5/2020)(46)	3/22/2018	35,766	35,766	25,215	0.7%
		Senior Secured Term Loan D (1.00% PIK, due 9/5/2020)(46)	9/19/2018	5,001	5,001	—	—%
		Warrants (to purchase 99,900 shares of Common Stock, expires 9/19/2030)(16)	2/23/2018	—	—	—	—%
				235,851	220,299	6.4%	

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(47)							
MITY, Inc.(25)	Commercial Services & Supplies	Senior Secured Note A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 1/30/2020)(3)(11)	9/19/2013	\$26,250	\$26,250	\$26,250	0.8%
		Senior Secured Note B (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 1/30/2020)(3)(11)(46)	6/23/2014	24,652	24,652	24,652	0.7%
		Subordinated Unsecured Note to Broda Enterprises ULC (10.00%, due on demand)(14)	9/19/2013	5,702	7,200	5,702	0.2%
		Common Stock (42,053 shares)(16)	9/19/2013		6,849	1,121	—%
					64,951	57,725	1.7%
National Property REIT Corp.(26)	Equity Real Estate Investment Trusts (REITs) / Online Lending	Senior Secured Term Loan A (6.39% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 10.50% PIK, due 4/1/2019)(11)(46)	4/1/2014	293,203	293,203	293,203	8.5%
		Senior Secured Term Loan E (11.39% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.50% PIK, due 4/1/2019)(11)(46)	4/1/2014	217,960	217,960	217,960	6.4%
		Common Stock (3,102,279 shares)	12/31/2013		317,809	453,313	13.2%
		Net Operating Income Interest (5% of Net Operating Income)	12/31/2013		—	107,487	3.1%
					828,972	1,071,963	31.2%
Nationwide Loan Company LLC(27)	Consumer Finance	Senior Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2019)(14)(46)	6/18/2014	17,410	17,410	17,410	0.5%
		Class A Units (32,456,159 units)(14)	1/31/2013		21,962	15,307	0.4%
					39,372	32,717	0.9%

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		Senior Secured Note (14.00%, due 5/6/2021)(3)	5/6/2011	3,714	3,714	3,714	0.1%
NMMB, Inc.(28)	Media	Senior Secured Note to Armed Forces Communications, Inc. (14.00%, due 5/6/2021)(3)	6/12/2014	3,900	3,900	3,900	0.1%
		Series A Preferred Stock (7,200 shares)(16)	12/12/2013		7,200	6,971	0.2%
		Series B Preferred Stock (5,669 shares)(16)	12/12/2013		5,669	5,489	0.2%
					20,483	20,074	0.6%
		Revolving Line of Credit – \$26,000 Commitment (9.46% (LIBOR + 7.25% with 1.00% LIBOR floor), due 9/26/2020)(13)(15)	9/26/2014	20,825	20,825	20,825	0.6%
Pacific World Corporation(40)	Personal Products	Senior Secured Term Loan A (7.46% (LIBOR + 5.25% with 1.00% LIBOR floor), due 9/26/2020)(13)	12/31/2014	96,000	96,000	96,000	2.8%
		Senior Secured Term Loan B (11.46% PIK (LIBOR + 9.25% with 1.00% LIBOR floor), in non-accrual status effective 5/21/2018, due 9/26/2020)(13)	12/31/2014	99,166	96,500	47,333	1.4%
		Convertible Preferred Equity (100,000 shares)(16)	6/15/2018		15,000	—	—%
		Common Stock (6,778,414 shares)(16)	9/29/2017		—	—	—%
					228,325	164,158	4.8%
R-V Industries, Inc.	Machinery	Senior Subordinated Note (11.39% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/31/2022)(3)(11)	6/12/2013	28,622	28,622	24,782	0.7%
		Common Stock (745,107 shares)(16)	6/26/2007		6,866	—	—%
					35,488	24,782	0.7%
SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)(29)	Energy Equipment & Services	Series A Convertible Preferred Stock (99,900 shares)(16)	11/8/2013		—	2,201	0.1%
		Common Stock (100 shares)(16)	11/8/2013		—	—	—%
					—	2,201	0.1%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	September 30, 2018 (Unaudited)				% of Net Assets
			Acquisition Date	Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(47)							
USES Corp.(30)	Commercial Services & Supplies	Senior Secured Term Loan A (9.00% PIK, in non-accrual status effective 4/1/2016, due 7/22/2020)	3/31/2014	\$37,821	\$31,601	\$15,807	0.5%
		Senior Secured Term Loan B (15.50% PIK, in non-accrual status effective 4/1/2016, due 7/22/2020)	3/31/2014	49,787	35,568	—	—%
		Common Stock (268,962 shares)(16)	6/15/2016	—	—	—	—%
Valley Electric Company, Inc.(31)	Construction & Engineering	Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2024)(3)(11)(46)	12/31/2012	10,430	10,430	10,430	0.3%
		Senior Secured Note (8.00% plus 10.00% PIK, due 6/23/2024)(46)	6/24/2014	32,881	32,881	32,881	1.0%
		Consolidated Revenue Interest (2.0%)(38)	6/22/2018	—	—	3,328	0.1%
		Common Stock (50,000 shares)	12/31/2012	—	26,204	35,304	1.0%
Wolf Energy, LLC(32)	Energy Equipment & Services	Membership Interest (100%)(16)	7/1/2014	—	—	—	—%
		Membership Interest in Wolf Energy Services Company, LLC (100%)(16)	3/14/2017	—	3,838	22	—%
		Net Profits Interest (8% of Equity Distributions)(4)(16)	4/15/2013	—	—	13	—%
				—	3,838	35	—%
Total Control Investments (Level 3)				\$2,331,620	\$2,487,337	\$2,487,337	72.5%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Affiliate Investments (5.00% to 24.99% voting control)(48)							
Edmentum Ultimate Holdings, LLC(22)	Diversified Consumer Services	Second Lien Revolving Credit Facility to Edmentum, Inc. – \$8,032 Commitment (5.00% PIK, due 12/9/2021)(15)(46)	6/9/2015	\$ 177	\$ 177	\$ 177	—%
		Unsecured Senior PIK Note (8.50% PIK, due 12/9/2021)(46)	6/9/2015	7,683	7,683	7,683	0.2%
		Unsecured Junior PIK Note (10.00% PIK, in non-accrual status effective 1/1/2017, due 12/9/2021)	6/9/2015	36,127	33,829	17,793	0.5%
		Class A Units (370,964 units)(16)	6/9/2015	6,577	—	—	—%
Nixon, Inc.(39)	Textiles, Apparel & Luxury Goods	Common Stock (857 units)(16)	5/12/2017	—	—	—	—%
				—	—	—	—%
Targus Cayman HoldCo Limited(33)	Textiles, Apparel & Luxury Goods	Common Stock (7,383,395 shares)(16)	5/24/2011	9,878	—	19,670	0.6%
				9,878	—	19,670	0.6%
United Sporting Companies, Inc.(18)	Distributors	Second Lien Term Loan (13.24% (LIBOR + 11.00% with 1.75% LIBOR floor) plus 2.00% PIK, in non-accrual status effective 4/1/2017, due 11/16/2019)(13)	9/28/2012	154,814	127,091	50,670	1.5%
		Common Stock (218,941 shares)(16)	5/2/2017	—	—	—	—%
Total Affiliate Investments (Level 3)				\$ 175,235	\$ 95,993	\$ 95,993	2.8%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
ACE Cash Express, Inc.	Consumer Finance	Senior Secured Note (12.00%, due 12/15/2022)(8)(14)	12/15/2017	\$ 20,000	\$ 19,748	\$ 21,371	0.6%
					19,748	21,371	0.6%
AgaMatrix, Inc.	Health Care Equipment & Supplies	Senior Secured Term Loan (11.39% (LIBOR + 9.00% with 1.25% LIBOR floor), due 9/29/2022)(3)(11)	9/29/2017	35,380	35,380	35,380	1.0%
					35,380	35,380	1.0%
American Gilsonite Company(34)	Chemicals	Membership Interest (0.05%, 131 shares)(16)	3/14/2008	—	—	—	—%
					—	—	—%
Apidos CLO IX	Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 7/15/2023)(5)(14)(17)	7/11/2012	23,525	21	76	—%
					21	76	—%
Apidos CLO XI	Structured Finance	Subordinated Notes (Residual Interest, current yield 7.90%, due 10/17/2028)(5)(14)	1/17/2013	40,500	32,510	25,231	0.7%
					32,510	25,231	0.7%
Apidos CLO XII	Structured Finance	Subordinated Notes (Residual Interest, current yield 13.71%, due 4/15/2031)(5)(14)	4/18/2013	52,203	34,302	26,718	0.8%
					34,302	26,718	0.8%
Apidos CLO XV	Structured Finance	Subordinated Notes (Residual Interest, current yield 12.85%, due 4/20/2031)(5)(14)	10/16/2013	48,515	35,499	27,161	0.8%
					35,499	27,161	0.8%
Apidos CLO XXII	Structured Finance	Subordinated Notes (Residual Interest, current yield 11.34%, due 10/20/2027)(5)(6)(14)	10/14/2015	31,350	27,848	25,122	0.7%
					27,848	25,122	0.7%
Ark-La-Tex Wireline Services, LLC	Energy Equipment & Services	Senior Secured Term Loan B (13.76% (LIBOR + 11.50% with 1.00% LIBOR floor), in non-accrual status effective 4/1/2016, due 4/8/2019)(13)	4/8/2014	25,595	1,145	787	—%
					1,145	787	—%
			2/21/2013	7,000	7,000	6,869	0.2%

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Atlantis Health Care Group (Puerto Rico), Inc.	Health Care Providers & Services	Revolving Line of Credit – \$7,000 Commitment (10.84% (LIBOR + 8.50% with 1.50% LIBOR floor), due 8/21/2019)(11)						
		Senior Term Loan (10.84% (LIBOR + 8.50% with 1.50% LIBOR floor), due 2/21/2020)(3)(11)	2/21/2013	77,509	77,509	76,063	2.2%	
					84,509	82,932	2.4%	
ATS Consolidated, Inc.	Electronic Equipment, Instruments & Components	Second Lien Term Loan (9.99% (LIBOR + 7.75%), due 3/19/2018 2/27/2026)(8)(13)		15,000	14,860	15,300	0.5%	
					14,860	15,300	0.5%	
Autodata, Inc./ Autodata Solutions, Inc.(9)	Software	Second Lien Term Loan (9.49% (LIBOR + 7.25%), due 12/14/2017 12/12/2025)(3)(8)(13)		6,000	5,973	5,973	0.2%	
					5,973	5,973	0.2%	
Barings CLO 2018-III (f/k/a Babson CLO Ltd. 2014-III)	Structured Finance	Subordinated Notes (Residual Interest, current yield 11.98%, due 7/20/2029)(5)(6)(14)	6/14/2018	83,098	51,204	44,371	1.3%	
					51,204	44,371	1.3%	
Broder Bros., Co.	Textiles, Apparel & Luxury Goods	Senior Secured Note (10.39% (LIBOR + 8.00% with 1.25% LIBOR floor), due 12/02/2022)(3)(11)	12/4/2017	272,618	272,618	272,618	7.9%	
					272,618	272,618	7.9%	

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Brookside Mill CLO Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 8.07%, due 1/18/2028)(5)(14)	5/23/2013	\$36,300	\$18,865	\$13,535	0.4%
					18,865	13,535	0.4%
California Street CLO IX Ltd. (f/k/a Symphony CLO IX Ltd.)	Structured Finance	Preference Shares (Residual Interest, current yield 10.74%, due 10/16/2028)(5)(14)	5/8/2012	58,915	41,855	35,997	1.1%
					41,855	35,997	1.1%
Candle-Lite Company, LLC	Household Products	Senior Secured Term Loan A (7.81% (LIBOR + 5.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	12,375	12,375	12,375	0.3%
		Senior Secured Term Loan B (11.81% (LIBOR + 9.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	12,500	12,500	12,500	0.4%
					24,875	24,875	0.7%
Capstone Logistics Acquisition, Inc.	Commercial Services & Supplies	Second Lien Term Loan (10.49% (LIBOR + 8.25% with 1.00% LIBOR floor), due 10/7/2022)(3)(8)(13)	10/7/2014	101,030	100,690	101,030	2.9%
					100,690	101,030	2.9%
Carlyle Global Market Strategies CLO 2014-4-R, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 21.10%, due 7/15/2030)(5)(6)(14)	6/29/2018	25,534	18,797	19,440	0.6%
					18,797	19,440	0.6%
Carlyle Global Market Strategies CLO 2016-3, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 17.37%, due 10/20/2029)(5)(6)(14)	9/13/2016	32,200	32,705	28,604	0.8%
					32,705	28,604	0.8%
Carlyle C17 CLO Limited (f/k/a Cent CLO 17 Limited)	Structured Finance	Subordinated Notes (Residual Interest, current yield 18.32%, due 4/30/2031)(5)(14)	5/10/2018	24,870	15,850	15,386	0.5%
					15,850	15,386	0.5%
Cent CLO 20 Limited	Structured Finance	Subordinated Notes (Residual Interest, current yield 14.96%, due 1/25/2026)(5)(14)	1/15/2014	40,275	30,792	28,127	0.8%

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					30,792	28,127	0.8%
Cent CLO 21 Limited	Structured Finance	Subordinated Notes (Residual Interest, current yield 14.61%, due 7/27/2030)(5)(6)(14)	6/18/2014	49,552	38,539	31,536	0.9%
					38,539	31,536	0.9%
Cent CLO 21 Limited	Structured Finance	Class E Notes (10.99% (LIBOR + 8.65%), due 7/27/2030)(6)(11)(14)(37)	7/27/2018	10,591	9,971	10,866	0.3%
					9,971	10,866	0.3%
Centerfield Media Holding Company(35)	IT Services	Senior Secured Term Loan A (9.34% (LIBOR + 7.00% with 2.00% LIBOR floor), due 1/17/2022)(3)(11)	1/17/2017	75,732	75,732	75,732	2.2%
		Senior Secured Term Loan B (14.84% (LIBOR + 12.50% with 2.00% LIBOR floor), due 1/17/2022)(11)	1/17/2017	78,100	78,100	78,100	2.3%
					153,832	153,832	4.5%
CIFC Funding 2013-III-R, Ltd. (f/k/a CIFC Funding 2013-III, Ltd.)	Structured Finance	Subordinated Notes (Residual Interest, current yield 14.53%, due 4/24/2031)(5)(14)	4/5/2018	44,100	28,368	25,184	0.7%
					28,368	25,184	0.7%
CIFC Funding 2013-IV, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 16.81%, due 4/28/2031)(5)(14)	11/14/2013	45,500	32,857	27,855	0.8%
					32,857	27,855	0.8%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
CIFC Funding 2014-IV Investor, Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 8.31%, due 10/19/2026)(5)(6)(14)	9/3/2014	\$41,500	\$28,175	\$22,084	0.6%
					28,175	22,084	0.6%
CIFC Funding 2014-V, Ltd.	Structured Finance	Class F Notes (10.88% (LIBOR + 8.50%), due 10/17/2031)(6)(11)(14)(37)	9/27/2018	10,250	9,943	9,942	0.3%
					9,943	9,942	0.3%
CIFC Funding 2016-I, Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 13.13%, due 10/21/2028)(5)(6)(14)	12/21/2016	34,000	31,247	28,351	0.8%
					31,247	28,351	0.8%
Cinedigm DC Holdings, LLC	Entertainment	Senior Secured Term Loan (11.31% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(11)(46)	2/28/2013	29,965	29,915	29,965	0.9%
					29,915	29,965	0.9%
Class Appraisal, LLC	Real Estate Management & Development	Revolving Line of Credit – \$1,500 Commitment (10.64% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/12/2020)(11)(15)	3/12/2018	—	—	—	—%
		Senior Secured Term Loan (10.64% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/10/2023)(3)(11)	3/12/2018	41,580	41,580	41,580	1.2%
					41,580	41,580	1.2%
Coverall North America, Inc.	Commercial Services & Supplies	Senior Secured Term Loan A (8.34% (LIBOR + 6.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	16,225	16,225	16,225	0.5%
		Senior Secured Term Loan B (13.34% (LIBOR + 11.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	24,375	24,375	24,375	0.7%
					40,600	40,600	1.2%
CP VI Bella Midco	IT Services	Second Lien Term Loan (8.99% (LIBOR + 6.75%, due 12/29/2025)(8)(13)	12/28/2017	5,500	5,486	5,486	0.2%

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					5,486	5,486	0.2%
		First Lien Term Loan (7.25% (LIBOR + 5.00% with 1.00% LIBOR floor), due 12/29/2023)(3)(8)(13)	2/9/2018	9,925	9,836	9,925	0.3%
Digital Room, LLC	Commercial Services & Supplies	Second Lien Term Loan (11.00% (LIBOR + 8.75% with 1.00% LIBOR floor), due 12/29/2024)(3)(8)(13)	2/8/2018	57,100	56,326	57,100	1.7%
					66,162	67,025	2.0%
Dunn Paper, Inc.	Paper & Forest Products	Second Lien Term Loan (10.99% (LIBOR + 8.75% with 1.00% LIBOR floor), due 8/26/2023)(3)(8)(13)	10/7/2016	11,500	11,337	11,337	0.3%
					11,337	11,337	0.3%
Dynatrace, LLC	Software	Second Lien Term Loan (9.22% (LIBOR + 7.00%), due 8/23/2026)(8)(13)	8/23/2018	3,000	2,993	2,993	0.1%
					2,993	2,993	0.1%
Easy Gardener Products, Inc.	Household Durables	Senior Secured Term Loan (12.34% (LIBOR + 10.00% with 0.25% LIBOR floor), due 09/30/2020)(3)(11)	10/2/2015	16,894	16,894	15,399	0.5%
					16,894	15,399	0.5%
Engine Group, Inc.(7)	Media	Senior Secured Term Loan (7.39% (LIBOR + 5.00% with 1.00% LIBOR floor), due 9/15/2022)(8)(11)	9/25/2017	4,710	4,710	4,690	0.1%
		Second Lien Term Loan (11.39% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/15/2023)(3)(8)(11)	9/25/2017	35,000	35,000	34,320	1.0%
					39,710	39,010	1.1%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
EXC Holdings III Corp	Technology Hardware, Storage & Peripherals	Second Lien Term Loan (10.04% (LIBOR + 7.50% with 1.00% LIBOR floor), due 12/01/2025)(8)(10)	12/5/2017	\$ 12,500	\$ 12,388	\$ 12,500	0.4%
					12,388	12,500	0.4%
Fleetwash, Inc.	Commercial Services & Supplies	Senior Secured Term Loan B (11.34% (LIBOR + 9.00% with 1.00% LIBOR floor), due 4/30/2022)(3)(11) Delayed Draw Term Loan – \$15,000 Commitment (10.34% (LIBOR + 8.00% with 1.00% LIBOR floor), expires 4/30/2022)(11)(15)	4/30/2014	21,544	21,544	21,544	0.6%
				—	—	—	—%
					21,544	21,544	0.6%
Galaxy XV CLO, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 10.89%, due 10/15/2030)(5)(14)	3/14/2013	50,525	35,233	30,617	0.9%
					35,233	30,617	0.9%
Galaxy XXVII CLO, Ltd. (f/k/a Galaxy XVI CLO, Ltd.)	Structured Finance	Subordinated Notes (Residual Interest, current yield 10.28%, due 5/16/2031)(5)(14)	4/17/2018	24,575	16,495	13,668	0.4%
					16,495	13,668	0.4%
Galaxy XXVIII CLO, Ltd. (f/k/a Galaxy XVII CLO, Ltd.)	Structured Finance	Subordinated Notes (Residual Interest, current yield 10.85%, due 7/15/2031)(5)(6)(14)	6/27/2014	39,905	28,281	18,664	0.5%
					28,281	18,664	0.5%
Galaxy XXVIII CLO, Ltd.	Structured Finance	Class F Junior Notes (10.82% (LIBOR + 8.48%), due 7/15/2031)(6)(11)(14)(37)	7/16/2018	6,658	6,171	6,616	0.2%
					6,171	6,616	0.2%
H.I.G. ECI Merger Sub, Inc.	IT Services	Senior Secured Term Loan A (7.84% (LIBOR + 5.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11) Senior Secured Term Loan B (12.84% (LIBOR + 10.50% with	5/31/2018	44,576	44,576	44,576	1.3%
			5/31/2018	29,900	29,900	29,900	0.9%

