PROSPECT CAPITAL CORP
Form 497
April 21, 2009

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 497(e)
Registration No. 333-143819

SUBJECT TO COMPLETION, DATED APRIL 21, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated March 18, 2009)

3,000,000 Shares

Common Stock

$ per share

Prospect Capital Corporation is a financial services company that lends to and invests in middle market, privately-held companies. We are organized as an externally-managed, non-diversified closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. Prospect Capital Management LLC manages our investments, and Prospect Administration LLC provides the administrative services necessary for us to operate.

We are offering 3,000,000 shares of our common stock. See Underwriting beginning on page S-15 of this prospectus supplement for more information regarding this offering. These shares are being offered at a discount from our most recently determined net asset value per share pursuant to authority granted by our stockholders at the annual meeting of stockholders held on February 12, 2009. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See Risk Factors beginning on page S-5 and Sales of Common Stock Below Net Asset Value on page S-10 of this prospectus supplement and on page 80 of the accompanying prospectus.

Our common stock is traded on the NASDAQ Global Select Market under the symbol PSEC. The last reported closing price for our common stock on April 20, 2009 was $8.23 per share, and our most recently determined net asset value per share was $14.43 as of December 31, 2008.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. This information is available free of charge by contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our Internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus.

Investing in our common stock involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement and on page 10 of the accompanying prospectus.

Neither the SEC nor any state securities commission, nor any other regulatory body, has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Sales Load (underwriting discounts and commissions)	$	$
Proceeds to Prospect Capital Corporation, before expenses(1)	$	$

(1) Before deducting estimated offering expenses payable by us of approximately $210,000.

The underwriters have the option to purchase up to an additional 450,000 shares of common stock at the public offering price, less the sales load (underwriting discount and commissions), within 30 days from the date of this prospectus supplement solely to cover over-allotments. If the over-allotment option is exercised in full, the total public offering price will be $, and the total sales load (underwriting discount and commissions) will be $. The proceeds to us would be $, before deducting estimated offering expenses payable by us of approximately $210,000.

The underwriters expect to deliver the shares to purchasers on or about April 27, 2009.

Fox-Pitt Kelton Cochran Caronia Waller **SunTrust Robinson Humphrey**

Joint Bookrunning Managers

Ladenburg Thalmann & Co. Inc.

Prospectus Supplement dated April , 2009

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition and results of operations may have changed since those dates. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in that prospectus.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

PROSPECTUS SUMMARY

This summary highlights some information from this prospectus supplement and the accompanying prospectus, and it may not contain all of the information that is important to you. To understand the terms of the common stock offered hereby, you should read this prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the shares we are offering. You should carefully read the sections titled Risk Factors in this prospectus supplement and in the accompanying prospectus and the documents identified in the section Available Information. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters over-allotment option

The terms we, us, our, Company, refer to Prospect Capital Corporation; Prospect Capital Management and Investment Advisor refer to Prospect Capital Management LLC; Prospect Administration and the Administrator refers to Prospect Administration LLC.

The Company

Prospect Capital Corporation is a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, project financing and recapitalization. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

Typically, we concentrate on making investments in companies with annual revenues of less than $500 million and enterprise values of less than $250 million. Our typical investment involves a secured loan of less than $50 million with some form of equity participation. From time to time, we acquire controlling interests in companies in conjunction with making secured debt investments in such companies. In most cases, companies in which we invest are privately held at the time we invest in them. We refer to these companies as target or middle market companies and these investments as middle market investments.

We seek to maximize total returns to our investors, including both current yield and equity upside, by applying rigorous credit analysis and asset-based and cash-flow based lending techniques to make and monitor our investments. A majority of our investments to date have been in energy-related industries. We have made no investments to date in the real estate or mortgage industries, and we do not intend currently to focus on such investments.

As of December 31, 2008, we held investments in 31 portfolio companies. The aggregate fair value as of December 31, 2008 of investments in these portfolio companies held on that date is approximately $555.6 million. Our portfolio across all our long-term debt and certain equity investments had an annualized current yield of 16.0% as of December 31, 2008. The yield includes interest as well as dividends.

Recent Developments

On January 20, 2009, we issued 148,200 shares of our common stock in connection with our dividend reinvestment plan.

On January 21, 2009, Diamondback Operating LP, or Diamondback, repaid the $9.2 million debt outstanding to us. We continue to hold net profit interests on this investment.

