

PROSPECT CAPITAL CORP  
Form 10-Q  
February 09, 2016

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 December 31, 2015  
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  
incorporation or organization)

(I.R.S. Employer  
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

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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  
\$0.001 par value

Outstanding at February 9, 2016  
355,711,135

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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, 2015, 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)

	December 31, 2015 (Unaudited)	June 30, 2015 (Audited)
Assets		
Investments at fair value:		
Control investments (amortized cost of \$2,006,363 and \$1,894,644, respectively)	\$2,008,634	\$1,974,202
Affiliate investments (amortized cost of \$2,228 and \$45,150, respectively)	3,368	45,945
Non-control/non-affiliate investments (amortized cost of \$4,372,819 and \$4,619,582, respectively)	4,167,668	4,589,411
Total investments at fair value (amortized cost of \$6,381,410 and \$6,559,376, respectively)	6,179,670	6,609,558
Cash and cash equivalents	78,354	110,026
Receivables for:		
Interest, net	15,120	20,408
Other	2,473	2,885
Prepaid expenses	765	757
Deferred financing costs	53,990	54,420
Total Assets	6,330,372	6,798,054
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	58,000	368,700
Convertible Notes (Notes 5 and 8)	1,089,500	1,239,500
Public Notes (Notes 6 and 8)	708,191	548,094
Prospect Capital InterNotes® (Notes 7 and 8)	894,125	827,442
Commitments and Contingencies (Note 3)	—	—
Due to broker	—	26,778
Interest payable	40,807	39,659
Dividends payable	29,616	29,923
Due to Prospect Administration (Note 13)	7,848	4,238
Due to Prospect Capital Management (Note 13)	57,182	2,550
Accrued expenses	5,167	3,408
Other liabilities	8,509	4,713
Total Liabilities	2,898,945	3,095,005
Net Assets	\$3,431,427	\$3,703,049
Components of Net Assets		
Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 355,411,712 and 359,090,759 issued and outstanding, respectively) (Note 9)	\$355	\$359
Paid-in capital in excess of par (Note 9)	3,955,406	3,975,672
Accumulated overdistributed net investment income	(4,449	) (21,077 )
Accumulated net realized loss on investments and extinguishment of debt	(318,145	) (302,087 )
Net unrealized (depreciation) appreciation on investments	(201,740	) 50,182
Net Assets	\$3,431,427	\$3,703,049
Net Asset Value Per Share (Note 16)	\$9.65	\$10.31

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 December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Investment Income				
Interest income:				
Control investments	\$ 51,429	\$ 50,684	\$ 103,373	\$ 95,812
Affiliate investments	11	1,004	896	1,841
Non-control/non-affiliate investments	88,161	97,331	181,869	196,109
Structured credit securities	46,902	39,795	91,668	79,192
Total interest income	186,503	188,814	377,806	372,954
Dividend income:				
Control investments	13,545	2,651	16,758	3,410
Affiliate investments	—	(651)	) —	778
Non-control/non-affiliate investments	1	—	3	22
Money market funds	—	11		