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		1.50% LIBOR floor), due 5/31/2023)(3)(11)				74,476	74,476	2.2%	
Halcyon Loan Advisors Funding 2012-1 Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 8/15/2023)(5)(14)(17)	8/21/2012	23,188	3,844	4,665	0.1%		
					3,844	4,665	0.1%		
Halcyon Loan Advisors Funding 2013-1 Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 4/15/2025)(5)(14)(17)	3/28/2013	40,400	21,359	13,109	0.4%		
					21,359	13,109	0.4%		
Halcyon Loan Advisors Funding 2014-1 Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 1.35%, due 4/18/2026)(5)(14)	3/6/2014	24,500	13,315	11,201	0.3%		
					13,315	11,201	0.3%		
Halcyon Loan Advisors Funding 2014-2 Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 4/28/2025)(5)(6)(14)(17)	4/28/2014	41,164	23,151	16,598	0.5%		
					23,151	16,598	0.5%		
Halcyon Loan Advisors Funding 2015-3 Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 20.18%, due 10/18/2027)(5)(6)(14)	9/3/2015	39,598	34,437	32,319	0.9%		
					34,437	32,319	0.9%		

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)		
				Principal Value	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
		Revolving Line of Credit – \$2,000 Commitment (10.39% (LIBOR + 8.00%), due 2/6/2020)(11)(15)	8/6/2018	\$—	\$—	—%
Halyard MD OPCO, LLC	Media	First Lien Term Loan (10.39% (LIBOR + 8.00% with 2.00% LIBOR floor), due 8/6/2023)(11)	8/6/2018	11,925	11,925	0.4%
		Delayed Draw Term Loan – \$3,500 Commitment (10.39% (LIBOR + 8.00% with 2.00% LIBOR floor), due 8/6/2019)(11)(15)	8/6/2018	—	—	—%
				11,925	11,925	0.4%
Harbortouch Payments, LLC	Commercial Services & Supplies	Escrow Receivable	3/31/2014	—	932	—%
				—	932	—%
HarbourView CLO VII-R, Ltd. (f/k/a HarbourView CLO VII, Ltd.)	Structured Finance	Subordinated Notes (Residual Interest, current yield 18.02%, due 7/18/2031)(5)(6)(14)	6/10/2015	14,029	14,029	0.4%
				14,029	14,029	0.4%
Help/Systems Holdings, Inc.	Software	Second Lien Term Loan (9.99% (LIBOR + 7.75%), due 3/27/2026)(3)(8)(13)	4/17/2018	11,246	11,246	0.3%
				11,246	11,246	0.3%
Ingenio, LLC	Interactive Media & Services	Senior Secured Term Loan (9.91% (LIBOR + 7.50% with 1.25% LIBOR floor), due 9/26/2022)(3)(8)(11)	9/25/2017	9,647	9,647	0.3%
				9,647	9,647	0.3%
Inpatient Care Management Company, LLC	Health Care Providers & Services	Senior Secured Term Loan (10.34% (LIBOR + 8.00% with 1.00% LIBOR floor), due 6/8/2021)(3)(11)	6/8/2016	21,713	21,713	0.6%
				21,713	21,713	0.6%
Janus International Group, LLC	Building Products	Second Lien Term Loan (9.99% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2026)(3)(8)(13)	2/22/2018	20,000	20,000	0.6%
				19,824	20,000	0.6%
JD Power and Associates	Capital Markets	Second Lien Term Loan (10.74% (LIBOR + 8.50% with 1.00% LIBOR	9/16/2016	26,751	26,751	0.8%

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		floor), due 9/7/2024)(3)(8)(13)		26,531	26,675	0.8%
Jefferson Mill CLO Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 11.66%, due 10/20/2031)(5)(6)(14)	7/28/2015	23,829	12,917	0.4%
				18,297	12,917	0.4%
K&N Parent, Inc.	Auto Components	Second Lien Term Loan (11.14% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/21/2024)(3)(8)(11)	10/20/2016	22,888	24,851	0.7%
				25,388	24,851	0.7%
Keystone Acquisition Corp.(36)	Health Care Providers & Services	Second Lien Term Loan (11.64% (LIBOR + 9.25% with 1.00% LIBOR floor), due 5/1/2025)(3)(8)(11)	5/18/2017	50,000	50,000	1.5%
				50,000	50,000	1.5%
LCM XIV Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 16.64%, due 7/21/2031)(5)(14)	7/11/2013	42,764	24,770	0.7%
				27,644	24,770	0.7%
Madison Park Funding IX, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 8/15/2022)(5)(14)(17)	7/18/2012	43,994	1,624	0.1%
				1,994	1,624	0.1%

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)		
				Principal Value	Amortized Cost	Fair Value(2) % of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
Maverick Healthcare Equity, LLC	Health Care Providers & Services	Preferred Units (10.00%, 1,250,000 units)(16)	10/31/2007	\$ 1,252	\$ 262	—%
		Class A Common Units (1,250,000 units)(16)	10/31/2007	—	—	—%
				1,252	262	—%
MedMark Services, Inc.(51)	Health Care Providers & Services	Second Lien Term Loan (10.35% (LIBOR + 8.25% with 1.00% LIBOR floor), due 3/1/2025)(3)(8)(13)	3/16/2018	\$ 7,000	6,935	6,935 0.2%
				6,935	6,935	0.2%
Memorial MRI & Diagnostic, LLC	Health Care Providers & Services	Senior Secured Term Loan (10.89% (LIBOR + 8.50% with 1.00% LIBOR floor), due 3/16/2022)(11)	3/16/2017	36,735	36,735	36,735 1.1%
				36,735	36,735	1.1%
Mobile Posse, Inc.	Media	First Lien Term Loan (10.89% (LIBOR + 8.50% with 2.00% LIBOR floor), due 4/3/2023)(3)(11)	4/3/2018	27,400	27,400	27,400 0.8%
				27,400	27,400	0.8%
Mountain View CLO 2013-I Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 13.74%, due 10/15/2030)(5)(14)	5/1/2013	43,650	28,823	23,281 0.7%
				28,823	23,281	0.7%
Mountain View CLO IX Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 18.61%, due 7/15/2031)(5)(6)(14)	6/25/2015	47,830	31,489	34,290 1.0%
				31,489	34,290	1.0%
MRP Holdco, Inc.	Professional Services	Senior Secured Term Loan A (6.74% (LIBOR + 4.50% with 1.50% LIBOR floor), due 4/17/2024)(3)(13)	4/17/2018	42,785	42,785	42,785 1.2%
		Senior Secured Term Loan B (10.74% (LIBOR + 8.50% with 1.50% LIBOR floor), due 4/17/2024)(13)	4/17/2018	43,000	43,000	43,000 1.3%
				85,785	85,785	2.5%
			2/20/2013	42,064	32,187	26,641 0.8%

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Octagon Investment Partners XV, Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 14.33%, due 7/19/2030)(5)(14)			32,187	26,641	0.8%
Octagon Investment Partners 18-R Ltd. (f/k/a Octagon Investment Partners XVIII, Ltd.)	Structured Finance	Subordinated Notes (Residual Interest, current yield 19.07%, 8/17/2015 due 4/16/2031)(5)(6)(14)	46,016	27,409		25,634	0.8%
				27,409		25,634	0.8%
Pearl Intermediate Parent LLC	Health Care Providers & Services	Second Lien Term Loan (8.42% (LIBOR + 6.25%), due 2/28/2018 2/15/2026)(8)(13)	5,000	4,977		4,977	0.1%
				4,977		4,977	0.1%
		Revolving Line of Credit – \$1,000 Commitment (11.84% (LIBOR + 9.50% with 1.00% LIBOR floor), due 7/1/2015 7/1/2020)(11)(15)	500	500		500	—%
PeopleConnect Intermediate, LLC (f/k/a Intelius, Inc.)	Interactive Media & Services	Senior Secured Term Loan A (8.84% (LIBOR + 6.50% with 1.00% LIBOR floor), due 7/1/2015 7/1/2020)(3)(11)	18,548	18,548		18,548	0.5%
		Senior Secured Term Loan B (14.84% (LIBOR + 12.50% with 1.00% LIBOR floor), due 7/1/2015 7/1/2020)(3)(11)	20,023	20,023		20,023	0.6%
				39,071		39,071	1.1%
PGX Holdings, Inc.	Diversified Consumer Services	Second Lien Term Loan (11.24% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2014 9/29/2021)(3)(13)	118,289	118,289		118,289	3.5%
				118,289		118,289	3.5%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
PharMerica Corporation	Pharmaceuticals	Second Lien Term Loan (9.90% (LIBOR + 7.75% with 1.00% LIBOR floor), due 12/7/2025)(3)(8)(13)	12/7/2017	\$ 12,000	\$ 11,882	\$ 12,000	0.4%
					11,882	12,000	0.4%
Photonis Technologies SAS	Electronic Equipment, Instruments & Components	First Lien Term Loan (9.89% (LIBOR + 7.50% with 1.00% LIBOR floor), due 9/18/2019)(8)(11)(14)	9/10/2013	12,872	12,572	12,566	0.4%
					12,572	12,566	0.4%
PlayPower, Inc.	Leisure Products	Second Lien Term Loan (11.14% (LIBOR + 8.75% with 1.00% LIBOR floor), due 6/23/2022)(3)(8)(11)	6/23/2015	11,000	10,910	11,000	0.3%
					10,910	11,000	0.3%
Research Now Group, Inc. & Survey Sampling International LLC	Professional Services	First Lien Term Loan (7.74% (LIBOR + 5.50% with 1.00% LIBOR floor), due 12/20/2024)(8)(13)	1/5/2018	9,925	9,461	9,815	0.3%
		Second Lien Term Loan (11.74% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/20/2025)(8)(13)	1/5/2018	50,000	46,848	48,282	1.4%
					56,309	58,097	1.7%
RGIS Services, LLC	Commercial Services & Supplies	Senior Secured Term Loan (9.74% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(13)	4/20/2017	15,173	15,113	14,320	0.4%
					15,113	14,320	0.4%
RME Group Holding Company	Media	Senior Secured Term Loan A (8.39% (LIBOR + 6.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	34,958	34,958	34,958	1.0%
		Senior Secured Term Loan B (13.39% (LIBOR + 11.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	24,286	24,286	24,286	0.7%
					59,244	59,244	1.7%

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Rocket Software, Inc.	Software	Second Lien Term Loan (11.89% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/14/2024)(3)(8)(11)	10/20/2016	50,000	49,250	50,000	1.5%
					49,250	50,000	1.5%
Romark WM-R Ltd. (f/k/a Washington Mill CLO Ltd.)	Structured Finance	Subordinated Notes (Residual Interest, current yield 14.02%, due 4/20/2031)(5)(6)(14)	5/15/2014	27,725	21,966	16,599	0.5%
					21,966	16,599	0.5%
Rosa Mexicano	Hotels, Restaurants & Leisure	Revolving Line of Credit – \$2,500 Commitment (9.89% (LIBOR + 7.50% with 1.50% LIBOR floor), due 3/29/2023)(11)(15) Senior Secured Term Loan (9.89% (LIBOR + 7.50% with 1.50% LIBOR floor), due 3/29/2023)(3)(11)	3/29/2018	—	—	—	—%
					29,625	29,625	29,625
					29,625	29,625	0.9%
SCS Merger Sub, Inc.	IT Services	Second Lien Term Loan (11.74% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/30/2023)(3)(8)(13)	11/6/2015	20,000	19,624	20,000	0.6%
					19,624	20,000	0.6%
Securus Technologies Holdings, Inc.	Communications Equipment	Second Lien Term Loan (10.49% (LIBOR + 8.25% with 1.00% LIBOR floor), due 11/01/2025)(3)(8)(13)	11/3/2017	48,000	47,872	48,000	1.4%
					47,872	48,000	1.4%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
SEOTownCenter, Inc.	IT Services	Senior Secured Term Loan A (9.84% (LIBOR + 7.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	\$24,500	\$24,500	\$24,500	0.7%
		Senior Secured Term Loan B (14.84% (LIBOR + 12.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	17,000	17,000	17,000	0.5%
					41,500	41,500	1.2%
SESAC Holdco II LLC	Entertainment	Second Lien Term Loan (9.49% (LIBOR + 7.25% with 1.00% LIBOR floor), due 2/23/2025)(8)(13)	3/2/2017	3,000	2,976	2,976	0.1%
					2,976	2,976	0.1%
SMG US Midco	Hotels, Restaurants & Leisure	Second Lien Term Loan (9.24% (LIBOR + 7.00%), due 1/23/2026)(3)(8)(13)	1/23/2018	7,500	7,483	7,483	0.2%
					7,483	7,483	0.2%
Spartan Energy Services, Inc.	Energy Equipment & Services	Senior Secured Term Loan A (8.08% (LIBOR + 6.00% with 1.00% LIBOR floor), due 12/28/2018)(13)	10/20/2014	13,156	12,840	13,156	0.4%
		Senior Secured Term Loan B (14.08% PIK (LIBOR + 12.00% with 1.00% LIBOR floor), due 12/28/2018)(13)(46)	10/20/2014	18,899	18,174	18,899	0.5%
					31,014	32,055	0.9%
Spectrum Holdings III Corp	Health Care Equipment & Supplies	Second Lien Term Loan (9.24% (LIBOR + 7.00% with 1.00% LIBOR floor), due 1/31/2026)(8)(13)	1/31/2018	7,500	7,465	7,465	0.2%
					7,465	7,465	0.2%
Strategic Materials	Household Durables	Second Lien Term Loan (10.09% (LIBOR + 7.75% with 1.00% LIBOR floor), due 11/1/2025)(3)(8)(11)	11/1/2017	7,000	6,938	6,360	0.2%
					6,938	6,360	0.2%

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Stryker Energy, LLC	Energy Equipment & Services	Overriding Royalty Interests(43)	12/4/2006	—	—	—%
				—	—	—%
Sudbury Mill CLO Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 8.52%, due 1/17/2026)(5)(14)	12/5/2013	28,200	18,119	15,178 0.4%
					18,119	15,178 0.4%
Symphony CLO XIV Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 0.92%, due 7/14/2026)(5)(6)(14)	5/29/2014	49,250	33,606	25,550 0.7%
					33,606	25,550 0.7%
Symphony CLO XV, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 8.39%, due 10/17/2026)(5)(14)	11/17/2014	50,250	39,265	31,922 0.9%
					39,265	31,922 0.9%
TGP HOLDINGS III LLC	Household Durables	Second Lien Term Loan (10.86% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/25/2025)(8)(11)	10/3/2017	3,000	2,961	2,961 0.1%
					2,961	2,961 0.1%
TouchTunes Interactive Networks, Inc.	Entertainment	Second Lien Term Loan (10.36% (LIBOR + 8.25% with 1.00% LIBOR floor), due 5/29/2022)(3)(8)(13)	5/29/2015	14,000	13,931	14,000 0.4%
					13,931	14,000 0.4%
Town & Country Holdings, Inc.	Distributors	First Lien Term Loan (11.89% (LIBOR + 8.50% with 1.50% LIBOR floor), due 1/26/2023)(3)(11)	1/26/2018	174,191	174,191	174,191 5.1%
					174,191	174,191 5.1%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets					
				Principal Value	Amortized Cost	Fair Value(2)						
LEVEL 3 PORTFOLIO INVESTMENTS												
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)												
Transplace Holdings, Inc.	Transportation Infrastructure	Second Lien Term Loan (10.90% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/6/2025)(3)(8)(13)	10/5/2017	\$28,104	\$27,515	\$28,104	0.8%					
					27,515	28,104	0.8%					
Turning Point Brands, Inc.(42)	Tobacco	Second Lien Term Loan (9.15% (LIBOR + 7.00%), due 3/7/2024)(3)(8)(13)	2/17/2017	14,500	14,399	14,399	0.4%					
					14,399	14,399	0.4%					
Universal Fiber Systems, LLC	Textiles, Apparel & Luxury Goods	Second Lien Term Loan (11.70% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/02/2022)(3)(8)(12)	10/2/2015	37,000	36,578	37,000	1.1%					
					36,578	37,000	1.1%					
Universal Turbine Parts, LLC	Trading Companies & Distributors	Senior Secured Term Loan A (8.09% (LIBOR + 5.75% with 1.00% LIBOR floor), due 7/22/2021)(11)	7/22/2016	31,200	31,200	27,181	0.8%					
					Senior Secured Term Loan B (14.09% (LIBOR + 11.75% with 1.00% LIBOR floor), in non-accrual status effective 7/1/2018, due 7/22/2021)(11)	7/22/2016	32,500	32,500	17,948	0.5%		
									63,700	45,129	1.3%	
USG Intermediate, LLC	Leisure Products	Revolving Line of Credit – \$2,000 Commitment (11.49% (LIBOR + 9.25% with 1.00% LIBOR floor), due 8/24/2019)(13)(15)	4/15/2015	1,500	1,500	1,500	0.1%					
							Senior Secured Term Loan A (8.99% (LIBOR + 6.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	10,560	10,560	10,560	0.3%
							Equity(16)	4/15/2015	1	—	—%	