On February 12, 2009, our stockholders approved our ability to sell an unlimited number of shares of our common stock at any level of discount from net asset value, or NAV, per share during the twelve-month period following such approval.

On March 19, 2009, we sold 1,500,000 shares of our common stock directly to certain institutional investors at a price of $8.20 per share. While NAV has not been finally determined for any day after December 31, 2008, the sale of 1,500,000 shares at a price of $8.20 per share would have resulted in

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approximately 2.20% dilution immediately after that offering to our most recently determined NAV per share ($14.43 as of December 31, 2008). The shares were sold at a discount from our most recently determined NAV per share pursuant to authority granted by our stockholders at the annual meeting of stockholders held on February 12, 2009. We have calculated the pro-forma NAV per share at $14.07 after giving effect to the March 19, 2009 offering and the issuance of 148,200 and 214,455 shares of our common stock on January 20 and April 20, 2009, respectively, in connection with our dividend reinvestment plan.

On March 24, 2009, we declared a dividend for our third fiscal quarter (for the fiscal year ending June 30, 2009) of $0.405 per share. The dividend marks our 18th consecutive quarterly increase. The record date was as of March 31, 2009, and the payment date was April 20, 2009.

On March 24, 2009, we declared a dividend for our third fiscal quarter (for the fiscal year ending June 30, 2009) of $0.405 per share. The dividend marks the Company s 18th consecutive quarterly increase. The record date was as of March 31, 2009, and the payment date was Monday, April 20, 2009.

On April 20, 2009, we issued 214,455 shares of our common stock in connection with our dividend reinvestment plan.

The Offering

Common stock offered by us, excluding the underwriters over-allotment option	3,000,000 shares.
Common stock outstanding prior to this offering	31,500,583 shares.
Common stock outstanding after this offering, excluding the underwriters over-allotment option	34,500,583 shares.
Use of proceeds	We expect to use the net proceeds of this offering initially to maintain balance sheet liquidity, involving repayment of a portion of the amounts outstanding under our credit facility, investment in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. See Use of Proceeds in this prospectus supplement.
The NASDAQ Global Select Market symbol	PSEC
Risk factors	See Risk Factors in this prospectus supplement and the accompanying prospectus and other information in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before you decide whether to make an investment in shares of our common stock.

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Current distribution rate	For our third fiscal quarter of 2009, our Board of Directors declared a quarterly dividend of $0.405 per share, representing our 18th consecutive quarterly dividend increase and an annualized dividend yield of approximately 19% based on our April 20, 2009 closing stock price of $8.23 per share. Such dividend was payable out of earnings. Our dividend is subject to change or discontinuance at any time in the discretion of our Board of Directors. Our future earnings and operating cash flow may not be sufficient to support a dividend.

Fees and Expenses

The following tables are intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. In these tables, we assume that we have borrowed $200 million under our credit facility, which is the maximum amount available under the credit facility. Except where the context suggests otherwise, whenever this prospectus supplement contains a reference to fees or expenses paid by you, us or Prospect Capital, or that we will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses as an investor in the Company. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	4.75%(1)
Offering expenses borne by us (as a percentage of offering price)(2)	0.51%
Dividend reinvestment plan expenses(3)	None
Total stockholder transaction expenses (as a percentage of offering price)	5.26%
Annual expenses (as a percentage of net assets attributable to common stock):(4)	
Combined base management fee (3.04%)(5) and incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income) (2.80%)(6)	5.84%
Interest payments on borrowed funds	1.37%(7)
Other expenses	2.39%(8)
Total annual expenses	9.59%(6)(8)

Example

The following table demonstrates the projected dollar amount of cumulative expenses we would pay out of net assets and that you would indirectly bear over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above and that we pay the stockholder transaction costs shown in the table above.

	1 Year	**3 Years**	**5 Years**	**10 Years**
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 117.01	$ 242.40	$ 363.31	$ 647.07

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The income incentive fee under our Investment Advisory Agreement with Prospect Capital Management would be zero at the 5% annual return assumption required by the SEC for this table, since no incentive fee is paid until the annual return exceeds 7%. This illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors after such expenses, would be higher. In addition, while the example

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assumes reinvestment of all dividends and distributions at NAV per share participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of our future expenses. Actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

(1) The sales load (underwriting discounts and commissions) with respect to our common stock sold in this offering, which is a one time fee, is the only sales load paid in connection with this offering.

