

PROSPECT CAPITAL CORP
Form 10-Q
November 10, 2008

**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 Quarter Ended September 30, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
Commission File Number: 333-114552

PROSPECT CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

43-2048643
(I.R.S. Employer Identification No.)

**10 East 40th Street
44th Floor
New York, New York**
(Address of principal executive offices)

10016
(Zip Code)

(212) 448-0702
(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐

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

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of October 31, 2008 was 29,637,928.

PROSPECT CAPITAL CORPORATION FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2008 TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	3
Item 1. FINANCIAL STATEMENTS	3
Consolidated Statements of Assets and Liabilities as of September 30, 2008 (Unaudited) and June 30, 2008 (Audited)	3
Consolidated Statements of Operations (Unaudited) - For the Three Months Ended September 30, 2008 and September 30, 2007	4
Consolidated Statements of Changes in Net Assets (Unaudited) - For the Three Months Ended September 30, 2008 and September 30, 2007	5
Consolidated Statements of Cash Flows (Unaudited) - For the Three Months Ended September 30, 2008 and September 30, 2007	6
Consolidated Schedule of Investments as of September 30, 2008 (Unaudited) and as of June 30, 2008 (Audited)	7
Notes to Consolidated Financial Statements (Unaudited)	23
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 3. Quantitative and Qualitative Disclosures About Market Risk	49
Item 4. Controls and Procedures	50
PART II. OTHER INFORMATION	50
Item 1. Legal Proceedings	50
Item 1A. Risk Factors	51
Item 2. Unregistered Sales in Equity Securities and Use of Proceeds	51
Item 3. Defaults Upon Senior Securities	51
Item 4. Submission of Matters to a Vote of Security Holders	51
Item 5. Other Information	51
Item 6. Exhibits	51
Signatures	53

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES September 30, 2008 and June 30, 2008 (in thousands, except share and per share data)

	September 30, 2008 (Unaudited)	June 30, 2008 (Audited)
Assets		
Investments at fair value (cost of \$559,727 and \$496,805, respectively, Note 3)		

Edgar Filing: PROSPECT CAPITAL CORP - Form 10-Q

Control investments (cost of \$204,064 and \$203,661, respectively)	\$ 202,324	\$ 205,827
Affiliate investments (cost of \$33,354 and \$5,609, respectively)	33,392	6,043
Non-control/Non-affiliate investments (cost of \$322,309 and \$287,535, respectively)	313,587	285,660
Total investments at fair value	549,303	497,530
Investments in money market funds	28,658	33,000
Cash	1,269	555
Receivables for:		
Interest	5,516	4,094
Dividends	230	4,248
Loan principal	63	71
Managerial assistance	382	380
Potential deal expenses	303	□
Other	232	187
Prepaid expenses	346	273
Deferred financing costs	1,416	1,440
Total Assets	587,718	541,778
Liabilities		
Credit facility payable	131,667	91,167
Dividends payable	11,882	11,845
Due to Prospect Administration (Note 7)	1,038	695
Due to Prospect Capital Management (Note 7)	8,631	5,946
Accrued expenses	994	1,104
Other liabilities	1,767	1,398
Total Liabilities	155,979	112,155
Net Assets	\$ 431,739	\$ 429,623
Components of Net Assets		
Common stock, par value \$0.001 per share (100,000,000 and 100,000,000 common shares authorized, respectively; 29,520,379 and 29,520,379 issued and outstanding, respectively)	\$ 30	\$ 30
Paid-in capital in excess of par	441,332	441,332
Undistributed net investment income	13,128	1,508
Accumulated realized losses on investments	(12,327)	(13,972)
Unrealized (depreciation) appreciation on investments	(10,424)	725
Net Assets	\$ 431,739	\$ 429,623
Net Asset Value Per Share	\$ 14.63	\$ 14.55

See notes to consolidated financial statements.

	For Three Months Ended	
	September 30, 2008	September 30, 2007
Investment Income		
Interest income:		
Control investments (Net of foreign withholding tax of \$47 and \$89, respectively)	\$ 6,722	\$ 5,063
Affiliate investments (Net of foreign withholding tax of \$0 and \$35, respectively)	560	667
Non-control/non-affiliate investments	10,274	7,102
Total interest income	17,556	12,832