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					32,553	32,552	1.0%
UTZ Quality Foods, LLC	Food Products	Second Lien Term Loan (9.49% (LIBOR + 7.25%), due 11/21/2017 10,000 9,888 9,888 0.3% 11/21/2025)(3)(8)(13)					
					9,888	9,888	0.3%
VC GB Holdings, Inc.	Household Durables	Subordinated Secured Term Loan (10.24% (LIBOR + 8.00% with 1.00% LIBOR floor), due 2/28/2017 12,933 12,693 12,933 0.4% 2/28/2025)(3)(8)(13)					
					12,693	12,933	0.4%
Venio LLC	Professional Services	Second Lien Term Loan (4.00% plus PIK 10.00% (LIBOR + 7.50% with 2.50% LIBOR floor), due 2/19/2014 22,605 19,080 21,726 0.6% 2/19/2020)(11)(46)					
					19,080	21,726	0.6%
Voya CLO 2012-2, Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	8/28/2012	38,070	450	683	—%
					450	683	—%
Voya CLO 2012-3, Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	10/18/2012	46,632	—	683	—%
					—	683	—%
Voya CLO 2012-4, Ltd.	Structured Finance	Income Notes (Residual Interest, current yield 11.92%, due 10/16/2028)(5)(14)	11/29/2012	40,613	30,974	28,353	0.8%
					30,974	28,353	0.8%
Voya CLO 2014-1, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 16.20%, due 4/18/2031)(5)(6)(14)	3/13/2014	40,773	28,696	25,197	0.7%
					28,696	25,197	0.7%
Voya CLO 2016-3, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 12.53%, due 10/18/2027)(5)(6)(14)	10/27/2016	28,100	27,472	22,702	0.7%
					27,472	22,702	0.7%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date	September 30, 2018 (Unaudited)			% of Net Assets
				Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Voya CLO 2017-3, Ltd.	Structured Finance	Subordinated Notes (Residual Interest, current yield 12.27%, due 7/20/2030)(5)(6)(14)	7/12/2017	\$44,885	\$48,253	\$42,624	1.2%
					48,253	42,624	1.2%
VT Topco, Inc.	Commercial Services & Supplies	Second Lien Term Loan (9.34% (LIBOR + 7.00%), due 8/17/2026)(8)(11)	8/23/2018	7,000	6,966	6,966	0.2%
					6,966	6,966	0.2%
Wink Holdco, Inc.	Insurance	Second Lien Term Loan (9.00% (LIBOR + 6.75% with 1.00% LIBOR floor), due 12/1/2025)(3)(8)(13)	12/1/2017	3,000	2,987	2,987	0.1%
					2,987	2,987	0.1%
Total Non-Control/Non-Affiliate Investments (Level 3)					\$3,532,959	\$3,353,353	97.7%
Total Portfolio Investments (Level 3)					\$6,039,814	\$5,936,683	173.0%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(49)							
CCPI Inc.(19)	Ohio / Electronic Equipment, Instruments & Components	Senior Secured Term Loan A (10.00%, due 12/31/2020)(3)	12/13/2012	\$2,881	\$2,881	\$2,881	0.1%
		Senior Secured Term Loan B (12.00% plus 7.00% PIK, due 12/31/2020)(3)(46)	12/13/2012	17,819	17,819	17,819	0.5%
		Common Stock (14,857 shares)(16)	12/13/2012		6,759	15,056	0.4%
					27,459	35,756	1.0%
CP Energy Services Inc.(20)	Oklahoma / Energy Equipment & Services	Senior Secured Term Loan (13.31% (LIBOR + 11.00% with 1.00% LIBOR floor), due 12/29/2022)(11)	12/29/2017	35,048	35,048	35,048	1.0%
		Series B Convertible Preferred Stock (16.00%, 79010/30/2015 shares)(16)			63,225	63,225	1.9%
		Common Stock (102,924 shares)(16)	8/2/2013		81,203	24,988	0.7%
					179,476	123,261	3.6%
Credit Central Loan Company, LLC(21)	South Carolina / Consumer Finance	Subordinated Term Loan (10.00% plus 10.00% PIK, due 6/26/2024)(14)(46)	6/24/2014	51,855	47,496	51,855	1.5%
		Class A Units (10,640,642 units)(14)(16)	6/24/2014		13,731	23,196	0.7%
		Net Revenues Interest (25% of Net Revenues)(14)(16)	1/28/2015		—	1,626	0.1%
					61,227	76,677	2.3%
Echelon Transportation, LLC (f/k/a Echelon Aviation, LLC)	New York / Aerospace & Defense	Senior Secured Term Loan (11.75% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(13)(46)	3/31/2014	31,055	31,055	31,055	0.9%
		Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.00% PIK, due 12/7/2024)(13)(46)	12/9/2016	16,044	16,044	16,044	0.5%
		Membership Interest (100%)(16)	3/31/2014		22,738	35,179	1.0%
					69,837	82,278	2.4%

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First Tower Finance Company LLC(23)	Mississippi / Consumer Finance	Subordinated Term Loan to First Tower, LLC (10.00% plus 10.00% PIK, due 6/24/2019)(14)(46)	6/24/2014	273,066	273,066	273,066	8.0%			
		Class A Units (95,709,910 units)(14)(16)	6/24/2014	81,146	169,944	5.0%	354,212	443,010	13.0%	
Freedom Marine Solutions, LLC(24)	Louisiana / Energy Equipment & Services	Membership Interest (100%)(16)	10/1/2009	43,592	13,037	0.4%	43,592	13,037	0.4%	
		Senior Secured Term Loan A (7.59% (LIBOR + 5.50% with 0.75% LIBOR floor), due 12/31/2017, past due)(13)	8/3/2012	77,994	77,994	77,994	2.3%			
InterDent, Inc. (52)	California / Health Care Providers & Services	Senior Secured Term Loan B (8.34% (LIBOR + 6.25% with 0.75% LIBOR floor) plus 4.25% PIK, due 12/31/2017, past due)(13)	8/3/2012	131,558	31,558	119,627	3.5%			
		Senior Secured Term Loan C (18.00% PIK, due on demand)(46)	3/22/2018	3,149	3,149	—	—%			
		Warrants (to purchase 4,900 shares of Common Stock, expires 3/22/2030)(16)	2/23/2018	—	—	—%	212,701	197,621	5.8%	

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(49)							
MITY, Inc.(25)	Utah / Commercial Services & Supplies	Senior Secured Note A (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor), due 1/30/2020)(3)(11)	9/19/2013	\$26,250	\$26,250	\$26,250	0.8%
		Senior Secured Note B (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 1/30/2020)(3)(11)(46)	6/23/2014	24,442	24,442	24,442	0.7%
		Subordinated Unsecured Note to Broda Enterprises ULC (10.00%, due on demand)(14)	9/19/2013	5,563	7,200	5,563	0.1%
		Common Stock (42,053 shares)(16)	9/19/2013		6,849	2,639	0.1%
				64,741	58,894	1.7%	
National Property REIT Corp.(26)	Various / Equity Real Estate Investment Trusts (REITs) / Online Lending	Senior Secured Term Loan A (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 10.50% PIK, due 4/1/2019)(13)(46)	4/1/2014	293,203	293,203	293,203	8.6%
		Senior Secured Term Loan E (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.50% PIK, due 4/1/2019)(13)(46)	4/1/2014	226,180	226,180	226,180	6.7%
		Common Stock (3,042,393 shares)	12/31/2013		307,604	436,105	12.8%
		Net Operating Income Interest (5% of Net Operating Income)	12/31/2013		—	99,488	2.9%
				826,987	1,054,976	31.0%	
Nationwide Loan Company LLC(27)	Illinois / Consumer Finance	Senior Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2019)(14)(46)	6/18/2014	17,410	17,410	17,410	0.5%
		Class A Units (32,456,159 units)(14)(16)	1/31/2013		21,962	16,443	0.5%
NMMB, Inc.(28)			5/6/2011	3,714	3,714	3,714	0.1%

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	New York / Media	Senior Secured Note (14.00%, due 5/6/2021)(3)							
		Senior Secured Note to Armed Forces Communications, Inc. (14.00%, due 5/6/2021)(3)	6/12/2014	4,900	4,900	4,900		0.2%	
		Series A Preferred Stock (7,200 shares)(16)	12/12/2013		7,200	5,663		0.2%	
		Series B Preferred Stock (5,669 shares)(16)	12/12/2013		5,669	4,458		0.1%	
					21,483	18,735		0.6%	
		Revolving Line of Credit – \$26,000 Commitment (9.34% (LIBOR + 7.25% with 1.00% LIBOR floor), due 9/26/2020)(13)(15)	9/26/2014	20,825	20,825	20,825		0.6%	
		Senior Secured Term Loan A (7.34% (LIBOR + 5.25% with 1.00% LIBOR floor), due 9/26/2020)(13)	12/31/2014	96,250	96,250	96,250		2.8%	
Pacific World Corporation(40)	California / Personal Products	Senior Secured Term Loan B (11.34% PIK (LIBOR + 9.25% with 1.00% LIBOR floor), in non-accrual status effective 5/21/2018, due 9/26/2020)(13)	12/31/2014	96,500	96,500	47,945		1.4%	
		Convertible Preferred Equity (100,000 shares)(16)	6/15/2018		15,000	—		—%	
		Common Stock (6,778,414 shares)(16)	9/29/2017		—	—		—%	
					228,575	165,020		4.8%	
		Senior Subordinated Note (11.34% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/31/2022)(11)	6/12/2013	28,622	28,622	28,622		0.8%	
R-V Industries, Inc.	Pennsylvania / Machinery	Common Stock (745,107 shares)(16)	6/26/2007		6,866	3,264		0.1%	
					35,488	31,886		0.9%	

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(49)							
SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)(29)	Texas / Energy Equipment & Services	Series A Convertible Preferred Stock (6.50%, 99,000 shares)(16)	11/8/2013		\$—	\$2,194	0.1%
		Common Stock (100 shares)(16)	11/8/2013		—	—	—%
					—	2,194	0.1%
USES Corp.(30)	Texas / Commercial Services & Supplies	Senior Secured Term Loan A (9.00% PIK, in non-accrual status effective 4/1/2016, due 7/22/2020)	3/31/2014	\$36,964	31,601	16,319	0.5%
		Senior Secured Term Loan B (15.50% PIK, in non-accrual status effective 4/1/2016, due 7/22/2020)	3/31/2014	47,866	35,568	—	—%
		Common Stock (268,962 shares)(16)	6/15/2016		—	—	—%
Valley Electric Company, Inc.(31)	Washington / Construction & Engineering	Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2024)(3)(11)(46)	12/31/2012	10,430	10,430	10,430	0.3%
		Senior Secured Note (8.00% plus 10.00% PIK, due 6/23/2024)(46)	6/24/2014	27,781	27,781	27,781	0.8%
		Consolidated Revenue Interest (2.0%)	6/22/2018		—	—	—%
Wolf Energy, LLC(32)	Kansas / Energy Equipment & Services	Common Stock (50,000 shares)(16)	12/31/2012		26,204	12,586	0.4%
		Membership Interest (100%)(16)	7/1/2014		—	—	—%
		Membership Interest in Wolf Energy Services Company, LLC (100%)(16)	3/14/2017		3,792	—	—%
		Net Profits Interest (8% of Equity Distributions)(4)(16)	4/15/2013		—	12	—%

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				3,792	12	—%
Total Control Investments (Level 3)				\$2,300,526	\$2,404,326	70.6%
Affiliate Investments (5.00% to 24.99% voting control)(50)						
		Second Lien Revolving Credit Facility to Edmentum, Inc. – \$7,834 Commitment (5.00%, due 12/9/2021)(15)	6/9/2015	\$7,834	\$7,834	\$7,834 0.2%
Edmentum Ultimate Holdings, LLC(22)	Minnesota / Diversified Consumer Services	Unsecured Senior PIK Note (8.50% PIK, due 12/9/2021)(46)	6/9/2015	7,520	7,520	7,520 0.2%
		Unsecured Junior PIK Note (10.00% PIK, in non-accrual status effective 1/1/2017, due 12/9/2021)	6/9/2015	35,226	23,828	19,862 0.6%
		Class A Units (370,964 units)(16)	6/9/2015		6,577	— —%
					45,759	35,216 1.0%
Nixon, Inc.(39)	California / Textiles, Apparel & Luxury Goods	Common Stock (857 units)(16)	5/12/2017	—	—	—%
				—	—	—%
Targus International, LLC(33)	California / Textiles, Apparel & Luxury Goods	Common Stock (7,383,395 shares)(16)	5/24/2011	9,878	23,220	0.7%
				9,878	23,220	0.7%
Total Affiliate Investments (Level 3)				\$55,637	\$58,436	1.7%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
ACE Cash Express, Inc.	Texas / Consumer Finance	Senior Secured Note (12.00%, due 12/15/2022)(8)(14)	12/15/2017	\$20,000	\$19,733	\$21,594	0.6%
					19,733	21,594	0.6%
AgaMatrix, Inc.	New Hampshire / Healthcare Equipment and Supplies	Senior Secured Term Loan (11.33% (LIBOR + 9.00% with 1.25% LIBOR floor), due 9/29/2022)(3)(11)	9/29/2017	35,815	35,815	35,815	1.1%
					35,815	35,815	1.1%
American Gilsonite Company(34)	Utah / Chemicals	Membership Interest (0.05%, 131 shares)(16)	3/14/2008	—	—	—	—%
					—	—	—%
Apidos CLO IX	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 7/15/2023)(5)(14)(17)	7/11/2012	23,525	21	76	—%
					21	76	—%
Apidos CLO XI	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 7.80%, due 1/17/2028)(5)(14)	1/17/2013	40,500	32,397	25,000	0.7%
					32,397	25,000	0.7%
Apidos CLO XII	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 15.35%, due 4/15/2031)(5)(14)	4/18/2013	52,203	35,014	26,518	0.8%
					35,014	26,518	0.8%
Apidos CLO XV	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.14%, due 4/20/2031)(5)(14)	10/16/2013	48,515	35,776	26,960	0.8%
					35,776	26,960	0.8%
Apidos CLO XXII	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.65%, due 10/20/2027)(5)(6)(14)	10/14/2015	31,350	27,496	25,047	0.7%
					27,496	25,047	0.7%
Ark-La-Tex Wireline Services, LLC	Louisiana / Energy Equipment & Services	Senior Secured Term Loan B (13.59% (LIBOR + 11.50% with 1.00% LIBOR floor), in non-accrual status effective 4/1/2016, due 4/8/2019)(13)	4/8/2014	25,595	1,145	787	—%
					1,145	787	—%

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Armor Holding II LLC	New York / Commercial Services & Supplies	Second Lien Term Loan (11.10% (LIBOR + 9.00% with 1.25% LIBOR floor), due 12/26/2020)(3)(8)(13)	6/26/2018	7,000	6,949	7,000	0.2%	
					6,949	7,000	0.2%	
Atlantis Health Care Group (Puerto Rico), Inc.	Puerto Rico / Health Care Providers & Services	Revolving Line of Credit – \$7,000 Commitment (10.81% (LIBOR + 8.50% with 1.50% LIBOR floor), due 8/21/2019)(11)(15)	2/21/2013	7,000	7,000	6,900	0.2%	
			Senior Term Loan (10.81% (LIBOR + 8.50% with 1.50% LIBOR floor), due 2/21/2020)(3)(11)	2/21/2013	77,713	77,713	76,607	2.2%
						84,713	83,507	2.4%
ATS Consolidated, Inc.	Arizona / Electronic Equipment, Instruments & Components	Second Lien Term Loan (9.84% (LIBOR + 7.75%, due 2/27/2026)(8)(13)	3/19/2018	15,000	14,856	14,873	0.4%	
					14,856	14,873	0.4%	

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Autodata, Inc. / Autodata Solutions, Inc.(9)	Canada / Software	Second Lien Term Loan (9.34% (LIBOR + 7.25% with 1.00% LIBOR floor), due 12/12/2025)(8)(13)	12/14/2017	\$6,000	\$ 5,972	\$ 5,972	0.2%
					5,972	5,972	0.2%
Barings CLO 2018-III (f/k/a Babson CLO Ltd. 2014-III)	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 11.35%, due 7/20/2029)(5)(6)(14)	6/14/2018	83,098	49,688	46,933	1.4%
					49,688	46,933	1.4%
Broder Bros., Co.	Pennsylvania / Textiles, Apparel & Luxury Goods	Senior Secured Note (10.33% (LIBOR + 8.00% with 1.25% LIBOR floor), due 12/02/2022)(3)(11)	12/4/2017	274,009	274,009	274,009	8.0%
					274,009	274,009	8.0%
Brookside Mill CLO Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 8.73%, due 1/18/2028)(5)(14)	5/23/2013	36,300	19,287	13,466	0.4%
					19,287	13,466	0.4%
California Street CLO IX Ltd. (f/k/a Symphony CLO IX Ltd.)	Cayman Islands / Structured Finance	Preference Shares (Residual Interest, current yield 12.20%, due 10/16/2028)(5)(14)	5/8/2012	58,915	41,645	35,852	1.1%
					41,645	35,852	1.1%
Candle-Lite Company, LLC	Ohio / Household & Personal Products	Senior Secured Term Loan A (7.81% (LIBOR + 5.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11) Senior Secured Term Loan B (11.81% (LIBOR + 9.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	12,438	12,438	12,438	0.3%
			1/23/2018	12,500	12,500	12,500	0.4%
					24,938	24,938	0.7%
Capstone Logistics Acquisition, Inc.	Georgia / Commercial Services & Supplies	Second Lien Term Loan (10.34% (LIBOR + 8.25% with 1.00% LIBOR floor), due 10/7/2022)(3)(8)(13)	10/7/2014	101,031	100,669	100,136	2.9%
			6/29/2018	25,534	17,832	18,807	0.6%
					100,669	100,136	2.9%