(2) The offering expenses of this offering are estimated to be approximately $300,000.

(3) The expenses of the dividend reinvestment plan are included in other expenses.

(4) Net assets attributable to our common stock equal net assets (i.e., total assets less liabilities other than liabilities for money borrowed for investment purposes) at December 31, 2008. See Capitalization in this prospectus supplement.

(5) Our base management fee is 2% of our gross assets (which include any amount borrowed, i.e., total assets without deduction for any liabilities). Assuming that we have borrowed $200 million (the size of our credit facility), the 2% management fee of gross assets equals 3.04% of net assets. See Management Management Services Investment Advisory Agreement in the accompanying prospectus and footnote 7 below.

(6) Based on an annualized level of incentive fee paid during our quarter ended December 31, 2008, all of which consisted of an income incentive fee. For a more detailed discussion of the calculation of the two-part incentive fee, see Management Management Services Investment Advisory Agreement in the accompanying prospectus.

(7) We may borrow additional money before and after the proceeds of this offering are substantially invested. After this offering, we will have an increased amount available for us under our $200 million credit facility. For more information, see Risk Factors Risks Relating To Our Business Changes in interest rates may affect our cost of capital and net investment income and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Operating Expenses Financial Condition, Liquidity and Capital Resources in the accompanying prospectus. The table above assumes that we have borrowed $200 million under our credit facility, which is the maximum amount available under the credit facility. If we do not borrow amounts following this offering, our base management fee, as a percentage of net assets attributable to common stock, will decrease from the percentage shown in the table above, as borrowings will not represent a portion of our overall assets.

(8) Other expense is based on our annualized expenses during our quarter ended December 31, 2008. See Management Management Services Administration Agreement in the accompanying prospectus.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and in the accompanying prospectus, together with all of the other information included in this prospectus supplement and in the accompanying prospectus, before you decide whether to make an investment in our common stock. The risks set forth below and in the accompanying prospectus are not the only risks we face. If any of the adverse events or conditions described below or in the accompanying prospectus occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV and the trading price of our common stock could decline, we could reduce or eliminate our dividend and you could lose all or part of your investment.

Recent developments may increase the risks associated with our business and an investment in us.

The U.S. financial markets have been experiencing a high level of volatility, disruption and distress, which was exacerbated by the failure of several major financial institutions in the last few months of 2008. In addition, the U.S. economy has entered a recession, which is likely to be severe and prolonged. Similar conditions have occurred in the financial markets and economies of numerous other countries and could worsen, both in the U.S. and globally. These conditions have raised the level of many of the risks described in the accompanying prospectus and could have an adverse effect on our portfolio companies as well as on our business, financial condition, results of operations, dividend payments, credit facility, access to capital, valuation of our assets and our stock price.

If we sell common stock at a discount to our NAV per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

We have obtained approval from our stockholders for us to be able to sell an unlimited number of shares of our common stock at any level of discount from NAV per share in certain circumstances during the one-year period ending February 12, 2009 as described in the accompanying prospectus. The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in NAV per share (as well as in the aggregate NAV of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see Sales of Common Stock Below Net Asset Value in this prospectus supplement and in the accompanying prospectus.

Failure to extend our existing credit facility could harm our results of operations and ability to pay expenses and make distributions.

The revolving period for our credit facility with Rabobank Nederland terminates June 6, 2009, with the outstanding principal balance on that date maturing on June 6, 2010. We are currently in negotiations with Rabobank Nederland to extend the revolving period and to increase the amount of this credit facility. While we are optimistic that we can successfully reach an agreement with Rabobank Nederland, we cannot provide assurances that we will be able to obtain an extension or an upsizing or that other terms, including pricing, will remain the same. If we are unable to extend the facility with Rabobank Nederland or find a new source of borrowing on acceptable terms, we will required to pay down the amounts outstanding under the facility during the one-year term-out period through (1) cash collections on our securities pledged under the facility, or (2) liquidation of some or all of our loans and other assets, either of which could have a material adverse effect on our results of operations and may force us to decrease or stop paying certain expenses and making distributions until the facility is repaid.

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USE OF PROCEEDS

The net proceeds from the sale of 3,000,000 shares of our common stock in this offering will be $ (or $ if the over-allotment option is exercised in full) after deducting estimated offering expenses of approximately $210,000 payable by us.