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Carlyle Global Market Strategies CLO 2014-4-R, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 20.73%, due 7/15/2030)(5)(6)(14)		17,832	18,807	0.6%
Carlyle Global Market Strategies CLO 2016-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 18.00%,9/13/2016 due 10/20/2029)(5)(6)(14)	32,200	32,364	29,080	0.9%
				32,364	29,080	0.9%
Carlyle C17 CLO Limited (f/k/a Cent CLO 17 Limited)	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 18.34%,5/10/2018 due 4/30/2031)(5)(14)	24,870	15,140	15,196	0.4%
				15,140	15,196	0.4%
Cent CLO 20 Limited	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 15.40%,1/15/2014 due 1/25/2026)(5)(14)	40,275	31,692	28,269	0.8%
				31,692	28,269	0.8%
Cent CLO 21 Limited	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 17.56%,6/18/2014 due 7/27/2026)(5)(6)(14)	48,528	36,311	33,703	1.0%
				36,311	33,703	1.0%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Centerfield Media Holding Company(35)	California / Internet Software & Services	Senior Secured Term Loan A (9.31% (LIBOR + 7.00% with 2.00% LIBOR floor), due 1/17/2022)(3)(11)	1/17/2017	\$66,300	\$66,300	\$66,300	1.9%
		Senior Secured Term Loan B (14.81% (LIBOR + 12.50% with 2.00% LIBOR floor), due 1/17/2022)(11)	1/17/2017	68,000	68,000	68,000	2.0%
					134,300	134,300	3.9%
CIFC Funding 2013-III-R, Ltd. (f/k/a CIFC Funding 2013-III, Ltd.)	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.43%, due 4/24/2031)(5)(14)	4/5/2018	44,100	27,624	25,250	0.7%
					27,624	25,250	0.7%
CIFC Funding 2013-IV, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 14.31%, due 4/28/2031)(5)(14)	11/14/2013	45,500	31,503	27,697	0.8%
					31,503	27,697	0.8%
CIFC Funding 2014-IV Investor, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 8.46%, due 10/19/2026)(5)(6)(14)	9/3/2014	41,500	28,512	23,715	0.7%
					28,512	23,715	0.7%
CIFC Funding 2016-I, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 13.11%, due 10/21/2028)(5)(6)(14)	12/21/2016	34,000	31,179	27,998	0.8%
					31,179	27,998	0.8%
Cinedigm DC Holdings, LLC	New York / Media	Senior Secured Term Loan (11.31% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(11)(46)	2/28/2013	31,460	31,410	31,460	0.9%
					31,410	31,460	0.9%
Class Appraisal, LLC	Michigan / Real Estate Management & Development	Revolving Line of Credit – \$1,500 Commitment (10.58% (LIBOR + 8.25% with 1.50% LIBOR floor),	3/12/2018	—	—	—	—

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		due 3/12/2020)(11)(15) Senior Secured Term Loan (10.58% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/10/2023)(3)(11)	3/12/2018	41,860	41,860	41,860	—
					41,860	41,860	1.2%
Coverall North America, Inc.	Florida / Commercial Services & Supplies	Senior Secured Term Loan A (8.31% (LIBOR + 6.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	19,100	19,100	19,100	—
		Senior Secured Term Loan B (13.31% (LIBOR + 11.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	24,750	24,750	24,750	—
					43,850	43,850	1.3%
CP VI Bella Midco	Pennsylvania / IT Services	Second Lien Term Loan (8.84% (LIBOR + 6.75%, due 12/29/2025)(8)(13)	12/28/2017	2,000	1,990	1,990	—
					1,990	1,990	0.1%
CURO Financial Technologies Corp.	Canada / Consumer Finance	Senior Secured Notes (12.00%, due 3/1/2022)(8)(14)	2/1/2017	10,896	10,837	11,844	0.3%
					10,837	11,844	0.3%
Digital Room, LLC	California / Commercial Services & Supplies	First Lien Term Loan (7.10% (LIBOR + 5.00% with 1.00% LIBOR floor), due 12/29/2023)(3)(8)(13)	2/9/2018	9,950	9,857	9,925	0.3%
		Second Lien Term Loan (10.85% (LIBOR + 8.75% with 1.00% LIBOR floor), due 12/29/2024)(3)(8)(13)	2/8/2018	57,100	56,295	57,100	1.7%
					66,152	67,025	2.0%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Dunn Paper, Inc.	Georgia / Paper & Forest Products	Second Lien Term Loan (10.84% (LIBOR + 8.75% with 1.00% LIBOR floor), due 8/26/2023)(3)(8)(13)	10/7/2016	\$ 11,500	\$ 11,328	\$ 11,226	0.3%
					11,328	11,226	0.3%
Easy Gardener Products, Inc.	Texas / Household Durables	Senior Secured Term Loan (12.31% (LIBOR + 10.00% with 0.25% LIBOR floor), due 09/30/2020)(11)	10/2/2015	16,894	16,894	15,728	0.5%
					16,894	15,728	0.5%
Engine Group, Inc.(7)	California / Media	Senior Secured Term Loan (7.08% (LIBOR + 4.75% with 1.00% LIBOR floor), due 9/15/2022)(8)(11)	9/25/2017	4,813	4,813	4,813	0.1%
		Second Lien Term Loan (11.08% (LIBOR + 8.75% with 1.00% LIBOR floor), due 9/15/2023)(3)(8)(11)	9/25/2017	35,000	35,000	35,000	1.0%
					39,813	39,813	1.1%
EXC Holdings III Corp	Massachusetts / Technology Hardware, Storage & Peripherals	Second Lien Term Loan (9.97% (LIBOR + 7.50% with 1.00% LIBOR floor), due 12/01/2025)(8)(10)	12/5/2017	12,500	12,384	12,500	0.4%
					12,384	12,500	0.4%
Fleetwash, Inc.	New Jersey / Commercial Services & Supplies	Senior Secured Term Loan B (11.31% (LIBOR + 9.00% with 1.00% LIBOR floor), due 4/30/2022)(3)(11)	4/30/2014	21,544	21,544	21,544	0.6%
		Delayed Draw Term Loan – \$15,000 Commitment (10.31% (LIBOR + 8.00% with 1.00% LIBOR floor), expires 4/30/2022)(11)(15)	4/30/2014	—	—	—	—%
					21,544	21,544	0.6%
Galaxy XV CLO, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.42%, due 10/15/2030)(5)(14)	3/14/2013	50,525	34,853	30,457	0.9%

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					34,853	30,457	0.9%
Galaxy XXVII CLO, Ltd. (f/k/a Galaxy XVI CLO, Ltd.)	Cayman Islands Subordinated Notes (Residual / Structured Finance	Interest, current yield 13.57%, due 5/16/2031)(5)(14)	4/17/2018	24,575	16,936	13,688	0.4%
					16,936	13,688	0.4%
Galaxy XXVIII CLO, Ltd. (f/k/a Galaxy XVII CLO, Ltd.)	Cayman Islands Subordinated Notes (Residual / Structured Finance	Interest, current yield 10.89%, due 7/15/2031)(5)(6)(14)	6/27/2014	39,905	28,009	22,335	0.7%
					28,009	22,335	0.7%
Galaxy XXVIII CLO, Ltd.	Cayman Islands Class F Junior Notes (LIBOR + / Structured Finance	8.48%, due 7/15/2031)(6)(11)(14)(37)		6,658	6,159	6,159	0.2%
					6,159	6,159	0.2%
		Revolving Line of Credit – \$5,000 Commitment (9.81% (LIBOR + 7.50% with 1.50% LIBOR floor), due 9/30/2018)(11)	5/31/2018	—	—	—	—%
H.I.G. ECI Merger Sub, Inc.	Massachusetts / IT Services	Senior Secured Term Loan A (7.81% (LIBOR + 5.50% with 1.50% LIBOR floor), due 5/31/2023)(11)	5/31/2018	44,688	44,688	44,688	1.3%
		Senior Secured Term Loan B (12.81% (LIBOR + 10.50% with 1.50% LIBOR floor), due 5/31/2023)(11)	5/31/2018	29,900	29,900	29,900	0.9%
					74,588	74,588	2.2%

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Halcyon Loan Advisors Funding 2012-1 Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 8/15/2023)(5)(14)(17)	8/21/2012	\$23,188	\$ 3,869	\$ 3,125	0.1%
					3,869	3,125	0.1%
Halcyon Loan Advisors Funding 2013-1 Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 0.00%, due 4/15/2025)(5)(14)(17)	3/28/2013	40,400	22,057	11,017	0.3%
					22,057	11,017	0.3%
Halcyon Loan Advisors Funding 2014-1 Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 10.30%, due 4/18/2026)(5)(14)	3/6/2014	24,500	14,007	11,647	0.3%
					14,007	11,647	0.3%
Halcyon Loan Advisors Funding 2014-2 Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 8.64%, due 4/28/2025)(5)(6)(14)	4/28/2014	41,164	24,290	19,050	0.6%
					24,290	19,050	0.6%
Halcyon Loan Advisors Funding 2015-3 Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 19.80%, due 10/18/2027)(5)(6)(14)	9/3/2015	39,598	34,675	32,513	1.0%
					34,675	32,513	1.0%
Harbortouch Payments, LLC	Pennsylvania / Commercial Services & Supplies	Escrow Receivable	3/31/2014		—	917	—%
					—	917	—%
HarbourView CLO VII-R, Ltd. (f/k/a HarbourView CLO VII, Ltd.)	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 18.94%, due 7/18/2031)(5)(6)(14)	6/10/2015	19,025	13,411	13,689	0.4%
					13,411	13,689	0.4%
Help/Systems Holdings, Inc.	Minnesota / Software	Second Lien Term Loan (9.84% (LIBOR + 7.75%, due 3/27/2026)(8)(13)	4/17/2018	11,293	11,244	11,293	0.3%

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					11,244	11,293	0.3%
Ingenio, LLC	California / Internet Software & Services	Senior Secured Term Loan (9.82% (LIBOR + 7.50% with 1.25% LIBOR floor), due 9/26/2022)(3)(8)(11)	9/25/2017	9,647	9,647	9,647	0.3%
					9,647	9,647	0.3%
Inpatient Care Management Company, LLC	Florida / Health Care Providers & Services	Senior Secured Term Loan (10.31% (LIBOR + 8.00% with 1.00% LIBOR floor), due 6/8/2021)(3)(11)	6/8/2016	23,698	23,698	23,698	0.7%
					23,698	23,698	0.7%
Janus International Group, LLC	Georgia / Building Products	Second Lien Term Loan (9.84% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2026)(8)(13)	2/22/2018	10,000	9,905	10,000	0.3%
					9,905	10,000	0.3%
JD Power and Associates	California / Capital Markets	Second Lien Term Loan (10.59% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/7/2024)(3)(8)(13)	9/16/2016	20,000	19,799	20,000	0.6%
					19,799	20,000	0.6%
Jefferson Mill CLO Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 7.20%, due 7/20/2027)(5)(6)(14)	7/28/2015	19,500	16,078	12,392	0.4%
					16,078	12,392	0.4%
K&N Parent, Inc.	California / Auto Components	Second Lien Term Loan (11.08% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/21/2024)(3)(8)(11)	10/20/2016	12,887	12,681	12,887	0.4%
					12,681	12,887	0.4%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Keystone Acquisition Corp.(36)	Pennsylvania / Health Care Providers & Services	Second Lien Term Loan (11.58% (LIBOR + 9.25% with 1.00% LIBOR floor), due 5/1/2025)(3)(8)(11)	5/18/2017	\$ 50,000	\$ 50,000	\$ 50,000	1.5%
					50,000	50,000	1.5%
LCM XIV Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 16.28%, due 7/21/2031)(5)(14)	7/11/2013	49,934	26,516	24,257	0.7%
					26,516	24,257	0.7%
Madison Park Funding IX, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 57.45%, due 8/15/2022)(5)(14)	7/18/2012	43,110	2,058	2,200	0.1%
					2,058	2,200	0.1%
Maverick Healthcare Equity, LLC	Arizona / Health Care Providers & Services	Preferred Units (10.00%, 1,250,000 units)(16)	10/31/2007		1,252	446	—%
		Class A Common Units (1,250,000 units)(16)	10/31/2007		—	—	—%
					1,252	446	—%
MedMark Services, Inc.(51)	Texas / Health Care Providers & Services	Second Lien Term Loan (10.55% (LIBOR + 8.25% with 1.00% LIBOR floor), due 3/1/2025)(3)(8)(11)	3/16/2018	7,000	6,933	6,933	0.2%
					6,933	6,933	0.2%
Memorial MRI & Diagnostic, LLC	Texas / Health Care Providers & Services	Senior Secured Term Loan (10.83% (LIBOR + 8.50% with 1.00% LIBOR floor), due 3/16/2022)(11)	3/16/2017	36,925	36,925	36,925	1.1%
					36,925	36,925	1.1%
Mobile Posse, Inc.	Virginia / Media	First Lien Term Loan (10.83% (LIBOR + 8.50% with 2.00% LIBOR floor), due 4/3/2023)(3)(11)	4/3/2018	27,700	27,700	27,700	0.8%
					27,700	27,700	0.8%
Mountain View CLO 2013-I Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 13.66%, due	5/1/2013	43,650	28,357	23,267	0.7%

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		10/15/2030)(5)(14)			28,357	23,267	0.7%
Mountain View CLO IX Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 17.63%, due 7/15/2031)(5)(6)(14)	6/25/2015	47,830	31,528	37,333	1.1%
					31,528	37,333	1.1%
MRP Holdco, Inc.	Massachusetts / IT Services	Senior Secured Term Loan A (6.59% (LIBOR + 4.50% with 1.50% LIBOR floor), due 4/17/2024)(3)(13)	4/17/2018	43,000	43,000	43,000	1.3%
		Senior Secured Term Loan B (10.59% (LIBOR + 8.50% with 1.50% LIBOR floor), due 4/17/2024)(13)	4/17/2018	43,000	43,000	43,000	1.3%
					86,000	86,000	2.6%
Octagon Investment Partners XV, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 14.58%, due 7/19/2030)(5)(14)	2/20/2013	42,063	31,734	26,350	0.8%
					31,734	26,350	0.8%
Octagon Investment Partners 18-R Ltd. (f/k/a Octagon Investment Partners XVIII, Ltd.)	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 17.26%, due 4/16/2031)(5)(6)(14)	8/17/2015	46,016	27,295	26,420	0.8%
					27,295	26,420	0.8%
Pearl Intermediate Parent LLC	Connecticut / Health Care Providers & Services	Second Lien Term Loan (8.33% (LIBOR + 6.25%, due 2/15/2026)(8)(13)	2/28/2018	5,000	4,976	5,000	0.1%
					4,976	5,000	0.1%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		% of Net Assets
				Principal Value	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
		Revolving Line of Credit – \$1,000 Commitment (11.81% (LIBOR + 9.50% with 1.00% LIBOR floor), due 8/11/2020)(11)(15)	7/1/2015	\$ 500	\$ 500	—%
PeopleConnect Intermediate, LLC (f/k/a Intelius, Inc.)	Washington / Internet Software & Services	Senior Secured Term Loan A (8.81% (LIBOR + 6.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(11)	7/1/2015	18,828	18,828	0.6%
		Senior Secured Term Loan B (14.81% (LIBOR + 12.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(11)	7/1/2015	20,163	20,163	0.6%
				39,491	39,491	1.2%
PGX Holdings, Inc.	Utah / Diversified Consumer Services	Second Lien Term Loan (11.09% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2021)(3)(13)	9/29/2014	118,289	118,289	3.5%
				118,289	118,289	3.5%
PharMerica Corporation	Kentucky / Pharmaceuticals	Second Lien Term Loan (9.80% (LIBOR + 7.75% with 1.00% LIBOR floor), due 12/7/2025)(8)(13)	12/7/2017	12,000	11,882	0.4%
				11,882	12,000	0.4%
Photonis Technologies SAS	France / Electronic Equipment, Instruments & Components	First Lien Term Loan (9.83% (LIBOR + 7.50% with 1.00% LIBOR floor), due 9/18/2019)(8)(11)(14)	9/10/2013	12,872	12,490	0.4%
				12,490	12,335	0.4%
PlayPower, Inc.	North Carolina / Leisure Products	Second Lien Term Loan (11.08% (LIBOR + 8.75% with 1.00% LIBOR floor), due 6/23/2022)(3)(8)(11)	6/23/2015	11,000	10,904	0.3%
				10,904	11,000	0.3%
Research Now Group Inc.	Connecticut / Professional Services	First Lien Term Loan (7.86% (LIBOR + 5.50% with 1.00% LIBOR floor), due 12/20/2024)(8)(10)	1/5/2018	9,950	9,468	0.3%
			1/5/2018	50,000	46,738	1.4%

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		Second Lien Term Loan (11.82% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/20/2025)(8)(11)			56,206	56,990	1.7%
RGIS Services, LLC	Michigan / Commercial Services & Supplies	Senior Secured Term Loan (9.59% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(13)	4/20/2017	15,175,113	14,339	0.4%	
					15,113	14,339	0.4%
RME Group Holding Company	Florida / Media	Senior Secured Term Loan A (8.33% (LIBOR + 6.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	35,146,146	35,146	1.0%	
		Senior Secured Term Loan B (13.33% (LIBOR + 11.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	24,349,349	24,349	0.7%	
					59,495	59,495	1.7%
Rocket Software, Inc.	Massachusetts / Software	Second Lien Term Loan (11.83% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/14/2024)(3)(8)(11)	10/20/2016	50,000,219	50,000	1.5%	
					49,219	50,000	1.5%
Romark WM-R Ltd. (f/k/a Washington Mill CLO Ltd.)	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.41%, due 4/20/2031)(5)(6)(14)	5/15/2014	27,721,494	17,961	0.5%	
					21,494	17,961	0.5%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		
				Principal Value	Fair Value	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS						
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)						
Rosa Mexicano	New York / Hotels, Restaurants & Leisure	Revolving Line of Credit – \$2,500 Commitment (9.83% (LIBOR + 7.50% with 1.50% LIBOR floor), due 3/29/2023)(11)(15)	3/29/2018	\$-	\$-	—%
		Senior Secured Term Loan (9.83% (LIBOR + 7.50% with 1.50% LIBOR floor), due 3/29/2023)(3)(11)	3/29/2018	29,813	29,813	0.9%
SCS Merger Sub, Inc.	Texas / IT Services	Second Lien Term Loan (11.59% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/30/2023)(3)(8)(13)	11/6/2015	20,000	19,605	0.6%
					19,605	20,000	0.6%
Securus Technologies Holdings, Inc.	Texas / Communications Equipment	Second Lien Term Loan (10.34% (LIBOR + 8.25% with 1.00% LIBOR floor), due 11/01/2025)(8)(13)	11/3/2017	40,000	39,860	1.2%
					39,860	40,000	1.2%
SEOTownCenter, Inc	Utah / Internet Software & Services	Senior Secured Term Loan A (9.84% (LIBOR + 7.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	25,000	25,000	0.7%
		Senior Secured Term Loan B (14.84% (LIBOR + 12.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	17,000	17,000	0.5%
SESAC Holdco II LLC	Tennessee / Media	Second Lien Term Loan (9.34% (LIBOR + 7.25% with 1.00% LIBOR floor), due 2/23/2025)(8)(13)	3/2/2017	3,000	2,975	0.1%
					2,975	2,975	0.1%
Small Business Whole Loan Portfolio(41)	New York / Online Lending	124 Small Business Loans purchased from On Deck Capital, Inc.	2/21/2014	30	17	—%
SMG US Midco	Pennsylvania / Hotels, Restaurants	Second Lien Term Loan (9.09% (LIBOR + 7.00%, due	1/23/2018	7,482	7,482	0.2%