We expect to use the net proceeds of this offering initially to maintain balance sheet liquidity, involving repayment of a portion of the amounts outstanding under our credit facility, investment in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. The revolving period for our credit facility with Rabobank Nederland continues until June 6, 2009, with a term out maturity to June 6, 2010. Interest under our credit facility is charged at LIBOR plus 250 basis points. Additionally, Rabobank charges a fee on the unused portion of the facility equal to 37.5 basis points per annum, or 50.0 basis points per annum if that unused portion is greater than 50% of the total amount of the facility.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2008:

on an actual basis; and

on an as adjusted basis giving effect to our sale of 1,500,000 shares of our common stock on March 19, 2009, at a net price of 7.80 per share after deducting offering expenses of $600,000 payable by us and to additional borrowings under our credit facility; and

on an as further adjusted basis giving effect to the transactions noted in the prior column, to the sale of 3,000,000 shares in this offering, at a net price of $ per share after deducting estimated offering expenses of approximately $210,000 payable by us, and our receipt of the estimated net proceeds from this offering and to reductions of borrowings under our credit facility.

This table should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement and the accompanying prospectus.

	As of December 31, 2008 (In 000s, except shares and per share data)		
	Actual	As Adjusted for the March 19, 2009 Offering(1) (Unaudited)	As Further Adjusted for this Offering(2)(3)
Long-term debt, including current maturities:			
Borrowings under senior credit facility	$ 138,667	$ 145,263	$
Amount owed to affiliates	6,312	6,312	
Total long-term debt	144,979	151,575	
Stockholders equity:			
Common stock, par value $0.001 per share (100,000,000 common shares authorized; 29,637,928 shares outstanding actual, 31,137,928(4) shares outstanding as adjusted and 37,500,583 as further adjusted(5)	30	31	
Paid-in capital in excess of par value	442,838	454,537	
Undistributed net investment income(6)	13,122	13,122	
Accumulated realized losses on investments(6)	(12,311)	(12,311)	
Net unrealized depreciation on investments(6)	(15,876)	(15,876)	
Total stockholders equity	427,803	443,104	
Total capitalization	$ 572,782	$ 594,679	

(1)

As of March 18, 2009, we had approximately $145.3 million outstanding under our credit facility, representing an additional $6.6 million of borrowings subsequent to December 31, 2008.

(2) As of April 15, 2009 we had approximately $137.2 million outstanding under our credit facility, representing a $11.5 million reduction of borrowings subsequent to December 31, 2008 and a $8.1 million reduction from the borrowings on March 18, 2009.

(3) The Net proceeds from the sale of our common stock in this offering may be used to repay in part amounts outstanding under the credit facility.

(4) Excludes any shares issued upon the exercise of the underwriters over-allotment option.

(5) Includes 148,200 and 214,455 shares of our common stock issued on January 20 and April 20, 2009, respectively, in connection with our dividend reinvestment plan.

(6) As of December 31, 2008, excludes any adjustments related to dividends declared since December 31, 2008.

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DISTRIBUTIONS AND PRICE RANGE OF COMMON STOCK

We have paid and intend to continue to distribute quarterly dividends to our stockholders out of assets legally available for distribution. Our dividends, if any, will be determined by our Board of Directors. Certain amounts of the quarterly distributions may from time to time be paid out of our capital rather than from earnings for the quarter as a result of our deliberate planning or by accounting reclassifications although we intend that our cumulative distributions over the course of the year will not exceed our taxable income by more than an insignificant amount.

In order to maintain RIC tax treatment, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of:

98% of our ordinary income for the calendar year;

98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year; and

any ordinary income and net capital gains for preceding years that were not distributed during such years.

In December 2008, our Board of Directors elected to retain a portion of our profits generated in the quarter ended September 30, 2008 and pay a 4% excise tax on such retained earnings. The tax of $532,479 was paid during the quarter ended March 31, 2009.

In addition, although we currently intend to distribute realized net capital gains (which we define as net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may decide in the future to retain such capital gains for investment. In such event, the consequences of our retention of net capital gains are as described under Material U.S. Federal Income Tax Considerations in the accompanying prospectus. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

We maintain an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend then each stockholder s dividend will be automatically reinvested in additional shares of our common stock, unless the stockholder has specifically opted out of the dividend reinvestment plan so as to receive cash dividends. See Dividend Reinvestment Plan in the accompanying prospectus. To the extent prudent and practicable, we intend to declare and pay dividends on a quarterly basis.

With respect to the dividends paid to stockholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies were treated as taxable income and distributed to stockholders. For the fiscal year ended June 30, 2008, we paid total dividends of approximately $39.5 million. For the first three quarters of the fiscal year ending June 30, 2009, we paid total dividends of approximately $36.5 million.

Tax characteristics of all distributions will be reported to stockholders, as appropriate, on Form 1099-DIV after the end of the calendar year. Our ability to pay distributions could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

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Our common stock is quoted on the NASDAQ Global Select Market under the symbol PSEC. The following table sets forth, for the periods indicated, our NAV per share of common stock and the high and low closing prices per share of our common stock as reported on the NASDAQ Global Select Market. Our common stock historically trades at prices both above and below its NAV. There can be no assurance, however, that such premium or discount, as applicable, to NAV will be maintained. Common stock of business development companies, like that of closed-end investment companies, frequently trades at a discount to current NAV. Recently, our common stock has traded at a discount to our NAV, adversely affecting our ability to raise capital. The risk that our common stock may continue to trade at a discount to our NAV is separate and distinct from the risk that our NAV per share may decline.

		Stock Price		Premium (Discount) of High to NAV	Premium (Discount) of Low to NAV	Dividend Declared
	NAV(1)	High(2)	Low(2)			
Twelve Months Ending June 30, 2005						
First quarter	$ 13.67	$ 15.45	$ 14.42	13.0%	5.5%	
Second quarter	13.74	15.15	11.63	10.3%	(15.4)%	$ 0.100
Third quarter	13.74	13.72	10.61	(0.1)%	(22.8)%	0.125
Fourth quarter	14.59	13.47	12.27	(7.7)%	(15.9)%	0.150
Twelve Months Ending June 30, 2006						
First quarter	$ 14.60	$ 13.60	$ 11.06	(6.8)%	(24.2)%	$ 0.200
Second quarter	14.69	15.46	13.02	5.2%	(11.4)%	0.280
Third quarter	14.81	16.64	15.00	12.4%	1.3%	0.300
Fourth quarter	15.31	17.05	15.83	11.4%	3.4%	0.340
Twelve Months Ending June 30, 2007						
First quarter	$ 14.86	$ 16.77	$ 15.30	12.9%	3.0%	$ 0.380
Second quarter	15.24	18.79	15.60	23.3%	2.4%	0.385
Third quarter	15.18	17.78	16.40	17.1%	8.0%	0.3875
Fourth quarter	15.04	18.68	16.91	24.2%	12.4%	0.390
Twelve Months Ending June 30, 2008						
First quarter	$ 15.08	$ 18.68	$ 14.16	23.9%	(6.1)%	$ 0.3925
Second quarter	14.58	17.17	11.22	17.8%	(23.0)%	0.395
Third quarter	14.15	16.00	13.55	13.1%	(4.2)%	0.400
Fourth quarter	14.55	16.12	13.18	10.8%	(9.4)%	0.40125
Twelve Months Ending June 30, 2009						
First quarter	14.63	14.24	11.12	(2.7)%	(24.0)%	$ 0.4025
Second quarter	14.43	13.08	6.39	(9.4)%	(55.7)%	0.40375
Third quarter	(3)	12.89	6.38	(3)	(3)	0.405
Fourth Quarter (to 4/20/09)	(3)	9.22	8.23	(3)	(3)	

(1)

NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high or low sales price. The NAVs shown are based on outstanding shares at the end of each period.

(2) The High/Low Stock Price is calculated as of the closing price on a given day in the applicable quarter.

(3) NAV has not yet been finally determined for any day after December 31, 2008.

On April 20, 2009, the last reported sales price of our common stock was $8.23 per share, and our most recently determined NAV per share was $14.43 as of December 31, 2008. As of March 31, 2009, we had approximately 48 stockholders of record.

The below table sets forth each class of our outstanding securities as of March 31, 2009.

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(1) Title of Class	(2) Amount Authorized	(3) Amount Held by Registrant or for its Account	(4) Amount Outstanding Exclusive of Amount Shown Under(3)
Common Stock	100,000,000	0	48

SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our annual meeting of stockholders held on February 12, 2009, our stockholders approved our ability to sell an unlimited number of shares of our common stock at any level of discount from NAV per share during the 12 month period following such approval. In order to sell shares pursuant to this authorization, a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (a) find that the sale is in our best interests and in the best interests of our stockholders, and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount. We are also permitted to sell shares of common stock below NAV per share in rights offerings, although we will not do so under this prospectus.