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	& Leisure	1/23/2026)(8)(13)		7,482	7,482	0.2%
Spartan Energy Services, Inc.	Louisiana / Energy Equipment & Services	Senior Secured Term Loan A (7.98% (LIBOR + 6.00% with 1.00% LIBOR floor), due 12/28/2018)(13)	10/20/2014	13,152	13,046	0.4%
		Senior Secured Term Loan B (13.98% PIK (LIBOR + 12.00% with 1.00% LIBOR floor), due 12/28/2018)(13)(46)	10/20/2014	18,638	18,237	0.5%
				29,366	31,283	0.9%
Spectrum Holdings III Corp	Georgia / Health Care Equipment & Supplies	Second Lien Term Loan (9.09% (LIBOR + 7.00% with 1.00% LIBOR floor), due 1/31/2026)(8)(13)	1/31/2018	7,396	7,464	0.2%
				7,464	7,464	0.2%
Strategic Materials	Texas / Household Durables	Second Lien Term Loan (10.10% (LIBOR + 7.75% with 1.00% LIBOR floor), due 11/1/2025)(8)(11)	11/1/2017	7,693	6,936	0.2%
				6,936	6,936	0.2%
Stryker Energy, LLC	Louisiana / Energy Equipment & Services	Overriding Royalty Interests (43)	12/4/2006	—	—	—%
				—	—	—%

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	June 30, 2018				% of Net Assets
			Acquisition Date (53)	Principal Value	Amortized Cost	Fair Value(2)	
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
Sudbury Mill CLO Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 5.47%, due 1/17/2026)(5)(14)	12/5/2013	\$28,200	\$18,183	\$14,218	0.4%
					18,183	14,218	0.4%
Symphony CLO XIV Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 3.78%, due 7/14/2026)(5)(6)(14)	5/29/2014	49,250	34,297	27,478	0.8%
					34,297	27,478	0.8%
Symphony CLO XV, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 7.30%, due 10/17/2026)(5)(14)	11/17/2014	50,250	39,512	32,433	1.0%
					39,512	32,433	1.0%
TGP HOLDINGS III LLC	Oregon / Household Durables	Second Lien Term Loan (10.83% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/25/2025)(8)(11)	10/3/2017	3,000	2,959	2,959	0.1%
					2,959	2,959	0.1%
TouchTunes Interactive Networks, Inc.	New York / Internet Software & Services	Second Lien Term Loan (10.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due 5/29/2022)(3)(8)(13)	5/29/2015	14,000	13,926	14,000	0.4%
					13,926	14,000	0.4%
Town & Country Holdings, Inc.	New York / Distributors	First Lien Term Loan (11.33% (LIBOR + 9.00% with 1.25% LIBOR floor), due 1/26/2023)(3)(11)	1/26/2018	69,650	69,650	69,650	2.0%
					69,650	69,650	2.0%
Transplace Holdings, Inc.	Texas / Transportation Infrastructure	Second Lien Term Loan (10.79% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/6/2025)(8)(13)	10/5/2017	28,104	27,494	28,104	0.8%
					27,494	28,104	0.8%
Turning Point Brands, Inc.(42)	Kentucky / Tobacco	Second Lien Term Loan (9.04% (LIBOR + 7.00%), due 3/7/2024)(3)(8)(13)	2/17/2017	14,500	14,392	14,392	0.4%
					14,392	14,392	0.4%
United Sporting Companies, Inc.(18)	South Carolina / Distributors	Second Lien Term Loan (13.09% (LIBOR + 11.00%	9/28/2012	149,126	127,091	58,806	1.7%

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		with 1.75% LIBOR floor) plus 2.00% PIK, in non-accrual status effective 4/1/2017, due 11/16/2019)(13)(46)							
		Common Stock (24,967 shares)(16)	5/2/2017		—	—	—	—%	
					127,091	58,806		1.7%	
Universal Fiber Systems, LLC	Virginia / Textiles, Apparel & Luxury Goods	Second Lien Term Loan (11.60% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/02/2022)(3)(8)(12)	10/2/2015	37,000	36,551	37,000		1.1%	
					36,551	37,000		1.1%	
Universal Turbine Parts, LLC	Alabama / Trading Companies & Distributors	Senior Secured Term Loan A (8.06% (LIBOR + 5.75% with 1.00% LIBOR floor), due 7/22/2021)(3)(11)	7/22/2016	31,363	31,363	27,926		0.8%	
		Senior Secured Term Loan B (14.06% (LIBOR + 11.75% with 1.00% LIBOR floor), due 7/22/2021)(11)	7/22/2016	32,500	32,500	28,273		0.8%	
					63,863	56,199		1.6%	

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date (53)	June 30, 2018		Fair Value(2)	% of Net Assets
				Principal Value	Amortized Cost		
LEVEL 3 PORTFOLIO INVESTMENTS							
Non-Control/Non-Affiliate Investments (less than 5.00% voting control)							
		Revolving Line of Credit – \$2,500 Commitment (11.34% (LIBOR + 9.25% with 1.00% LIBOR floor), due 8/24/2018)(13)(15)	4/15/2015	\$2,500	\$2,500	\$2,500	0.1%
USG Intermediate, LLC	Texas / Leisure Products	Senior Secured Term Loan A (8.84% (LIBOR + 6.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	11,385	11,385	11,385	0.3%
		Senior Secured Term Loan B (13.84% (LIBOR + 11.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	20,741	20,741	20,741	0.6%
		Equity(16)	4/15/2015		1	—	—%
					34,627	34,626	1.0%
UTZ Quality Foods, LLC	Pennsylvania / Food Products	Second Lien Term Loan (9.34% (LIBOR + 7.25%, due 11/21/2025)(8)(13)	11/21/2017	10,000	9,884	9,886	0.3%
					9,884	9,886	0.3%
VC GB Holdings, Inc.	Illinois / Household Durables	Subordinated Secured Term Loan (10.09% (LIBOR + 8.00% with 1.00% LIBOR floor), due 2/28/2025)(3)(8)(13)	2/28/2017	16,000	15,750	16,000	0.5%
					15,750	16,000	0.5%
Venio LLC	Pennsylvania / Professional Services	Second Lien Term Loan (4.00% plus PIK 10.00% (LIBOR + 7.50% with 2.50% LIBOR floor), due 2/19/2020)(11)(46)	2/19/2014	22,048	18,066	20,001	0.6%
					18,066	20,001	0.6%
Voya CLO 2012-2, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	8/28/2012	38,070	450	595	—%
Voya CLO 2012-3, Ltd.	Cayman Islands /	Income Notes (Residual Interest, current yield 0.00%,	10/18/2012	46,632	—	585	—%

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	Structured Finance	due 10/15/2022)(5)(14)(17)			—	585	—%	
Voya CLO 2012-4, Ltd.	Cayman Islands / Structured Finance	Income Notes (Residual Interest, current yield 11.96%, 11/29/2012 due 10/16/2028)(5)(14)	40,613	30,893		28,264	0.8%	
				30,893		28,264	0.8%	
Voya CLO 2014-1, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 16.47%, 3/13/2014 due 4/18/2031)(5)(6)(14)	40,773	28,205		26,931	0.8%	
				28,205		26,931	0.8%	
Voya CLO 2016-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.68%, 10/27/2016 due 10/18/2027)(5)(6)(14)	28,100	27,180		22,912	0.7%	
				27,180		22,912	0.7%	
Voya CLO 2017-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Notes (Residual Interest, current yield 12.26%, 7/12/2017 due 7/20/2030)(5)(6)(14)	44,885	47,400		43,351	1.3%	
				47,400		43,351	1.3%	
Wink Holdco, Inc.	Texas / Insurance	Second Lien Term Loan (8.85% (LIBOR + 6.75% with 1.00% LIBOR floor), due 12/1/2017 12/1/2025)(8)(13)	3,000	2,986		2,986	0.1%	
				2,986		2,986	0.1%	
Total Non-Control/Non-Affiliate Investments (Level 3)						\$3,475,295	\$3,264,517	95.8%
Total Portfolio Investments (Level 3)						\$5,831,458	\$5,727,279	168.1%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018

- The terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise. The securities in which Prospect has invested were acquired in transactions that were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These securities may be resold only in transactions that are exempt from registration under the Securities Act. Fair value is determined by or under the direction of our Board of Directors. As of September 30, 2018 and June 30, 2018, all of our investments were valued using significant unobservable inputs. In accordance with ASC 820, such investments are classified as Level 3 within the fair value hierarchy. See Notes 2 and 3 within the accompanying notes to consolidated financial statements for further discussion.
- (1) Security, or a portion thereof, is held by Prospect Capital Funding LLC (“PCF”), our wholly-owned subsidiary and a bankruptcy remote special purpose entity, and is pledged as collateral for the Revolving Credit Facility and such security is not available as collateral to our general creditors (see Note 4). The fair values of the investments held by PCF at September 30, 2018 and June 30, 2018 were \$1,490,354 and \$1,307,955, respectively, representing 25.1% and 22.8% of our total investments, respectively.
- (2) In addition to the stated returns, the net profits interest held will be realized upon sale of the borrower or a sale of the interests.
- (3) This investment is in the equity class of the collateralized loan obligation (“CLO”) security. The CLO equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield, calculated using amortized cost, is based on the current projections of this excess cash flow taking into account assumptions which have been made regarding expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.
- (4) Co-investment with another fund managed by an affiliate of our investment adviser, Prospect Capital Management L.P. See Note 13 for further discussion.
- (5) Engine Group. Inc., Clearstream.TV. Inc., and ORC International, Inc., are joint borrowers on the senior secured and the second lien term loans.
- (6) Syndicated investment which was originated by a financial institution and broadly distributed.
- (7) Autodata, Inc. and Autodata Solutions, Inc. are joint borrowers.
- (8) The interest rate on these investments is subject to the base rate of 6-Month LIBOR, which was 2.60% and 2.50% at September 30, 2018 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on September 30, 2018 and June 30, 2018.
- (9) The interest rate on these investments is subject to the base rate of 3-Month LIBOR, which was 2.40% and 2.34% at September 30, 2018 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on September 30, 2018 and June 30, 2018.
- (10) The interest rate on these investments is subject to the base rate of 2-Month LIBOR, which was 2.31% and 2.17% at September 30, 2018 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on September 30, 2018 and June 30, 2018.
- (11) The interest rate on these investments is subject to the base rate of 1-Month LIBOR, which was 2.26% and 2.09% at September 30, 2018 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on September 30, 2018 and June 30, 2018.
- (12) Investment has been designated as an investment not “qualifying” under Section 55(a) of the Investment Company Act of 1940 (the “1940 Act”). Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2018 and June 30, 2018, our qualifying assets as a percentage of total assets, stood at 74.93% and 73.20%, respectively. We monitor the status of these assets on an ongoing basis.
- (13)
- (14)

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and (15) unused fees ranging from 0.00% to 5.00%. As of September 30, 2018 and June 30, 2018, we had \$38,530 and \$29,675, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. (16) Represents non-income producing security that has not paid a dividend in the year preceding the reporting date.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

The effective yield has been estimated to be 0% as expected future cash flows are anticipated to not be sufficient to repay the investment at cost. If the expected investment proceeds increase, there is a potential for future (17) investment income from the investment. Distributions, once received, will be recognized as return of capital with any remaining unamortized investment costs written off if the actual distributions are less than the amortized investment cost.

Ellett Brothers, LLC, Evans Sports, Inc., Jerry's Sports, Inc., Simmons Gun Specialties, Inc., Bonitz Brothers, Inc., and Outdoor Sports Headquarters, Inc. are joint borrowers on the second lien term loan. United Sporting (18) Companies, Inc. ("USC") is a parent guarantor of this debt investment, and is 100% owned by SportCo Holdings, Inc. ("SportCo"). Prospect previously held a 3.48% equity interest in SportCo and following an additional issuance common stock by SportCo, Prospect's ownership increased to 22.0% as of September 30, 2018. As a result, Prospect's investment in USC is classified as an affiliate investment as of September 30, 2018.

CCPI Holdings Inc., a consolidated entity in which we own 100% of the common stock, owns 94.59% of CCPI (19) Inc. ("CCPI"), the operating company, as of September 30, 2018 and June 30, 2018. We report CCPI as a separate controlled company.

CP Holdings of Delaware LLC, a consolidated entity in which we own 100% of the membership interests, owns 99.8% of CP Energy Services Inc. ("CP Energy") as of September 30, 2018 and June 30, 2018. CP Energy owns (20) directly or indirectly 100% of each of CP Well Testing, LLC; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. We report CP Energy as a separate controlled company. On October 1, 2017, we restructured our investment in CP Energy. Concurrent with the restructuring, we exchanged \$35,048 of Series B Convertible Preferred Stock for \$35,048 of senior secured debt. On January 18, 2018, CP Energy redeemed common shares belonging to senior management, which increased our ownership percentage from 82.3% to 94.2% as of March 31, 2018. Our ownership percentage in CP Energy further increased to 99.8% as of June 30, 2018 following the April 6, 2018 merger between Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, and CP Energy, with CP Energy continuing as the surviving corporation. As a result of this transaction, our equity interest in Arctic Equipment was exchanged for newly issued common shares of CP Energy (See Note 14).

Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), a consolidated entity in which we own 100% of the membership interests, owns 98.26% of Credit Central Loan Company, LLC (f/k/a Credit Central (21) Holdings, LLC ("Credit Central")) as of September 30, 2018 and June 30, 2018. Credit Central owns 100% of each of Credit Central, LLC; Credit Central South, LLC; Credit Central of Texas, LLC; and Credit Central of Tennessee, LLC, the operating companies. We report Credit Central as a separate controlled company.

As of June 30, 2017, Prospect held a 37.1% membership interest in Edmentum Ultimate Holdings, LLC ("Edmentum Holdings"), which owns 100% of the equity of Edmentum, Inc. On February 23, 2018, certain (22) participating members of Edmentum Holdings increased their revolving credit commitment and extended additional credit to Edmentum, Inc. in exchange for additional common units of Edmentum Holdings. As a result, Prospect's equity ownership was diluted to 11.5% and the investment was transferred from control to affiliate investment classification as of March 31, 2018.

First Tower Holdings of Delaware LLC, a consolidated entity in which we own 100% of the membership (23) interests, owns 80.1% of First Tower Finance Company LLC ("First Tower Finance"), which owns 100% of First Tower, LLC, the operating company as of September 30, 2018 and June 30, 2018. We report First Tower Finance as a separate controlled company.

Energy Solutions Holdings Inc., a consolidated entity in which we own 100% of the equity, owns 100% of (24) Freedom Marine Solutions, LLC ("Freedom Marine"), which owns Vessel Company, LLC, Vessel Company II, LLC and Vessel Company III, LLC. We report Freedom Marine as a separate controlled company.

MITY Holdings of Delaware Inc. (“MITY Delaware”), a consolidated entity in which we own 100% of the common stock, owns 95.58% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) (“MITY”). MITY owns 100% of each of MITY-Lite, Inc. (“Mity-Lite”); Broda Enterprises USA, Inc.; and Broda Enterprises ULC (“Broda Canada”). We report MITY as a separate controlled company. MITY Delaware has a subordinated unsecured note issued and outstanding to Broda Canada that is denominated in Canadian Dollars (“CAD”). As of September 30, 2018 and June 30, 2018, the principal balance of this note was CAD 7,371. In accordance with ASC 830, Foreign Currency (25) Matters (“ASC 830”), this note was remeasured into our functional currency, US Dollars (USD), and is presented on our Consolidated Schedule of Investments in USD. We formed a separate legal entity domiciled in the United States, MITY FSC, Inc., (“MITY FSC”) in which Prospect owns 96.88% of the equity, and MITY-Lite management owns the remaining portion. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distribute it to its shareholders based on pro-rata ownership. During the three months ended September 30, 2018, we received \$201 of such commission, which we recognized as other income.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

(26) NPH Property Holdings, LLC, a consolidated entity in which we own 100% of the membership interests, owns 100% of the common equity of National Property REIT Corp. (“NPRC”) (f/k/a National Property Holdings Corp.), a property REIT which holds investments in several real estate properties. Additionally, NPRC invests in online consumer loans through ACL Loan Holdings, Inc. (“ACLLH”) and American Consumer Lending Limited (“ACLL”), its wholly-owned subsidiaries. We report NPRC as a separate controlled company. See Note 3 for further discussion of the properties held by NPRC. During the quarter ended March 31, 2018, we restructured our investment in NPRC and exchanged \$14,274 of ACLLH Senior Secured Term Loan C and \$97,578 of ACLL Senior Secured Term Loan C for \$111,852 of Senior Secured Term Loan E. On March 31, 2018, Prospect contributed \$48,832 to NPRC as an increase to the NPRC Senior Secured Term Loan E. On the same day, NPRC distributed \$48,832 as a return of capital to Prospect. During the quarter ended September 30, 2018, we received partial repayments of \$8,221 of our loans previously outstanding with NPRC.

(27) Nationwide Acceptance Holdings LLC, a consolidated entity in which we own 100% of the membership interests, owns 94.48% of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC), the operating company, as of September 30, 2018 and June 30, 2018. We report Nationwide Loan Company LLC as a separate controlled company. On June 1, 2015, Nationwide Acceptance LLC completed a reorganization and was renamed Nationwide Loan Company LLC (“Nationwide”) and formed two new wholly-owned subsidiaries: Pelican Loan Company LLC (“Pelican”) and Nationwide Consumer Loans LLC. Nationwide assigned 100% of the equity interests in its other subsidiaries to Pelican which, in turn, assigned these interests to a new operating company wholly-owned by Pelican named Nationwide Acceptance LLC (“New Nationwide”). New Nationwide also assumed the existing senior subordinated term loan due to Prospect.

(28) NMMB Holdings, a consolidated entity in which we own 100% of the equity, owns 91.52% of the fully diluted equity of NMMB, Inc. (“NMMB”) as of September 30, 2018 and June 30, 2018. NMMB owns 100% of Refuel Agency, Inc., which owns 100% of Armed Forces Communications, Inc. We report NMMB as a separate controlled company.

(29) On June 3, 2017, Gulf Coast Machine & Supply Company (“Gulf Coast”) sold all of its assets to a third party, for total consideration of \$10,250, including escrowed amounts. The proceeds from the sale were primarily used to repay a \$6,115 third party revolving credit facility, and the remainder was used to pay other legal and administrative costs incurred by Gulf Coast. As no proceeds were allocated to Prospect, our debt and equity investment in Gulfco was written-off and we recorded a realized loss of \$66,103, during the year ended June 30, 2017. In June 2018, Gulf Coast received escrow proceeds of \$2,050 related to the sale. On June 28, 2017, Gulf Coast was renamed to SB Forging Company II, Inc.

(30) Prospect owns 99.96% of the equity of USES Corp. as of September 30, 2018 and June 30, 2018.

(31) Valley Electric Holdings I, Inc., a consolidated entity in which we own 100% of the common stock, owns 100% of Valley Electric Holdings II, Inc. (“Valley Holdings II”), another consolidated entity. Valley Holdings II owns 94.99% of Valley Electric Company, Inc. (“Valley Electric”). Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. We report Valley Electric as a separate controlled company.

(32) On March 14, 2017, assets previously held by Ark-La-Tex Wireline Services, LLC (“Ark-La-Tex”) were assigned to Wolf Energy Services Company, LLC, a new wholly-owned subsidiary of Wolf Energy Holdings, in exchange for a full reduction of Ark-La-Tex’s Senior Secured Term Loan A and a partial reduction of the Senior Secured Term Loan B cost basis, in total equal to \$22,145. The cost basis of the transferred assets is equal to the appraised fair value of assets at the time of transfer. During the three months ended June 30, 2017, Ark-La-Tex Term Loan B was written-off and a loss of \$19,818 was realized. On June 30, 2017, the 18.00% Senior Secured Promissory Note, due April 15, 2018, in Wolf Energy, LLC was contributed to the equity of Wolf Energy LLC. There was no

impact from the transaction due to the note being on non-accrual status and having zero cost basis.

Prospect owns 16.04% of the equity in Targus Cayman HoldCo Limited, the parent company of Targus International LLC (“Targus”) as of September 30, 2018 and June 30, 2018, respectively. On September 25, 2017,

(33) Prospect exchanged \$1,600 of Senior Secured Term Loan A and \$4,799 of Senior Secured Term Loan B investments in Targus into 6,120,658 of common shares, and recorded a realized gain of \$846, as a result of this transaction.

We own 99.9999% of AGC/PEP, LLC (“AGC/PEP”). As of September 30, 2016, AGC/PEP, owned 2,038 out of a total of 93,485 shares (including 7,456 vested and unvested management options) of American Gilsonite Holding

(34) Company (“AGC Holdco”) which owns 100% of American Gilsonite Company (“AGC”). On October 24, 2016, AGC filed for a joint prepackaged plan of reorganization under Chapter 11 of the bankruptcy code. During the year ended June 30, 2017, AGC emerged from bankruptcy and AGC Holdco was dissolved. AGC/PEP received a total of 131 shares representing a total ownership stake of 0.05% in AGC.

(35) Centerfield Media Holding Company and Oology Direct Holdings, Inc. are joint borrowers and guarantors on the senior secured loan facilities.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

Keystone Acquisition Corp. is the parent borrower on the second lien term loan. Other joint borrowers on this (36) debt investment include Keystone Peer Review Organization, Inc., KEPRO Acquisitions, Inc., APS Healthcare Bethesda, Inc., Ohio KEPRO, Inc., and APS Healthcare Quality Review, Inc.

These investments are in the debt class of the CLO security. As of June 30, 2018, the all-in interest rate of the (37) Galaxy XXVIII CLO, Ltd. Class F Junior Note was not yet determined as the investment was unsettled.

The consolidated revenue interest is equal to the lesser of (i) 2.0% of consolidated revenue for the twelve-month (38) period ending on the last day of the prior fiscal quarter (or portion thereof) and (ii) 25% of the amount of interest accrued on the Notes at the cash interest rate for such fiscal quarter (or portion thereof).

As of September 30, 2018 and June 30, 2018, Prospect owns 8.57% of the equity in Encinitas Watches Holdco, (39) LLC (f/k/a Nixon Holdco, LLC), the parent company of Nixon, Inc. On February 26, 2018, Prospect entered into a debt forgiveness agreement with Nixon, Inc., which terminated \$17,472 Senior Secured Term Loan receivable due to us. We recorded a realized loss of \$14,197 in our Consolidated Statement of Operations for the year ended June 30, 2018 as a result of this transaction.

On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder (40) voting rights in respect of the stock of Pacific World Corporation (“Pacific World”) and to appoint a new Board of Directors of Pacific World. As a result, Prospect’s investment in Pacific World is classified as a control investment.

Our wholly-owned subsidiary Prospect Small Business Lending, LLC purchases small business whole loans from (41) small business loan originators, including On Deck Capital, Inc.

Turning Point Brands, Inc. and North Atlantic Trading Company, Inc. are joint borrowers and guarantors on the (42) secured loan facility.

The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower. (43)

The following shows the composition of our investment portfolio at cost by control designation, investment type (44) and by industry as of September 30, 2018:

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Cost Total
Control Investments						
Aerospace & Defense	\$49,223	\$—	\$	\$—	\$22,738	\$71,961
Commercial Services & Supplies	118,071	—	—	7,200	6,849	132,120
Construction & Engineering	43,311	—	—	—	26,204	69,515
Consumer Finance	—	337,925	—	—	116,839	454,764
Electronic Equipment, Instruments & Components	20,476	—	—	—	6,759	27,235
Energy Equipment & Services	35,048	—	—	—	191,858	226,906
Equity Real Estate Investment Trusts (REITs)	293,203	—	—	—	216,860	510,063
Health Care Providers & Services	235,851	—	—	—	—	235,851
Machinery	—	28,622	—	—	6,866	35,488
Media	7,614	—	—	—	12,869	20,483
Online Lending	217,960	—	—	—	100,949	318,909
Personal Products	213,325	—	—	—	15,000	228,325
Total Control Investments	\$1,234,082	\$366,547	\$	-\$7,200	\$723,791	\$2,331,620
Affiliate Investments						
Diversified Consumer Services	\$—	\$177	\$	-\$31,512	\$6,577	\$38,266
Distributors	—	127,091	—	—	—	127,091

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Textiles, Apparel & Luxury Goods	—	—	—	—	9,878	9,878
Total Affiliate Investments	\$—	\$127,268	\$—	\$-31,512	\$16,455	\$175,235
Non-Control/Non-Affiliate Investments						
Auto Components	\$—	\$25,388	\$—	\$—	\$—	\$25,388
Building Products	—	19,824	—	—	—	19,824

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Cost Total
Capital Markets	\$—	\$26,531	\$—	\$—	\$—	\$26,531
Commercial Services & Supplies	87,093	163,982	—	—	—	251,075
Communications Equipment	—	47,872	—	—	—	47,872
Consumer Finance	19,748	—	—	—	—	19,748
Distributors	174,191	—	—	—	—	174,191
Diversified Consumer Services	—	118,289	—	—	—	118,289
Electronic Equipment, Instruments & Components	12,572	14,860	—	—	—	27,432
Energy Equipment & Services	32,159	—	—	—	—	32,159
Entertainment	29,915	16,907	—	—	—	46,822
Food Products	—	9,888	—	—	—	9,888
Health Care Equipment & Supplies	35,380	7,465	—	—	—	42,845
Health Care Providers & Services	142,957	61,912	—	—	1,252	206,121
Hotels, Restaurants & Leisure	29,625	7,483	—	—	—	37,108
Household Durables	16,894	22,592	—	—	—	39,486
Household Products	24,875	—	—	—	—	24,875
Insurance	—	2,987	—	—	—	2,987
Interactive Media & Services	48,718	—	—	—	—	48,718
IT Services	269,808	25,110	—	—	—	294,918
Leisure Products	32,552	10,910	—	—	1	43,463
Media	103,279	35,000	—	—	—	138,279
Paper & Forest Products	—	11,337	—	—	—	11,337
Pharmaceuticals	—	11,882	—	—	—	11,882
Professional Services	95,246	65,928	—	—	—	161,174
Real Estate Management & Development	41,580	—	—	—	—	41,580
Software	—	69,462	—	—	—	69,462
Technology Hardware, Storage & Peripherals	—	12,388	—	—	—	12,388
Textiles, Apparel & Luxury Goods	272,618	36,578	—	—	—	309,196
Tobacco	—	14,399	—	—	—	14,399
Trading Companies & Distributors	63,700	—	—	—	—	63,700
Transportation Infrastructure	—	27,515	—	—	—	27,515
Structured Finance (A)	—	—	1,132,307	—	—	1,132,307
Total Non-Control/ Non-Affiliate	\$1,532,910	\$866,489	\$1,132,307	\$—	\$1,253	\$3,532,959
Total Portfolio Investment Cost	\$2,766,992	\$1,360,304	\$1,132,307	\$38,712	\$741,499	\$6,039,814

The following table shows the composition of our investment portfolio at fair value by control designation, investment type and by industry as of September 30, 2018:

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Control Investments							
Aerospace & Defense	\$49,223	\$—	\$—	\$—	-\$38,152	\$87,375	2.5 %

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Commercial Services & Supplies	66,709	—	—	5,702	1,121	73,532	2.1	%
Construction & Engineering	43,311	—	—	—	38,632	81,943	2.4	%
Consumer Finance	—	341,435	—	—	207,611	549,046	16.0	%
Electronic Equipment, Instruments & Components	20,476	—	—	—	14,213	34,689	1.0	%
Energy Equipment & Services	35,048	—	—	—	124,428	159,476	4.6	%
Equity Real Estate Investment Trusts (REITs)	293,203	—	—	—	546,434	839,637	24.5	%
Health Care Providers & Services	220,299	—	—	—	—	220,299	6.4	%

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity ^(B)	Fair Value Total	Fair Value % of Net Assets
Machinery	\$—	\$24,782	\$—	\$—	\$—	\$24,782	0.7 %
Media	7,614	—	—	—	12,460	20,074	0.7 %
Online Lending	217,960	—	—	—	14,366	232,326	6.8 %
Personal Products	164,158	—	—	—	—	164,158	4.8 %
Total Control Investments	\$1,118,001	\$366,217	\$—	\$5,702	\$997,417	\$2,487,337	72.5 %
Fair Value % of Net Assets	32.6	% 10.7	% —	% 0.2	% 29.1	% 72.5	%
Affiliate Investments							
Diversified Consumer Services	\$—	\$177	\$—	\$25,476	\$—	\$25,653	0.7 %
Distributors	—	50,670	—	—	—	50,670	1.5 %
Textiles, Apparel & Luxury Goods	—	—	—	—	19,670	19,670	0.6 %
Total Affiliate Investments	\$—	\$50,847	\$—	\$25,476	\$19,670	\$95,993	2.8 %
Fair Value % of Net Assets	—	% 1.5	% —	% 0.7	% 0.6	% 2.8	%
Non-Control/Non-Affiliate Investments							
Auto Components	\$—	\$24,851	\$—	\$—	\$—	\$24,851	0.7 %
Building Products	—	20,000	—	—	—	20,000	0.6 %
Capital Markets	—	26,675	—	—	—	26,675	0.8 %
Commercial Services & Supplies	86,389	165,096	—	—	932	252,417	7.4 %
Communications Equipment	—	48,000	—	—	—	48,000	1.4 %
Consumer Finance	21,371	—	—	—	—	21,371	0.6 %
Distributors	174,191	—	—	—	—	174,191	5.1 %
Diversified Consumer Services	—	118,289	—	—	—	118,289	3.4 %
Electronic Equipment, Instruments & Components	12,566	15,300	—	—	—	27,866	0.8 %
Energy Equipment & Services	32,842	—	—	—	—	32,842	1.0 %
Entertainment	29,965	16,976	—	—	—	46,941	1.4 %
Food Products	—	9,888	—	—	—	9,888	0.3 %
Health Care Equipment & Supplies	35,380	7,465	—	—	—	42,845	1.3 %
Health Care Providers & Services	141,380	61,912	—	—	262	203,554	5.9 %
Hotels, Restaurants & Leisure	29,625	7,483	—	—	—	37,108	1.1 %
Household Durables	15,399	22,254	—	—	—	37,653	1.1 %
Household Products	24,875	—	—	—	—	24,875	0.7 %
Insurance	—	2,987	—	—	—	2,987	0.1 %
Interactive Media & Services	48,718	—	—	—	—	48,718	1.4 %
IT Services	269,808	25,486	—	—	—	295,294	8.6 %
Leisure Products	32,552	11,000	—	—	—	43,552	1.3 %
Media	103,259	34,320	—	—	—	137,579	4.0 %
Paper & Forest Products	—	11,337	—	—	—	11,337	0.3 %
Pharmaceuticals	—	12,000	—	—	—	12,000	0.3 %
Professional Services	95,600	70,008	—	—	—	165,608	4.9 %

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Real Estate Management & Development	41,580	—	—	—	—	41,580	1.2 %
Software	—	70,259	—	—	—	70,259	2.0 %
Technology Hardware, Storage & Peripherals	—	12,500	—	—	—	12,500	0.4 %
Textiles, Apparel & Luxury Goods	272,618	37,000	—	—	—	309,618	9.0 %
Tobacco	—	14,399	—	—	—	14,399	0.4 %
Trading Companies & Distributors	45,129	—	—	—	—	45,129	1.3 %
Transportation Infrastructure	—	28,104	—	—	—	28,104	0.8 %

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)

(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Structured Finance (A)	\$—	\$—	\$965,323	\$—	\$—	\$965,323	28.1 %
Total Non-Control/ Non-Affiliate	\$1,513,247	\$873,589	\$965,323	\$—	\$1,194	\$3,353,353	97.7 %
Fair Value % of Net Assets	44.1	%25.5	%28.1	%—	%—	%97.7	%
Total Portfolio	\$2,631,248	\$1,290,653	\$965,323	\$31,178	\$1,018,281	\$5,936,683	173.0%
Fair Value % of Net Assets	76.7	%37.6	%28.1	%0.9	%29.7	%173.0	%

(A) Our CLO investments do not have industry concentrations and as such have been separated in the table above.

(B) Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

(C) We hold three CLO debt investments: the Class E Notes of Cent CLO 21 Limited, the Class F Notes of CIFIC Funding 2014-V, Ltd., and the Class F Subordinated Notes of Galaxy XXVIII CLO, Ltd. As of September 30, 2018 the cost and fair value are \$26,085 and \$27,424, respectively, and makes up 0.8% of our net assets. Our remaining CLO investments are held in CLO equity tranches which earn residual interest. As of September 30, 2018 the cost and fair value of our investment in the equity tranches are \$1,106,222 and \$937,899, respectively, and make up 27.3% of our net assets.

(45) The following table shows the composition of our investment portfolio at cost by control designation, investment type and by industry as of June 30, 2018:

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Cost Total
Control Investments						
Aerospace & Defense	\$47,099	\$—	\$—	\$—	\$22,738	\$69,837
Commercial Services & Supplies	117,861	—	—	7,200	6,849	131,910
Construction & Engineering	38,211	—	—	—	26,204	64,415
Consumer Finance	—	337,972	—	—	116,839	454,811
Electronic Equipment, Instruments & Components	20,700	—	—	—	6,759	27,459
Energy Equipment & Services	35,048	—	—	—	191,812	226,860
Equity Real Estate Investment Trusts (REITs)	293,203	—	—	—	206,655	499,858
Health Care Providers & Services	212,701	—	—	—	—	212,701
Machinery	—	28,622	—	—	6,866	35,488
Media	8,614	—	—	—	12,869	21,483
Online Lending	226,180	—	—	—	100,949	327,129
Personal Products	213,575	—	—	—	15,000	228,575
Total Control Investments	\$1,213,192	\$366,594	\$—	-\$7,200	\$713,540	\$2,300,526
Affiliate Investments						
Diversified Consumer Services	\$—	\$7,834	\$—	-\$31,348	\$6,577	\$45,759
Textiles, Apparel & Luxury Goods	—	—	—	—	9,878	9,878

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Total Affiliate Investments	\$—	\$7,834	\$ -	\$-31,348	\$16,455	\$55,637
Non-Control/Non-Affiliate Investments						
Auto Components	\$—	\$12,681	\$ -	\$—	\$—	\$12,681
Building Products	—	9,905	—	—	—	9,905
Capital Markets	—	19,799	—	—	—	19,799
Commercial Services & Supplies	90,364	163,913	—	—	—	254,277
Communications Equipment	—	39,860	—	—	—	39,860
Consumer Finance	30,570	—	—	—	—	30,570
Distributors	343,659	127,091	—	—	—	470,750
Diversified Consumer Services	9,647	118,289	—	—	—	127,936

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Cost Total
Electronic Equipment, Instruments & Components	\$ 12,490	\$ 14,856	\$ —	\$ —	\$ —	\$ 27,346
Energy Equipment & Services	30,511	—	—	—	—	30,511
Food Products	—	9,884	—	—	—	9,884
Health Care Equipment & Supplies	35,815	7,464	—	—	—	43,279
Health Care Providers & Services	145,336	61,909	—	—	1,252	208,497
Hotels, Restaurants & Leisure	29,813	7,482	—	—	—	37,295
Household & Personal Products	24,938	—	—	—	—	24,938
Household Durables	16,894	25,645	—	—	—	42,539
Insurance	—	2,986	—	—	—	2,986
Internet & Direct Marketing Retail	4,813	35,000	—	—	—	39,813
Internet Software & Services	215,791	13,926	—	—	—	229,717
IT Services	160,588	21,595	—	—	—	182,183
Leisure Products	34,626	10,904	—	—	1	45,531
Media	118,605	2,975	—	—	—	121,580
Online Lending	—	—	—	30	—	30
Paper & Forest Products	—	11,328	—	—	—	11,328
Pharmaceuticals	—	11,882	—	—	—	11,882
Professional Services	9,468	64,804	—	—	—	74,272
Real Estate Management & Development	41,860	—	—	—	—	41,860
Software	—	66,435	—	—	—	66,435
Technology Hardware, Storage & Peripherals	—	12,384	—	—	—	12,384
Textiles, Apparel & Luxury Goods	—	36,551	—	—	—	36,551
Tobacco	—	14,392	—	—	—	14,392
Trading Companies & Distributors	63,863	—	—	—	—	63,863
Transportation Infrastructure	—	27,494	—	—	—	27,494
Structured Finance (A)	—	—	1,102,927	—	—	1,102,927
Total Non-Control/ Non-Affiliate	\$ 1,419,651	\$ 951,434	\$ 1,102,927	\$ 30	\$ 1,253	\$ 3,475,295
Total Portfolio Investment Cost	\$ 2,632,843	\$ 1,325,862	\$ 1,102,927	\$ 38,578	\$ 731,248	\$ 5,831,458