The offering being made pursuant to this prospectus supplement is at a price below our most recently determined NAV per share. In making a determination that this offering is in our and our stockholders best interests, our Board of Directors considered a variety of factors including matters such as:

- the effect that the offering will have on our stockholders, including the potential dilution they may experience as a result of the offering;
- the amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;
- the relationship of recent market prices of our common stock, which were lower than the price at which shares are being offered, to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- whether the estimated offering price would closely approximate the market value of our shares;
- the potential market impact of being able to raise capital during the current financial market difficulties;
- the nature of any new investors anticipated to acquire shares in the offering;
- the anticipated rate of return on and quality, type and availability of investments; and
- the leverage available to us.

Our Board of Directors also considered the fact that sales of common stock at a discount will benefit our Investment Advisor as the Investment Advisor will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at a premium to NAV per share.

We will not sell shares under a prospectus supplement to the post-effective amendment to the registration statement of which this prospectus forms a part (the current amendment) if the cumulative dilution to our NAV per share from offerings under the current amendment exceeds 15%. This would be measured separately for each offering pursuant to the current amendment by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage from each offering. For example, if our most recently determined NAV at the time of the first offering is $15.00 and we have 30 million shares outstanding, sale of 6 million shares at net proceeds to us of $7.50 per share (a 50% discount) would produce dilution of 8.33%. If we subsequently determined that our NAV per share increased to $15.75 on the then 36 million shares outstanding and then made an additional offering, we could, for example, sell approximately an additional

7.2 million shares at net proceeds to us of $9.45 per share, which would produce dilution of 6.67%, before we would reach the aggregate 15% limit. If we file a new post-effective amendment, the threshold would reset.

On March 19, 2009, we sold 1,500,000 shares of our common stock directly to certain institutional investors at a price of $8.20 per share. While NAV has not been finally determined for any day after December 31, 2008, the sale of 1,500,000 shares at a price of $8.20 per share would have resulted in approximately 2.20% dilution immediately after that offering to our most recently determined NAV per share ($14.43 as of December 31, 2008). When taken together, it is estimated that our sale on March 19, 2009 and this offering will result in cumulative dilution of % to our most recently determined NAV.

Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different set of investors:

- existing stockholders who do not purchase any shares in the offering;
- existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and
- new investors who become stockholders by purchasing shares in the offering.

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Impact On Existing Stockholders Who Do Not Participate in the Offering

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increase.

The following chart illustrates the level of NAV dilution that would be experienced by a stockholder who does not participate in the offering. It is not possible to predict the level of market price decline that may occur. NAV has not been finally determined for any day after December 31, 2008. The table below is shown based upon the pro-forma NAV calculated by us taking into account the dilutive effects on our NAV per share of our March 19, 2009 sale noted above and our issuance of shares on January 20 and April 20, 2009 in connection with our dividend reinvestment plan. For purposes of illustration, the table below assumes that our December 31, 2008 NAV per share has been reduced by 2.50% to $14.07 per share as a result of the foregoing transactions, of which 2.20% is attributable to our March 19, 2009 sale.

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		$ 8.20	
Net Proceeds per Share to Issuer		$ 7.80	
Decrease to NAV			
Total Shares Outstanding	31,500,583	34,500,583	9.52%
NAV per Share	$ 14.07	$ 13.52	(3.92)%
Dilution to Nonparticipating Stockholder			
Shares Held by Stockholder A	31,501	31,501	0.00%
Percentage Held by Stockholder A	0.10%	0.09%	(8.70)%
Total NAV Held by Stockholder A	$ 443,104	$ 425,739	(3.92)%
Total Investment by Stockholder A (Assumed to be $14.43 per Share)		$ 443,104	
Total Dilution to Stockholder A (Total NAV Less Total Investment)		$ (17,364)	
Investment per Share Held by Stockholder A (Assumed to be $14.43 on Shares Held Prior to Sale)	$ 14.07	$ 14.07	0.00%
NAV per Share Held by Stockholder A		$ 13.52	
Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$ (0.55)	
Percentage Dilution to Stockholder A (NAV per Share Divided by Investment per Share)			(3.92)%