The following table shows the composition of our investment portfolio at fair value by control designation, investment type and by industry as of June 30, 2018:

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Control Investments							
Aerospace & Defense	\$ 47,099	\$ —	\$ —	\$ —	\$ 35,179	\$ 82,278	2.4 %
Commercial Services & Supplies	67,011	—	—	5,563	2,639	75,213	2.2 %
Construction & Engineering	38,211	—	—	—	12,586	50,797	1.5 %
Consumer Finance	—	342,331	—	—	211,209	553,540	16.2 %
Electronic Equipment, Instruments & Components	20,700	—	—	—	15,056	35,756	1.1 %
Energy Equipment & Services	35,048	—	—	—	103,456	138,504	4.1 %

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Equity Real Estate Investment Trusts (REITs)	293,203	—	—	—	518,712	811,915	23.8 %
Health Care Providers & Services	197,621	—	—	—	—	197,621	5.8 %
Machinery	—	28,622	—	—	3,264	31,886	0.9 %
Media	8,614	—	—	—	10,121	18,735	0.6 %
Online Lending	226,180	—	—	—	16,881	243,061	7.1 %

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	CLO (C)	Unsecured Debt	Equity (B)	Fair Value Total	Fair Value % of Net Assets
Personal Products	\$165,020	\$—	\$—	\$—	\$—	\$165,020	4.9 %
Total Control Investments	\$1,098,707	\$370,953	\$—	\$5,563	\$929,103	\$2,404,326	70.6 %
Fair Value % of Net Assets	32.2	%10.9	%—	%0.2	%27.3	%70.6	%
Affiliate Investments							
Diversified Consumer Services	\$—	\$7,834	\$—	\$27,382	\$—	\$35,216	1.0 %
Textiles, Apparel & Luxury Goods	—	—	—	—	23,220	23,220	0.7 %
Total Affiliate Investments	\$—	\$7,834	\$—	\$27,382	\$23,220	\$58,436	1.7 %
Fair Value % of Net Assets	—	%0.2	%—	%0.8	%0.7	%1.7	%
Non-Control/Non-Affiliate Investments							
Auto Components	\$—	\$12,887	\$—	\$—	\$—	\$12,887	0.4 %
Building Products	—	10,000	—	—	—	10,000	0.3 %
Capital Markets	—	20,000	—	—	—	20,000	0.6 %
Commercial Services & Supplies	89,658	164,236	—	—	917	254,811	7.5 %
Communications Equipment	—	40,000	—	—	—	40,000	1.2 %
Consumer Finance	33,438	—	—	—	—	33,438	1.0 %
Distributors	343,659	58,806	—	—	—	402,465	11.8 %
Diversified Consumer Services	9,647	118,289	—	—	—	127,936	3.8 %
Electronic Equipment, Instruments & Components	12,335	14,873	—	—	—	27,208	0.8 %
Energy Equipment & Services	32,070	—	—	—	—	32,070	0.9 %
Food Products	—	9,886	—	—	—	9,886	0.3 %
Health Care Equipment & Supplies	35,815	7,464	—	—	—	43,279	1.3 %
Health Care Providers & Services	144,130	61,933	—	—	446	206,509	6.0 %
Hotels, Restaurants & Leisure	29,813	7,482	—	—	—	37,295	1.1 %
Household & Personal Products	24,938	—	—	—	—	24,938	0.7 %
Household Durables	15,728	25,895	—	—	—	41,623	1.2 %
Insurance	—	2,986	—	—	—	2,986	0.1 %
Internet & Direct Marketing	4,813	35,000	—	—	—	39,813	1.2 %
Retail							
Internet Software & Services	215,791	14,000	—	—	—	229,791	6.7 %
IT Services	160,588	21,990	—	—	—	182,578	5.4 %
Leisure Products	34,626	11,000	—	—	—	45,626	1.3 %
Media	118,655	2,975	—	—	—	121,630	3.6 %
Online Lending	—	—	—	17	—	17	— %
Paper & Forest Products	—	11,226	—	—	—	11,226	0.3 %

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Pharmaceuticals	—	12,000	—	—	—	12,000	0.3	%
Professional Services	9,608	67,383	—	—	—	76,991	2.3	%
Real Estate Management & Development	41,860	—	—	—	—	41,860	1.2	%
Software	—	67,265	—	—	—	67,265	2.0	%
Technology Hardware, Storage & Peripherals	—	12,500	—	—	—	12,500	0.4	%
Textiles, Apparel & Luxury Goods	—	37,000	—	—	—	37,000	1.1	%
Tobacco	—	14,392	—	—	—	14,392	0.4	%
Trading Companies & Distributors	56,199	—	—	—	—	56,199	1.6	%
Transportation Infrastructure	—	28,104	—	—	—	28,104	0.8	%
Structured Finance (A)	—	—	960,194	—	—	960,194	28.2	%
Total Non-Control/ Non-Affiliate	\$1,413,371	\$889,572	\$960,194	\$17	\$1,363	\$3,264,517	95.8	%
Fair Value % of Net Assets	41.5	%26.1	%28.2	%—	%—	%95.8	%	
Total Portfolio	\$2,512,078	\$1,268,359	\$960,194	\$32,962	\$953,686	\$5,727,279	168.1	%
Fair Value % of Net Assets	73.7	%37.2	%28.2	%1.0	%28.0	%168.1	%	

(A) Our CLO investments do not have industry concentrations and as such have been separated in the table above.

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

(B) Equity, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

(C) We hold one CLO debt investment in the Class F Subordinated Notes of Galaxy XXVIII CLO, Ltd. As of June 30, 2018 the cost and fair value are \$6,159 and \$6,159, respectively, and makes up 0.2% of our net assets. Our remaining CLO investments are held in CLO equity tranches which earn residual interest. As of June 30, 2018 the cost and fair value of our investment in the equity tranches are \$1,096,768 and \$954,035, respectively, and make up 28.0% of our net assets.

(46) The interest rate on these investments, excluding those on non-accrual, contains a paid in kind (“PIK”) provision, whereby the issuer has either the option or the obligation to make interest payments with the issuance of additional securities. The interest rate in the schedule represents the current interest rate in effect for these investments.

The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed under the existing credit agreements, as of and for three months ended September 30, 2018:

Security Name	PIK Rate - Capitalized	PIK Rate - Paid as cash	Maximum Current PIK Rate
CCPI Inc.	—%	7.00%	7.00%
Cinedigm DC Holdings, LLC	—%	2.50%	2.50%
Credit Central Loan Company	—%	10.00%	10.00%
Echelon Transportation, LLC (f/k/a Echelon Aviation LLC)	2.25%	—%	2.25%
Echelon Transportation, LLC (f/k/a Echelon Aviation LLC)	1.00%	—%	1.00%
Edmentum Ultimate Holdings, LLC - Revolver	5.00%	—%	5.00%
Edmentum Ultimate Holdings, LLC - Senior PIK Note	8.50%	—%	8.50%
First Tower Finance Company LLC	1.80%	8.20%	10.00%
Interdent, Inc - Senior Secured Term Loan B	16.00%	—%	16.00%
Interdent, Inc - Senior Secured Term Loan C	18.00%	—%	18.00%
Interdent, Inc - Senior Secured Term Loan D	1.00%	—%	1.00%
Mity, Inc. - Senior Secured Term Loan B	3.37%	6.63%	10.00%
National Property REIT Corp. - Senior Secured Term Loan A	—%	10.50%	10.50%
National Property REIT Corp. - Senior Secured Term Loan E	—%	1.50%	1.50%
Nationwide Loan Company LLC	—%	10.00%	10.00%
Spartan Energy Services, Inc.	14.08%	—%	14.08%
Valley Electric Co. of Mt.	—%	2.50%	2.50%
Vernon, Inc.	—%	10.00%	10.00%
Valley Electric Company, Inc.	—%	10.00%	10.00%
Venio LLC	10.00%	—%	10.00%

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed under the existing credit agreements, as of and for three months ended June 30, 2018:

Security Name	PIK Rate - Capitalized	PIK Rate - Paid as cash	Maximum Current PIK Rate	
CCPI Inc.	—%	7.00%	7.00%	
Cinedigm DC Holdings, LLC	—%	2.50%	2.50%	
Credit Central Loan Company	—%	10.00%	10.00%	
Echelon Transportation, LLC (f/k/a Echelon Aviation LLC)	N/A	N/A	2.25%	(A)
Echelon Transportation, LLC (f/k/a Echelon Aviation LLC)	N/A	N/A	1.00%	(A)
Edmentum Ultimate Holdings, LLC - Unsecured Senior PIK Note	8.50%	—%	8.50%	
First Tower Finance Company LLC	1.45%	8.55%	10.00%	
InterDent, Inc. - Senior Secured Team Loan B	4.25%	—%	4.25%	
InterDent, Inc. - Senior Secured Team Loan C	18.00%	—%	18.00%	
MITY, Inc.	—%	10.00%	10.00%	
National Property REIT Corp. - Senior Secured Term Loan A	—%	10.50%	10.50%	
National Property REIT Corp. - Senior Secured Term Loan E	—%	1.50%	1.50%	
Nationwide Loan Company LLC	—%	10.00%	10.00%	
Spartan Energy Services, Inc.	13.98%	—%	13.98%	
Valley Electric Co. of Mt. Vernon, Inc.	—%	2.50%	2.50%	
Valley Electric Company, Inc.	7.17%	2.83%	10.00%	
Venio LLC	10.00%	—%	10.00%	

(A) Next PIK payment/capitalization date was July 31, 2018.

As defined in the 1940 Act, we are deemed to “Control” these portfolio companies because we own more than 25% (47) of the portfolio company’s outstanding voting securities. Transactions during the three months ended September 30, 2018 with these controlled investments were as follows:

Portfolio Company	Fair Value at June 30, 2018	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net unrealized gains (losses)	Fair Value at September 30, 2018	Interest income	Dividend income	Other income	Net realized gains (losses)
CCPI, Inc.	\$35,756	\$—	\$(223)	\$(844)	\$34,689	\$914	\$—	\$—	\$—
CP Energy Services Inc.	123,261	—	—	19,379	142,640	1,195	—	—	—
Credit Central Loan Company, LLC	76,677	848	—	(6,937)	70,588	3,499	—	—	—
Echelon Transportation LLC	82,278	2,125	—	2,972	87,375	1,658	—	—	—
First Tower Finance Company LLC	443,010	1,258	(2,154)	3,627	445,741	13,962	—	—	—
Freedom Marine Solutions, LLC	13,037	—	—	1,563	14,600	—	—	—	—
InterDent, Inc.	197,621	23,150	—	(472)	220,299	6,821	—	—	—
MITY, Inc.	58,894	211	—	(1,380)	57,725	2,068	—	201	1
National Property REIT Corp.	1,054,976	10,206	(8,221)	15,002	1,071,963	20,398	11,000	2,287	—
Nationwide Loan Company LLC	33,853	—	—	(1,136)	32,717	890	165	—	—
NMMB, Inc.	18,735	—	(1,001)	2,340	20,074	310	—	—	—

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Pacific World Corporation	165,020	—	(251) (611) 164,158	2,332			
R-V Industries, Inc.	31,886	—	—	(7,104) 24,782	802	—	—	—
SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)	2,194	—	—	7	2,201	—	—	—	—
USES Corp.	16,319	—	—	(512	) 15,807	—	—	—	—
Valley Electric Company, Inc.	50,797	5,100	—	26,046	81,943	1,605	3,500	303	—
Wolf Energy, LLC	12	45	—	(22	) 35	—	—	—	—
Total	\$2,404,326	\$42,943	\$(11,850	) \$51,918	\$2,487,337	\$56,454	\$14,665	\$2,791	\$1

* Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, OID accretion and PIK interest.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we (48) own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the three months ended September 30, 2018 with these affiliated investments were as follows:

Portfolio Company	Fair Value at June 30, 2018	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net unrealized gains (losses)	Fair Value at September 30, 2018	Interest income	Dividend income	Other income	Net realized gains (losses)
Edmentum Ultimate Holdings, LLC	\$35,216	\$361	\$(7,855)	\$(2,069)	\$25,653	\$227	\$—	—	—
Nixon, Inc.	—	—	—	—	—	—	—	—	—
Targus Cayman HoldCo Limited	23,220	—	—	(3,550)	19,670	—	—	—	—
United Sporting Companies, Inc.***	—	58,806	—	(8,136)	50,670	—	—	—	—
Total	\$58,436	\$59,167	\$(7,855)	\$(13,755)	\$95,993	\$227	\$—	—	—

* Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest, and any transfer of investments.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

*** Investment was transferred from non-controlled/non-affiliate investments at \$58,806, the fair market value at the beginning of the three month period ended September 30, 2018. Refer to endnote #18.

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

As defined in the 1940 Act, we are deemed to “Control” these portfolio companies because we own more than 25% (49) of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2018 with these controlled investments were as follows:

Portfolio Company	Fair Value at June 30, 2017	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net unrealized gains (losses)	Fair Value at June 30, 2018	Interest income	Dividend income	Other income	Net realized gains (losses)
Arctic Energy Services, LLC ***	\$17,370	\$—	\$(60,876)	\$43,506	\$—	\$—	\$—	\$—	\$—
CCPI Inc.	43,052	—	(482)	(6,814)	35,756	3,704	—	—	—
CP Energy Services Inc. ***	72,216	65,976	—	(14,931)	123,261	3,394	—	228	—
Credit Central Loan Company, LLC	64,435	2,240	—	10,002	76,677	12,755	—	903	—
Echelon Transportation, LLC (f/k/a Echelon Aviation LLC)	71,318	—	—	10,960	82,278	6,360	—	—	—
Edmentum Ultimate Holdings, LLC ****	46,895	5,394	(39,196)	(13,093)	—	572	—	—	—
First Tower Finance Company LLC	365,588	21,352	(6,735)	62,805	443,010	47,422	—	2,664	—
Freedom Marine Solutions, LLC	23,994	982	—	(11,939)	13,037	—	—	—	—
Interdent, Inc. *****	—	209,120	—	(11,499)	197,621	4,775	—	—	—
MITY, Inc.	76,512	—	—	(17,618)	58,894	8,206	—	1,093	13
National Property REIT Corp.	987,304	160,769	(124,078)	30,981	1,054,976	90,582	11,279	8,834	—
Nationwide Loan Company LLC	36,945	4,370	—	(7,462)	33,853	3,485	—	—	—
NMMB, Inc.	20,825	—	(1,999)	(91)	18,735	1,455	—	—	—
Pacific World Corporation *****	—	198,149	(250)	(32,879)	165,020	3,742	—	—	—
R-V Industries, Inc.	32,678	—	—	(792)	31,886	3,064	—	—	—
SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)	1,940	—	—	254	2,194	—	—	—	—
USES Corp.	12,517	3,000	(3)	805	16,319	—	—	—	—
Valley Electric Company, Inc.	32,509	2,157	—	16,131	50,797	5,971	—	138	—
Wolf Energy, LLC	5,677	—	(3,009)	(2,656)	12	—	—	1,220	—
Total	\$1,911,775	\$673,509	\$(236,628)	\$55,670	\$2,404,326	\$195,487	\$11,279	\$15,080	\$13

* Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest, and any transfer of investments.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

*** Arctic Energy Services, LLC cost basis was transferred to CP Energy Services Inc. on April 6, 2018 as a result of the merger between these controlled portfolio companies. There was no realized gain or loss recognized by us since this was a merger amongst two portfolio companies under our control.

**** The investment was transferred to affiliate investment classification at \$31,362, the fair market value of the investment at the beginning of the three month period ended March 31, 2018. Refer to endnote #22.

***** The investment was transferred to control investment classification at \$208,549, the fair market value of the investment at the beginning of the three month period ended June 30, 2018. Refer to endnote #52.

***** The investment was transferred from non-control/ non-affiliate to control investment classification at \$183,151, the fair market value of the investment at the beginning of the three month period ended June 30, 2018. Refer to endnote #40.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of September 30, 2018 (Unaudited) and June 30, 2018 (Continued)

As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we (50) own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2018 with these affiliated investments were as follows:

Portfolio Company	Fair Value at June 30, 2017	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net unrealized gains (losses)	Fair Value at June 30, 2018	Interest income	Dividend income	Other income	Net realized gains (losses)
Edmentum Ultimate Holdings, LLC ***	\$—	\$ 34,416	\$—	\$ 800	\$ 35,216	\$ 348	\$	\$—	\$—
Nixon, Inc.	—	—	(14,197)	14,197	—	—	—	—	(14,197)
Targus International, LLC	11,429	1,117	—	10,674	23,220	205	—	—	846
Total	\$ 11,429	\$ 35,533	\$ (14,197)	\$ 25,671	\$ 58,436	\$ 553	\$	\$—	\$(13,351)

* Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, PIK interest and any transfer of investments.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investments repayments or sales, impairments, and any transfer of investments.

*** The investment was transferred from controlled investment classification at \$31,362, the fair market value of the investment at the beginning of the three month period ended March 31, 2018. Refer to endnote #22.

(51) BAART Programs, Inc. and MedMark Services, Inc. are joint borrowers of the second lien term loan.

(52) During the year ended June 30, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent, Inc. (“InterDent”) and to appoint a new Board of Directors of InterDent. As a result, Prospect’s investment in InterDent is classified as a control investment.

(53) In accordance with endnote 8 of Regulation S-X Rule 12-12 - Form and Content of Schedules - Investments in securities of unaffiliated issuers, we have updated the presentation of our Consolidated Schedule of Investments to include the acquisition dates of our investments. The presentation of our Consolidated Schedule of Investments for the year ended June 30, 2018 has been similarly updated to provide comparable disclosures.

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

Note 1. Organization

In this report, the terms “Prospect,” “the Company,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise.

Prospect 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.

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 consolidate certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy. The following companies are included in our consolidated financial statements and are collectively referred to as the “Consolidated Holding Companies”: APH Property Holdings, LLC (“APH”); Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”); CCPI Holdings Inc.; CP Holdings of Delaware LLC (“CP Holdings”); Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC (“First Tower Delaware”); Harbortouch Holdings of Delaware Inc.; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc. (“NMMB Holdings”); NPH Property Holdings, LLC (“NPH”); STI Holding, Inc.; UPH Property Holdings, LLC (“UPH”); Valley Electric Holdings I, Inc.; Valley Electric Holdings II, Inc.; and Wolf Energy Holdings Inc. (“Wolf Energy Holdings”). On October 10, 2014, concurrent with the sale of the operating company, our ownership increased to 100% of the outstanding equity of ARRM Services, Inc. (“ARRM”) which was renamed SB Forging Company, Inc. (“SB Forging”). As such, we began consolidating SB Forging on October 11, 2014. Effective May 23, 2016, in connection with the merger of American Property REIT Corp. (“APRC”) and United Property REIT Corp. (“UPRC”) with and into National Property REIT Corp. (“NPRC”), APH and UPH merged with and into NPH, and were dissolved. Effective April 6, 2018, Arctic Equipment merged with and into CP Energy Services, Inc. (“CP Energy”), a substantially wholly-owned subsidiary of CP Holdings, with CP Energy continuing as the surviving entity.

We are externally managed by our investment adviser, Prospect Capital Management L.P. (“Prospect Capital Management” or the “Investment Adviser”). Prospect Administration LLC (“Prospect Administration” or the “Administrator”), a wholly-owned subsidiary of the Investment Adviser, provides administrative services and facilities necessary for us to operate.

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We invest primarily in senior and subordinated debt and equity of private companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes. We work with the management teams or financial sponsors to identify investments with historical cash flows, asset collateral or contracted pro-forma cash flows for investment.

Note 2. Significant Accounting Policies
Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) pursuant to the requirements for reporting on Form 10-Q, ASC 946, Financial Services—Investment Companies (“ASC 946”), and Articles 6, 10 and 12 of Regulation S-X. Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Our consolidated financial statements include the accounts of Prospect, PCF, PSBL, PYC, and the Consolidated Holding Companies. All intercompany balances and transactions have been eliminated in consolidation. The financial results of our non-substantially wholly-owned holding companies and operating portfolio company investments are not consolidated in the financial statements. Any operating companies owned by the Consolidated Holding Companies are not consolidated.

Reclassifications

Certain reclassifications have been made in the presentation of prior consolidated financial statements and accompanying notes to conform to the presentation as of and for the three months ended September 30, 2018.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income, expenses, and gains and losses during the reported period. Changes in the economic environment, financial markets, creditworthiness of the issuers of our investment portfolio and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

Investment Classification

We are a non-diversified company within the meaning of the 1940 Act. As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, “Control Investments” are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of more than 25% of the voting securities of an investee company. Under the 1940 Act, “Affiliate Investments” are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person. “Non-Control/Non-Affiliate Investments” are those that are neither Control Investments nor Affiliate Investments.

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). As of September 30, 2018 and June 30, 2018, our qualifying assets as a percentage of total assets, stood at 74.93% and 73.20%, respectively.

Investment Transactions

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. In accordance with ASC 325-40, Beneficial Interest in Securitized Financial Assets, investments in CLOs are periodically assessed for other-than-temporary impairment (“OTTI”). When the Company determines that a CLO has OTTI, the amortized cost basis of the CLO is written down to its fair value as of the date of the determination based on events and information evaluated and that write-down is recognized as a realized loss. Amounts for investments traded but not yet settled are reported in Due to Broker or Due from Broker, in the Consolidated Statements of Assets and Liabilities.

Foreign Currency

Foreign currency amounts are translated into US Dollars (USD) on the following basis:

- i. fair value of investment securities, other assets and liabilities—at the spot exchange rate on the last business day of the period; and
- ii. purchases and sales of investment securities, income and expenses—at the rates of exchange prevailing on the respective dates of such investment transactions, income or expenses.

We do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held or disposed of during the period. Such fluctuations are included within the net realized and net change in unrealized gains or losses from investments in the Consolidated Statements of Operations.

Investment Risks

Our investments are subject to a variety of risks. Those risks include the following:

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument.

Credit Risk

Credit risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

Liquidity Risk

Liquidity risk represents the possibility that we may not be able to rapidly adjust the size of our investment positions in times of high volatility and financial stress at a reasonable price.

Interest Rate Risk

Interest rate risk represents a change in interest rates, which could result in an adverse change in the fair value of an interest-bearing financial instrument.

Prepayment Risk

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making us less likely to fully earn all of the expected income of that security and reinvesting in a lower yielding instrument.

Structured Credit Related Risk

CLO investments may be riskier and less transparent to us than direct investments in underlying companies. CLOs typically will have no significant assets other than their underlying senior secured loans. Therefore, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans.

Online Small-and-Medium-Sized Business Lending Risk

With respect to our online small-and-medium-sized business (“SME”) lending initiative, we invest primarily in marketplace loans through marketplace lending platforms (e.g. OnDeck). We do not conduct loan origination activities ourselves. Therefore, our ability to purchase SME loans, and our ability to grow our portfolio of SME loans, is directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending platforms from which we purchase SME loans. In addition, our ability to analyze the risk-return profile of SME loans is significantly dependent on the marketplace platforms’ ability to effectively evaluate a borrower's credit profile and likelihood of default. If we are unable to effectively evaluate borrowers' credit profiles or the credit decisioning and scoring models implemented by each platform, we may incur unanticipated losses which could adversely impact our operating results.

Foreign Currency

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

Investment Valuation

To value our investments, we follow the guidance of ASC 820, Fair Value Measurement (“ASC 820”), that defines fair value, establishes a framework for measuring fair value in conformity with GAAP, and requires disclosures about fair value measurements. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Our Board of Directors has established procedures for the valuation of our investment portfolio. These procedures are detailed below.

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below.

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors.
2. The independent valuation firms prepare independent valuations for each investment based on their own independent assessments and issue their report.
3. The Audit Committee of our Board of Directors reviews and discusses with the independent valuation firms the valuation reports, and then makes a recommendation to the Board of Directors of the value for each investment. The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield technique, enterprise value (“EV”) technique, net asset value technique, liquidation technique, discounted cash flow technique, or a combination of techniques, as appropriate. The yield technique uses loan spreads for loans and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV technique, the EV of a portfolio company is first determined and allocated over the portfolio company’s securities in order of their preference relative to one another (i.e., “waterfall” allocation). To determine the EV, we typically use a market (multiples) valuation approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent merger and acquisitions transactions, and/or a discounted cash flow technique. The net asset value technique, an income approach, is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The liquidation technique is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company’s assets. The discounted cash flow technique converts future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The fair value measurement is based on the net present value indicated by current market expectations about those future amounts.

In applying these methodologies, additional factors that we consider in valuing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company’s ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

Our investments in CLOs are classified as Level 3 fair value measured securities under ASC 820 and are valued using a discounted multi-path cash flow model. The CLO structures are analyzed to identify the risk exposures and to determine an appropriate call date (i.e., expected maturity). These risk factors are sensitized in the multi-path cash flow model using Monte Carlo simulations, which is a simulation used to model the probability of different outcomes, to generate probability-weighted (i.e., multi-path) cash flows from the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market as well as certain benchmark credit indices are considered, to determine the value of each CLO investment. In addition, we generate a single-path cash flow utilizing our best estimate of expected cash receipts, and assess the reasonableness of the implied discount rate that would be effective for the value derived from the multi-path cash flows. We are not responsible for and have no influence over the asset management of the portfolios underlying the CLO investments we

hold, as those portfolios are managed by non-affiliated third party CLO collateral managers. The main risk factors are default risk, prepayment risk, interest rate risk, downgrade risk, and credit spread risk.

Valuation of Other Financial Assets and Financial Liabilities

ASC 825, Financial Instruments, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the “Fair Value Option”). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 for the disclosure of the fair value of our outstanding debt and the market observable inputs used in determining fair value.

Convertible Notes

We have recorded the Convertible Notes at their contractual amounts. We have determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under ASC 815, Derivatives and Hedging. See Note 5 for further discussion.

Revenue Recognition

Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Loan origination fees, original issue discount, and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable, and adjusted only for material amendments or prepayments. Upon a prepayment of a loan, prepayment premiums, original issue discount, or market discounts are recorded as interest income.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected.

Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans are either applied to the cost basis or interest income, depending upon management’s judgment of the collectibility of the loan receivable. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management’s judgment, is likely to remain current and future principal and interest collections when due are probable. Interest received and applied against cost while a loan is on non-accrual, and PIK interest capitalized but not recognized while on non-accrual, is recognized prospectively on the effective yield basis through maturity of the loan when placed back on accrual status, to the extent deemed collectible by management. As of September 30, 2018, approximately 2.4% of our total assets at fair value are in non-accrual status.

Some of our loans and other investments may have contractual payment-in-kind (“PIK”) interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, we capitalize the accrued interest (reflecting such amounts in the basis as additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point that we believe PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. We do not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if we believe that PIK is expected to be realized.

Interest income from investments in the “equity” class of security of CLO funds (typically preferred shares, income notes or subordinated notes) and “equity” class of security of securitized trust is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, Beneficial Interests in Securitized Financial Assets. We monitor the expected cash inflows from our CLO and securitized trust equity investments, including the expected residual payments, and the effective yield is determined and updated periodically.

Dividend income is recorded on the ex-dividend date.

Other income generally includes amendment fees, commitment fees, administrative agent fees and structuring fees which are recorded when earned. Excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 for further discussion.

Federal and State Income Taxes

We have elected to be treated as a RIC and intend to continue to comply with the requirements of the Code applicable to regulated investment companies. We are required to distribute at least 90% of our investment company taxable

income and intend to distribute (or retain through a deemed distribution) all of our investment company taxable income and net capital gains to stockholders;

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therefore, we have made no provision for income taxes. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital.

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. As of September 30, 2018, we do not expect to have any excise tax due for the 2018 calendar year. Thus, we have not accrued any excise tax for this period.

If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate income tax rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of five years.

We follow ASC 740, Income Taxes (“ASC 740”). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of September 30, 2018 and for the three months then ended, we did not record any unrecognized tax benefits or liabilities. Management’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our federal tax returns for the tax years ended August 31, 2015 and thereafter remain subject to examination by the Internal Revenue Service.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a monthly dividend or distribution is approved by our Board of Directors quarterly and is generally based upon our management’s estimate of our future taxable earnings. Net realized capital gains, if any, are distributed at least annually.

Financing Costs

We record origination expenses related to our Revolving Credit Facility, and Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our “Unsecured Notes”) as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation for our Revolving Credit Facility. The same methodology is used to approximate the effective yield method for our Prospect Capital InterNotes® and our at-the-market offerings of our existing unsecured notes that mature on June 15, 2024 (“2024 Notes Follow-on Program”) and June 15, 2028 (“2028 Notes Follow-on Program”). The effective interest method is used to amortize deferred financing costs for our remaining Unsecured Notes over the respective expected life or maturity. In the event that we modify or extinguish our debt before maturity, we follow the guidance in ASC

470-50, Modification and Extinguishments (“ASC 470-50”). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

Unamortized deferred financing costs are presented as a direct deduction to the respective Unsecured Notes (see Notes 5, 6, and 7).

We may record registration expenses related to shelf filings as prepaid expenses. These expenses consist principally of the Securities and Exchange Commission (“SEC”) registration fees, legal fees and accounting fees incurred. These prepaid expenses are charged

to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed. As of September 30, 2018 and June 30, 2018, there are no prepaid expenses related to registration expenses and all amounts incurred have been expensed.

Guarantees and Indemnification Agreements

We follow ASC 460, Guarantees (“ASC 460”). ASC 460 elaborates on the disclosure requirements of a guarantor in its interim and annual consolidated financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees.

Per Share Information

Net increase or decrease in net assets resulting from operations per share is calculated using the weighted average number of common shares outstanding for the period presented. In accordance with ASC 946, convertible securities are not considered in the calculation of net asset value per share.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, Investments-Other, Beneficial Interests in Securitized Financial Assets, related to the subsequent measurement of accretible yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact, if any, of adopting this ASU on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts

and Cash Payments (“ASU 2016-15”), which addresses certain aspects of cash flow statement classification. One such amendment requires cash payments for debt prepayment or debt extinguishment costs to be classified as cash outflows for financing activities. ASU 2016-15 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The adoption of the amended guidance in ASU 2016-15 did not have a significant effect on our consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which amends accounting guidance for revenue recognition arising from contracts with customers. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB also issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of the standard for one year. As a result, the guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The application of this guidance did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within

that reporting period. Early adoption is permitted upon issuance of this ASU. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

SEC Disclosure Update and Simplification

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments are intended to facilitate the disclosure of information to investors and simplify compliance. As a result of the amendments, we are required to present a reconciliation of changes in stockholders' equity in the notes or as a separate statement. This analysis should

reconcile the beginning balance to the ending balance of each caption in stockholders' equity for each period for which an income statement is required to be filed and comply with the remaining content requirements of Rule 3-04 of Regulation S-X. In October 2018, the SEC announced that this final rule will become effective on November 5, 2018. In light of the timing of effectiveness of the amendments and proximity of effectiveness to the filing date for most filers' quarterly reports, the SEC Staff commented that it would not object if the first presentation of the changes in shareholders' equity is included in a filer's Form 10-Q for the quarter that begins after the effective date of the amendments. Due to the timing of our filing of this Form 10-Q, our first presentation of the changes in stockholders' equity will be for our second quarter ended December 31, 2018.

Tax Cuts and Jobs Act

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (The "Tax Act"), which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax and Jobs Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies. However, our portfolio companies may or may not make certain elections under the Tax Act that could materially increase their taxable earnings and profits. Any such increase in the earnings and profits of a portfolio company may result in the characterization of certain distributions sourced from sale proceeds as dividend income, which may increase our distributable taxable income. During the three months ended September 30, 2018, we received \$11,000 of such dividends from NPRC related to the gain on the sale of NPRC's St. Marin, Central Park, and Matthews Reserve properties.

Note 3. Portfolio Investments

At September 30, 2018, we had investments in 137 long-term portfolio investments, which had an amortized cost of \$6,039,814 and a fair value of \$5,936,683. At June 30, 2018, we had investments in 135 long-term portfolio investments, which had an amortized cost of \$5,831,458 and a fair value of \$5,727,279.

The original cost basis of debt placement and equity securities acquired, including follow-on investments for existing portfolio companies, payment-in-kind interest, and structuring fees, totaled \$254,642 and \$222,151 during the three months ended September 30, 2018 and September 30, 2017, respectively. Debt repayments and considerations from sales of equity securities of approximately \$55,166 and \$310,894 were received during the three months ended September 30, 2018 and September 30, 2017, respectively.

The following table shows the composition of our investment portfolio as of September 30, 2018 and June 30, 2018.

	September 30, 2018		June 30, 2018	
	Cost	Fair Value	Cost	Fair Value
Revolving Line of Credit	\$30,002	\$29,871	\$38,659	\$38,559
Senior Secured Debt	2,737,167	2,601,554	2,602,018	2,481,353
Subordinated Secured Debt	1,360,127	1,290,476	1,318,028	1,260,525
Subordinated Unsecured Debt	38,712	31,178	38,548	32,945
Small Business Loans	—	—	30	17
CLO Debt	26,085	27,424	6,159	6,159
CLO Residual Interest	1,106,222	937,899	1,096,768	954,035
Equity	741,499	1,018,281	731,248	953,686
Total Investments	\$6,039,814	\$5,936,683	\$5,831,458	\$5,727,279

In the previous table and throughout the remainder of this footnote, we aggregate our portfolio investments by type of investment, which may differ slightly from the nomenclature used by the constituent instruments defining the rights of holders of the investment, as disclosed on our Consolidated Schedules of Investments (“SOI”). The following investments are included in each category:

• **Revolving Line of Credit** includes our investments in delayed draw term loans.

• **Senior Secured Debt** includes investments listed on the SOI such as senior secured term loans, senior term loans, secured promissory notes, senior demand notes, and first lien term loans.

• **Subordinated Secured Debt** includes investments listed on the SOI such as subordinated secured term loans, subordinated term loans, senior subordinated notes, and second lien term loans.

• **Subordinated Unsecured Debt** includes investments listed on the SOI such as subordinated unsecured notes and senior unsecured notes.

• **Small Business Loans** includes our investments in SME whole loans purchased from OnDeck.

• **CLO Debt** includes our investment in the “debt” class of security of CLO funds.

• **CLO Residual Interest** includes our investments in the “equity” security class of CLO funds such as income notes, preference shares, and subordinated notes.

• **Equity**, unless specifically stated otherwise, includes our investments in preferred stock, common stock, membership interests, net profits interests, net operating income interests, net revenue interests, overriding royalty interests, escrows receivable, and warrants.

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of September 30, 2018.

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	\$ —	—\$	—\$29,871	\$29,871
Senior Secured Debt	—	—	2,601,554	2,601,554
Subordinated Secured Debt	—	—	1,290,476	1,290,476
Subordinated Unsecured Debt	—	—	31,178	31,178
Small Business Loans	—	—	—	—
CLO Debt	—	—	27,424	27,424
CLO Residual Interest	—	—	937,899	937,899
Equity	—	—	1,018,281	1,018,281
Total Investments	\$ —	—\$	—\$5,936,683	\$5,936,683

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2018.

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	\$ —	—\$	—\$38,559	\$38,559
Senior Secured Debt	—	—	2,481,353	2,481,353
Subordinated Secured Debt	—	—	1,260,525	1,260,525
Subordinated Unsecured Debt	—	—	32,945	32,945
Small Business Loans	—	—	17	17
CLO Debt	—	—	6,159	6,159
CLO Residual Interest	—	—	954,035	954,035
Equity	—	—	953,686	953,686
Total Investments	\$ —	—\$	—\$5,727,279	\$5,727,279

The following tables show the aggregate changes in the fair value of our Level 3 investments during the three months ended September 30, 2018.

	Fair Value Measurements Using Unobservable Inputs (Level 3)			Total
	Control Investments	Affiliate Investments	Non-Control/Non-Affiliate Investments	
Fair value as of June 30, 2018	\$ 2,404,326	\$ 58,436	\$ 3,264,517	\$ 5,727,279
Net realized gains on investments	1	—	22	23
Net change in unrealized gains (losses)(1)	51,918	(13,755)	(37,114)	1,049
Net realized and unrealized gains (losses)	51,919	(13,755)	(37,092)	1,072
Purchases of portfolio investments	34,351	—	210,966	245,317
Payment-in-kind interest	7,744	361	1,220	9,325
Accretion (amortization) of discounts and premiums, net	848	—	6,991	7,839
Repayments and sales of portfolio investments	(11,851)	(7,855)	(34,443)	(54,149)
Transfers within Level 3(1)	—	58,806	(58,806)	—
Transfers in (out) of Level 3(1)	—	—	—	—
Fair value as of September 30, 2018	\$ 2,487,337	\$ 95,993	\$ 3,353,353	\$ 5,936,683

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	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Small Business Loans	CLO Debt	CLO Residual Interest	Equity	Total
Fair value as of June 30, 2018	\$ 38,559	\$ 2,481,353	\$ 1,260,525	\$ 32,945	\$				