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Impact On Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in the offering or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who overparticipates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution and accretion in the offering for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,500 shares, which is 0.05% of the offering 3,000,000 shares rather than its 0.10% proportionate share) and (2) 150% of such percentage (i.e. 4,500 shares, which is 0.15% of the offering rather than its 0.10% proportionate share). NAV has not been finally determined for any day after December 31, 2008. The table below is shown based upon the pro-forma NAV calculated by us taking into account the dilutive effects on our NAV per share of our March 19, 2009 sale noted above and our issuance of shares on January 20 and April 20, 2009 in connection with our dividend reinvestment plan. For purposes of illustration, the table below assumes that our December 31, 2008 NAV per share has been reduced by 2.50% to $14.07 per share as a result of the foregoing transactions, of which 2.20% is attributable to our March 19, 2009 sale.

		50% Participation		150% Participation	
	Prior to Sale Below NAV	**Following Sale**	**% Change**	**Following Sale**	**% Change**
Offering Price					
Price per Share to Public		$ 8.20		$ 8.20	
Net Proceeds per Share to Issuer		$ 7.80		$ 7.80	
Decrease/Increase to NAV					
Total Shares Outstanding	31,500,583	34,500,583	9.52%	34,500,583	9.52%
NAV per Share	$ 14.07	$ 13.52	(3.92)%	$ 13.52	(3.92)%
Dilution/Accretion to Participating Stockholder					
Shares Held by Stockholder A	31,501	33,001	4.76%	46,001	14.29%
Percentage Held by Stockholder A	0.10%	0.09%	(4.35)%	0.10%	4.35%
Total NAV Held by Stockholder A	$ 443,104	$ 446,012	0.67%	$ 486,558	9.81%

Total Investment by Stockholder A (Assumed to be $14.43 per Share on Shares held Prior to Sale)		$ 455,403		$ 480,003	
Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)		$ (9,391)		$ 6,554	
Investment per Share Held by Stockholder A (Assumed to Be $14.43 on Shares Held Prior to Sale)	$ 14.07	$ 13.80	(3.61)%	$ 13.33	(5.21)%
NAV per Share Held by Stockholder A		$ 13.52		$ 13.52	
Dilution/Accretion per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$ (0.25)		$ 0.18	
Percentage Dilution/Accretion to Stockholder A (NAV per Share Divided by Investment per Share)			(3.66)%		1.37%

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Impact On New Investors

Investors who are not currently stockholders and who participate in an offering below NAV but whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by the issuer will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by the issuer being significantly less than the discount per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that will be experienced by a new investor who purchases the same percentage (0.10%) of the shares in the offering as the stockholder in the prior examples held immediately prior to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. It is not possible to predict the level of market price decline that may occur. NAV has not been finally determined for any day after December 31, 2008. The table below is shown based upon the pro-forma NAV calculated by us taking into account the dilutive effects on our NAV per share of our March 19, 2009 sale noted above and our issuance of shares on January 20 and April 20, 2009 in connection with our dividend reinvestment plan. For purposes of illustration, the table below assumes that our December 31, 2008 NAV per share has been reduced by 2.50% to $14.07 per share as a result of the foregoing transactions, of which 2.20% is attributable to our March 19, 2009 sale.

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		$ 8.20	
Net Proceeds per Share to Issuer		$ 7.80	
Decrease/Increase to NAV			
Total Shares Outstanding	31,500,583	34,500,583	9.52%
NAV per Share	$ 14.07	$ 13.52	(3.92)%
Dilution/Accretion to New Investor A			
Shares Held by Investor A	0	3,000	
Percentage Held by Investor A	0.00%	0.01%	
Total NAV Held by Investor A	$ 0	$ 40,546	
Total Investment by Investor A (At Price to Public)		$ 24,600	
Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)		$ 15,945	
Investment per Share Held by Investor A	$ 0.00	$ 8.20	
NAV per Share Held by Investor A		$ 13.52	

Dilution/Accretion per Share Held by Investor A (NAV per Share Less Investment per Share)	$	5.32	
Percentage Dilution/Accretion to Investor A (NAV per Share Divided by Investment per Share)			59.69%

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UNDERWRITING

Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC and SunTrust Robinson Humphrey, Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of Shares
Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC	
SunTrust Robinson Humphrey, Inc.	
Ladenburg Thalmann	
Total	3,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the shares to dealers at the public offering price less a concession not to exceed $ per share. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms. We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 450,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment.

We, our officers and directors, the Investment Adviser and the officers and directors of our Investment Adviser have agreed that, subject to certain exceptions, for a period of 30 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. The representatives may release any of the securities subject to these lock-up agreements at any time without notice.

If, during the period that begins on the date that is 15 calendar days plus three business days before the last day of the 30-day lock-up period and ends on the last day of the 30-day lock-up period, (1) we issue an earnings release, or material news or a material event relating to us occurs, or (2) prior to the expiration of the 30-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 30-day lock-up period, then the 30-day lock-up period will be extended until the expiration of the date that is 15 calendar days plus three business days after the date on which the issuance of the earnings release or the material news or material event occurs, unless we obtain a written waiver from the representatives.

Other

The common stock is listed on the NASDAQ Global Select Market under the symbol PSEC.

The following table shows the sales load (underwriting discounts and commissions) that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares of common stock.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

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In connection with the offering, Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC, on behalf of the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NASDAQ Global Select Market or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

In addition, in connection with this offering, some of the underwriters (and selling group members) may engage in passive market making transactions in the common stock on the NASDAQ Global Select Market, prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the NASDAQ Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker s average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. If the underwriters commence passive market making transactions, they may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be $210,000.

The underwriters may perform investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

This offering is being conducted in accordance with Rule 5110 of the Conduct Rules of the FINRA.

The addresses of the underwriters are: Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC, 420 Fifth Avenue, 5th Floor, New York, NY 10001; SunTrust Robinson Humphrey, Inc. 303 Peachtree Street, NE, Atlanta, GA 30308; and Ladenburg Thalman & Co. Inc., 520 Madison Avenue, New York, NY 10022.

LEGAL MATTERS

Certain legal matters regarding the common stock offered hereby have been passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, and Venable LLP as special Maryland counsel. Certain legal matters will be passed upon for the underwriters by Clifford Chance US LLP, New York, New York. Clifford Chance US LLP will rely as to certain matters of Maryland law upon Venable LLP.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO Seidman LLP is the independent registered public accounting firm for the Company.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act of 1933, with respect to our common stock offered by this prospectus supplement. The registration statement contains additional information about us and the common stock being registered by this prospectus supplement. We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information and the information specifically regarding how we voted proxies relating to portfolio securities for the period ended June 30, 2008, are available free of charge by contacting us at 10 East 40th Street, 44th floor, New York, NY 10016 or by telephone at toll-free (888) 748-0702. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC s Internet site at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

No dealer, salesperson or other individual has been authorized to give any information or to make any representation other than those contained in this prospectus supplement and, if given or made, such information or representations must not be relied upon as having been authorized by us or the underwriters. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained herein is correct as of any time subsequent to the date hereof.

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Prospectus dated March 18, 2009

$500,000,000
PROSPECT CAPITAL CORPORATION
Common Stock
Preferred Stock
Debt Securities
Warrants

We may offer, from time to time, in one or more offerings or series, together or separately, up to $500,000,000 of our common stock, preferred stock, debt securities or rights to purchase shares of common stock, preferred stock or debt securities, collectively, the Securities, to provide us with additional capital. Securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our Securities.

We may offer shares of common stock at a discount to net asset value per share in certain circumstances. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share.

Our Securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our Securities through agents, underwriters or dealers without delivery of the prospectus and a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The NASDAQ Global Select Market under the symbol PSEC. As of March 17, 2009, the last reported sales price for our common stock was $7.61.

Prospect Capital Corporation, or the Company, is a company that lends to and invests in middle market privately-held companies. Prospect Capital Corporation, a Maryland corporation, has been organized as a closed-end investment company since April 13, 2004 and has filed an election to be treated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act, and is a non-diversified investment company within the meaning of the 1940 Act.

Prospect Capital Management LLC, our investment adviser, manages our investments and Prospect Administration LLC, our administrator, provides the administrative services necessary for us to operate.

Investing in our Securities involves a heightened risk of total loss of investment and is subject to risks. Before buying any Securities, you should read the discussion of the material risks of investing in our Securities in Risk Factors beginning on page 10 of this prospectus.

This prospectus contains important information about us that you should know before investing in our Securities. Please read it before making an investment decision and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. This information will be available free of charge by writing to Prospect Capital Corporation at 10 East 40th Street, 44th Floor, New York, NY 10016, or by calling collect at 212-448-0702. Our Internet address is http://www.prospectstreet.com. You may also obtain information about us from the SEC s website (http://www.sec.gov).